

YORKHILL HOUSING ASSOCIATION LIMITED
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2019

**Registered with the Financial Conduct Authority
Co-operative and Community Benefit Societies Act 2014 No. 02302RS**

**Registered Housing Association - Housing (Scotland) Act 2010 Registered Number HCB 209
Registered Scottish Charity Number SC040346**

YORKHILL HOUSING ASSOCIATION LIMITED

MANAGEMENT COMMITTEE, EXECUTIVES AND PROFESSIONAL ADVISORS

Management committee

H Fitzgerald
R Winning

Chairperson to 23 August 2018

Treasurer

Secretary from 23 Aug 2018

Vice Chair

Secretary to 23 August 2018

Chairperson from 23 Aug 2018

C Armstrong
Dr M Green

P Braat (co-optee)

B Docherty

G Mattu

J Gordon

K White

N McPherson

P Marsden

G McEwan (co-optee)

Executive officers

Marion Menabney

Gary Watson (appointed Aug 2018)

Margaret Gillespie (resigned Sep 18)

Pauline Hollinsworth

Stewart Pattison

Robert Calvert

Rhona Gallacher (resigned July 18)

Chief Executive

Finance Manager

Finance Manager

Director of Property Services

Compliance Manager

Property Services Manager

Senior Housing Officer

Registered Office

1271 Argyle Street

Glasgow

G3 8TH

Auditor

Scott-Moncrieff

Chartered Accountants

Statutory Auditor

25 Bothwell Street

Glasgow

G2 6NL

Solicitors

TC Young & Son

7 West George Street

Glasgow

G2 1BA

Bankers

Bank of Scotland

258/262 Dumbarton Road

Glasgow

G11 6TU

YORKHILL HOUSING ASSOCIATION LIMITED

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**REPORT OF THE MANAGEMENT COMMITTEE (INCORPORATING THE STRATEGIC REPORT)
FOR THE YEAR ENDED 31 MARCH 2019**

The Management Committee present their report (incorporating the Strategic Report) and the financial statements for the year ended 31 March 2019.

Principal Activities

The principal activities of the Association include:

- Provision and management of rented accommodation (456); and
- Management of properties on behalf of other owners.

Review of business and future prospects

The results for the year are set out in the Statement of Comprehensive Income on page 9. The surplus has been added to reserves brought forward.

Future Plans

The Association carries out an annual review each year to look to the future of the organisation and to prepare a 1–3 year future plan. The senior management team then progress the plan and the Finance Manager prepares budgets and cash flows to ensure the financial viability and stability of the plan.

Key objectives within the current plan include:

- Assurance – Regulatory compliance is a key principle of the Association's purpose and business planning. The Association is preparing to issue its first Regulatory Assurance statement in October 2019.
- Customer Engagement – The Association plans to develop a participation strategy comprising small groups of residents to review policy and practice issues across a range of activities. These include: allocations, environmental improvements, affordability and investment programme standards.
- Rent Equalisation – The Association plans to establish a rent equalisation programme in respect of former GHA properties where rent levels have not been calculated in accordance with YHA's rent setting policy.
- Affordability – Following last year's focus on affordability in relation to rent increase levels, the Association plans to develop an Affordability and Value Strategy to ensure relevant policies and practices span across all business activities
- Freedom of Information Act – The Association is working towards achieving full compliance with the provisions of the legislation by November 2019.
- Allocations – In accordance with the requirements of the 2014 Housing Act, the Association is reviewing its allocations policy during 2019
- Common Housing Register – The Register remained suspended during 2018-19. Once Glasgow City Council issues the terms of its reinstatement, Association will assess the cost effectiveness of its continuing participation.

Risk and uncertainties

The Social Housing Sector faces significant challenges due to the changes arising from Welfare Reform and other political changes currently affecting the country. In order to minimise these risks for the Association, it will remain a priority of the Association to maintain a strong and robust financial position.

Up until the end of the 31 March 2018 year end, the SHAPS pension Scheme was accounted for as a defined contribution scheme. From 1 April 2018, information became available in order to separate out the assets and liabilities between scheme members and thus SHAPS is accounted for as a defined benefit pension scheme from 1 April 2018 onwards.

Financial and non-financial key performance indicators

The Association's current strategic plan covering a 5 year period contains the following 7 organisational objectives:

- To be genuinely controlled by local residents and accountable to the community;
- To provide good quality rented accommodation to those in greatest housing need;
- To provide a responsive effective property management service to tenants and owners;
- To maintain the organisation's long-term viability and financial effectiveness;
- To ensure that all customers of the organisation are given the same high quality of service and that no sector of the community suffers from adverse discrimination; and
- To ensure that all customers of the organisation are consulted on projects, advised regularly on performance and continually asked how satisfied they are with service provided.
- To ensure the Association is fully compliant with its constitutional, regulatory and legal obligations.

To date the Association has been successful in achieving its strategic objectives and has achieved the following during 2018-19:

- Investment Planning – The Association's Investment Programme has been reviewed and updated to ensure projected component replacement schemes reflect appropriate specification standards, tenant choices where possible and funding capacity.
- Viability and Value – The Association completed procurement exercises for External and Internal Audit services to ensure ongoing value from service providers
- Regulatory Compliance - A programme of ongoing self-assessment of the Regulatory Framework has been established. Compliance weaknesses have been identified and improved. An Evidence Register has been developed and approved by the Management Committee.
- Legal Compliance – The Association achieved compliance with new requirements relating to the 2014 Housing (Scotland) Act and GDPR
- Communication - 3 Newsletters were issued to all residents, these included information on YHA services, policy changes, investment programmes, legal or regulatory issues, Committee and staff information and new or ongoing projects.
- The Association continues to operate a robust Complaints Handling Procedure in accordance with SPSO guidance. The Management Committee receive regular reports which include service improvements implemented as a result of complaints. Summary complaint reports are posted on the website.

Governance

Governing Document

The Association as a social landlord is registered with the Scottish Housing Regulator, OSCR and the Financial Conduct Authority.

Recruitment and Appointment of the Management Committee

One third of the Management Committee retire by rotation annually at the Annual General Meeting. They can then be nominated for re-election.

The Management Committee ensures all stakeholder requirements are addressed by having a diverse Board and Committee structure. The Association seeks to have a pool of members with a wide range of skills. However, the Association's training policy and annual appraisal systems assist in ensuring the Members receive the required training to enable them to keep up to date with all legal and internal policies, procedures and requirements of stakeholders.

Governance (continued)

The Association endeavours to have a diverse range of Management Committee members who can bring their own skills to the Committee. This is achieved by direct contact with residents within the Yorkhill area as well as by networking and identifying members who could bring their own skills and experience to the Association's Management Committee.

Management Committee Members and Training

Newly elected Management Committee members receive an induction programme consisting of governance issues, finance policy and financial statements, introduction to the Housing Association framework, asset management and regulation and monitoring.

Organisational Structure

The Management Committee consists of 12 board members, 10 elected and 2 co-optees. The Management Committee meet 10 times per year. There is also a governance and finance sub-committee and a services sub-committee, who meet six weekly and report directly to the Management Committee.

Delegated authority is in place and day to day responsibility for the provision of services rests with the Chief Executive. The Chief Executive is responsible for ensuring that the Association delivers the services specified and that key performance indicators are met.

Management committee and executive officers

The Management Committee and executive officers of the Association are listed on the Association's information page at the start of the financial statements.

Each member of the Management Committee holds one fully paid share of £1 in the Association. The executive officers of the Association hold no interest in the Association's share capital and although not having the legal status of directors they act as executives within the authority delegated by the committee.

Statement of management committee's responsibilities

Statute requires the Management Committee to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Association and of the income or expenditure of the Association for the year ended on that date. In preparing these financial statements, the Management Committee is required to:

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

The Management Committee is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Association. They are also responsible for safeguarding the assets of the Association and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Related party transactions

Some members of the Management Committee are tenants or owner occupiers, however, the policies, procedures and agreements in place do not allow them to use their position on the committee to their personal advantage.

Related party transactions are documented at note 25.

**REPORT OF THE MANAGEMENT COMMITTEE (INCORPORATING THE STRATEGIC REPORT)
FOR THE YEAR ENDED 31 MARCH 2019**

Internal financial control

The Committee is responsible for the Association's system of internal financial control, and has reviewed its effectiveness from information provided by management staff.

Any system can only provide reasonable and not absolute assurance against material mis-statement or loss.

The financial control system within the Association is fundamentally simple and appropriate to the size and complexity of the organisation. It includes a combination of regular review of financial results compared with an agreed budget and authorisation of all expenditure by senior staff and Committee.

Disclosure of information to the auditor

To the knowledge and belief of each of the persons who are members of the Management Committee at the time the report is approved:

- So far as the Committee members are aware, there is no relevant information of which the Association's auditor is unaware; and
- He/she has taken all the steps that he/she ought to have taken as a Committee member in order to make himself/herself aware of any relevant information, and to establish that the Association's auditor is aware of the information.

Auditor

A resolution to re-appoint Scott-Moncrieff, Chartered Accountants as auditor will be put to the members at the Annual General Meeting.

The Report of the Management Committee (incorporating the Strategic Report) has been approved by the Management Committee and signed on its behalf by:



**R Winning
Secretary**

Date: 15 August 2019

YORKHILL HOUSING ASSOCIATION LIMITED

**MANAGEMENT COMMITTEE'S STATEMENT ON INTERNAL FINANCIAL CONTROLS
FOR THE YEAR ENDED 31 MARCH 2019**

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

These controls are designed to give reasonable assurance with respect to:

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

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

- formal policies and procedures are in place, including the documentation of key systems and rules relating to the delegation of authorities, which allow the monitoring of controls and restrict the unauthorised use of the Association's assets;
- experienced and suitably qualified staff take responsibility for important business functions, and annual appraisal procedures have been established to maintain standards of performance;
- forecasts and budgets are prepared regularly, which allow the Management Committee and staff to monitor the key business risks and progress towards financial plans set for the year and medium term; regular management accounts are prepared timeously, providing relevant, reliable and up to date financial and other information and significant variances from budget are investigated where appropriate;
- all significant new initiatives, major commitments and investment projects are subject to formal authorisation procedures;
- the Management Committee reviews reports from the Chief Executive, staff and the external and internal auditor to provide reasonable assurance that control procedures are in place and are being followed; and
- formal procedures have been established for instituting appropriate action to correct weaknesses identified from the above reports.

The Management Committee has confirmed the existence of the system of internal financial control in the Association for the year ended 31 March 2019.

By order of the Management Committee



M Green
Chairperson

Dated: 15 August 2019

YORKHILL HOUSING ASSOCIATION LIMITED

**REPORT OF THE AUDITOR TO THE MANAGEMENT COMMITTEE ON CORPORATE GOVERNANCE
MATTERS FOR THE YEAR ENDED 31 MARCH 2019**

In addition to our audit of the Financial Statements, we have reviewed your statement on page 5 concerning the Association's compliance with the information required by the Regulatory Standards 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 on corporate governance matters within Bulletin 2009/4 issued by the Financial Reporting Council. The Bulletin does not require us to review the effectiveness of the Association's procedures for ensuring compliance with the guidance notes, nor to investigate the appropriateness of the reason given for non-compliance.

Opinion

In our opinion the Statement on Internal Financial Control on page 5 has provided the disclosures required by the relevant Regulatory Standards within the publication "Our Regulatory Framework" and associated Regulatory Advisory Notes issued by the Scottish Housing Regulator in respect of internal financial controls and is consistent with the information which came to our attention as a result of our audit work on the Financial Statements.

Through our enquiry of certain members of the Management Committee and officers of the Association and examination of relevant documents, we have satisfied ourselves that the Management Committee's Statement on Internal Financial Control appropriately reflects the Association's compliance with the information required by the relevant Regulatory Standards in respect of internal financial controls contained within the publication "Our Regulatory Framework" and associated Regulatory Advisory Notes issued by the Scottish Housing Regulator in respect of internal financial controls.



Scott-Moncrieff
Chartered Accountants
Statutory Auditor
25 Bothwell Street
Glasgow
G2 6NL

Dated: 15 August 2019

Opinion

We have audited the financial statements of Yorkhill Housing Association Limited (the Association) for the year ended 31 March 2019 which comprise the Statement of Comprehensive Income, the Statement of Changes in Capital and Reserves, the Statement of Financial Position, 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 Association's affairs as at 31 March 2019 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 Co-operative and Community Benefit Societies Act 2014, Part 6 of the Housing (Scotland) Act 2010 and the Determination of Accounting Requirements 2014 issued by the Scottish Housing Regulator.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Association in accordance with the ethical requirements that are relevant to our audit of the financial statements in the 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 Management Committee's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Management Committee has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Association's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The Management Committee are responsible for the other information. Our opinion on the financial statements does not cover the other information and 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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF YORKHILL HOUSING ASSOCIATION LIMITED ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019

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 require us to report to you if, in our opinion:

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

Responsibilities of the Management Committee

As explained more fully in the Statement of the Management Committee's Responsibilities set out on page 3, the Management Committee is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Management Committee determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

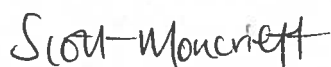
We have been appointed as auditor under the Co-operative and Community Benefit Societies Act 2014 and report in accordance with the Act and relevant regulations made or having effect thereunder.

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 Association's members, as a body, in accordance with Section 87 of the Co-operative and Community Benefit Societies Act 2014. Our audit work has been undertaken so that we might state to the Association's members, 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 Association and the Association's members, as a body, for our audit work, for this report, or for the opinions we have formed.



Scott-Moncrieff, Statutory Auditor
Eligible to act as an auditor in terms of Section 1212 of the Companies Act 2006
Chartered Accountants
25 Bothwell Street
Glasgow
G2 6NL

Date: 15 August 2019

YORKHILL HOUSING ASSOCIATION LIMITED

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2019**

	Notes	2019 £	2018 £
Turnover	4	2,134,651	2,112,798
Operating Expenditure	4	(1,940,158)	(1,699,820)
Operating surplus	4	194,493	412,978
(Loss) on disposal of property, plant and equipment		-	(26,853)
Interest receivable	10	10,493	8,437
Interest payable and financing costs	11	(50,057)	(61,147)
Surplus for the year before taxation		154,929	333,415
Taxation	12	-	-
Surplus for the year		154,929	333,415
Other comprehensive income			
Initial recognition of multi-employer defined benefit scheme	24	(81,360)	-
Actuarial gain in respect of pension scheme	24	59,000	-
Fair value gain on investment properties		-	46,255
Total comprehensive income for the year		132,569	379,670

The results for the year relate wholly to continuing activities.

The notes on pages 13 to 34 form part of these financial statements.

YORKHILL HOUSING ASSOCIATION LIMITED

STATEMENT OF CHANGES IN CAPITAL AND RESERVES
AS AT 31 MARCH 2019

	Share Capital £	Revenue Reserves £	Total Reserves £
Balance at 1 April 2018	130	2,691,952	2,692,082
Total comprehensive income for the year	-	132,569	132,569
Issue of share capital	7	-	7
Cancellation of share capital	(11)	-	(11)
Balance at 31 March 2019	126	2,824,521	2,824,647

STATEMENT OF CHANGES IN CAPITAL AND RESERVES
AS AT 31 MARCH 2018

	<i>Share Capital £</i>	<i>Revenue Reserves £</i>	<i>Total Reserves £</i>
Balance at 1 April 2017	134	2,312,282	2,312,416
Total comprehensive income for the year	-	379,670	379,670
Issue of share capital	-	-	-
Cancellation of share capital	(4)	-	(4)
Balance at 31 March 2018	130	2,691,952	2,692,082

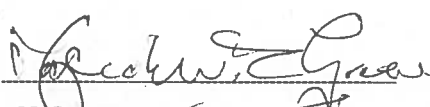
The notes on pages 13 to 34 form part of these financial statements.

YORKHILL HOUSING ASSOCIATION LIMITED

STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2019

	Notes	2019 £	2018 £
Tangible fixed assets			
Housing properties	14a	7,696,030	7,985,970
Other fixed assets	14b	466,635	473,644
		<u>8,162,665</u>	<u>8,459,614</u>
Current assets			
Debtors	15	221,303	200,820
Cash at bank and in hand	16a	278,988	98,588
Investments	16b	2,229,559	2,248,549
		<u>2,729,850</u>	<u>2,547,957</u>
Creditors			
Amounts falling due within one year	17	(1,129,843)	(1,099,323)
		<u>1,600,007</u>	<u>1,448,634</u>
Net current assets			
		<u>9,762,762</u>	<u>9,908,248</u>
Total assets less current liabilities			
Creditors			
Amounts falling due after more than one year	18	(6,590,025)	(7,216,166)
Pension – defined benefit liability	24	(348,000)	-
		<u>2,824,647</u>	<u>2,692,082</u>
Net Assets			
Capital and reserves			
Called up share capital	21	126	130
Revenue reserves	22	2,824,521	2,691,952
		<u>2,824,647</u>	<u>2,692,082</u>

The financial statements were authorised for issue by the Management Committee on 15 August 2019 and signed on its behalf by:


M Green
Chairperson


R Winning
Secretary


C Armstrong
Vice Chair

The notes on pages 13 to 34 form part of these financial statements.

YORKHILL HOUSING ASSOCIATION LIMITED

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2019**

	Notes	2019 £	2018 £
Net cash generated from operating activities	23	543,229	430,924
Cash flow from investing activities			
Purchase of fixed assets		(181,713)	(199,803)
Purchase of other fixed assets		(11,676)	(327)
Proceeds from sale of tangible fixed assets		-	52,710
Government capital grants received		5,559	14,509
Grants repaid on disposals		-	(51,052)
Interest received		10,493	8,437
		<u>(177,337)</u>	<u>(175,526)</u>
Cash flow from financing activities			
Interest paid		(50,057)	(61,147)
Repayment of borrowings		(65,935)	(164,130)
Issue of share capital		7	-
Transfer to current asset investments		18,990	(41,297)
SHAPS Past service deficit payment		(88,497)	
		<u>(185,492)</u>	<u>(266,574)</u>
Net change in cash and cash equivalents		180,400	(11,176)
Cash and cash equivalents at 1 April	16a	98,588	109,764
Cash and cash equivalents at 31 March	16a	278,988	98,588

The notes on pages 13 to 34 form part of these financial statements.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2019**

1. General information

These financial statements are presented in Pounds Sterling (GBP), as that is the currency in which the Association's transactions are denominated. They comprise the financial statements of Yorkhill Housing Association drawn up for the year ended 31 March 2019.

The Association is defined as a public benefit entity and thus the Association complies with all disclosure requirements relating to public benefit entities. The Association is a registered social landlord in Scotland and its registered number is HCB 209.

The Association's Scottish Charity number is SC040346. The address of the Association's registered office is: 1271 Argyle Street, Glasgow, G3 8TH.

2. Accounting policies

Basis of accounting

The financial statements are prepared on the historical cost basis of accounting subject to the revaluation of certain fixed assets and in accordance with United Kingdom Accounting Standards including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice) and comply with the requirements of the Determination of Housing Requirements 2014 as issued by the Scottish Housing Regulator and the Statement of Recommended Practice for Social Housing Providers issued in 2014. The Association has taken advantage of the provisions made available through Financial Reporting Exposure Draft (FRED) 71, "Draft amendments to FRS 102 on Multi-employer defined benefit plans". These provisions will become effective as part of FRS 102 for accounting periods commencing on or after 1 January 2020, however the Association has chosen to early adopt these provisions for the current accounting period. Therefore for the year ended 31 March 2018, SHAPS was accounted for as a defined contribution scheme although the past service deficit liability was recognised as a liability. For the year ended 31 March 2019, SHAPS is accounted for as a defined benefit pension liability with the adjustment to reflect the movement between the past service deficit liability at 1 April 2018 and the SHAPS defined benefit liability at 1 April 2018 and the SHAPS defined benefit liability at 1 April 2018 being recognised within Other Comprehensive Income in the Statement of Comprehensive Income as outlined in FRED 71. Further details in respect of this inconsistent treatment can be found in Note 24 to these financial statements.

The effect of events relating to the year ended 31 March 2019, which occurred before the date of approval of the financial statements by the Management Committee have been included in the statements to the extent required to show a true and fair view of the state of affairs as at 31 March 2019 and of the results for the year ended on that date.

Going Concern

The Management Committee anticipate that a surplus will be generated in the year to 31 March 2020, and also expected to be generated from the year to 31 March 2021. The Association has a healthy cash balance and net current asset position and thus the Management Committee is satisfied that there are sufficient resources in place to continue operations in the foreseeable future. Thus the Management Committee continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Turnover

Turnover represents rental and service charge income, factoring service income, and fees or revenue grants receivable from Glasgow City Council and from the Scottish Government.

Income from rental and service charges, factoring and commercial letting activities is recognised when the association is entitled to it, it is probable it will be received and it can be measured reliably.

Income from revenue grants receivable have been covered in a separate accounting policy below.

2. Accounting policies(continued)

Apportionment of management expenses

Direct employee, administration and operating costs have been apportioned to the relevant sections of the income and expenditure account on the basis of costs of staff directly attributable to the operations dealt with in the financial statements.

Interest receivable

Interest receivable is recognised in the Statement of Comprehensive Income using the effective interest method.

Interest payable

Finance costs are charged to the Statement of Comprehensive Income over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

Government capital grants

Government capital grants, amounts approved by The Scottish Government or local authorities, are paid directly to the Association as required to meet its liabilities during the development process. This is treated as a deferred capital grant and is released to income in accordance with the accrual model over the useful life of the asset it relates to on completion of the development phase. The accrual model requires the Association to recognise income on a systematic basis over the period in which the Association recognises the related costs for which the grant is intended to compensate.

Government revenue grants

Government revenue grants are recognised using the accrual model which means the Association recognises the grant in income on a systematic basis over the period in which the Association recognises the related costs for which the grant is intended to compensate.

Non-government capital and revenue grants

Non-government capital and revenue grants are recognised using the performance model. If there are no performance conditions attached the grants are recognised as revenue when the Association is entitled to them. It is probable they will be received and they can be measured reliably.

A grant that imposes specific future performance related conditions on the recipient is recognised as revenue only when the performance related conditions are met.

A grant received before the revenue recognition criteria are satisfied is recognised as a liability.

Fixed assets - Housing properties

Housing properties are stated at cost less accumulated depreciation. The development cost of housing properties includes:

1. Cost of acquiring land and buildings
2. Development expenditure including administration costs

These costs are either termed "qualifying costs" by The Scottish Government for approved social housing grant schemes and are considered for mortgage loans by the relevant lending authorities or are met out of the Association's reserves.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2019

2. Accounting policies (continued)

All invoices and architects' certificates relating to capital expenditure incurred in the year at gross value before retentions are included in the accounts for the year, provided that the dates of issue or valuation are prior to the year-end.

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

Depreciation

1. Housing properties

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

Land	- not depreciated
Kitchens	- over 15 years
Bathrooms	- over 15 years
Structure	- over 50 years
Boilers	- over 12 years
Central heating	- over 24 years
Gutters	- over 20 years
Windows	- over 20 years
Tiles	- over 40 years
Lifts	- over 15 years
Flashings	- over 30 years

2. Other fixed assets

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

The following rates have been used:

Furniture, Fittings & Equipment	- 20% straight line
Office Property	- over 50 years

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

Investment property

Investment properties are initially recorded at cost. Thereafter investment properties are held at market value with any changes in market value recognised in the Statement of Comprehensive Income. The investment properties are not depreciated.

Debtors

Short term debtors are measured at transaction price, less any impairment.

Creditors

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

2. Accounting policies (continued)

Rental arrears

Rental arrears represent amounts due by tenants for rental of social housing properties at the year end. Rental arrears are reviewed regularly by management and written down to the amount deemed recoverable. Any provision deemed necessary is shown alongside gross rental arrears in note 15.

Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

Financial instruments

The Association only enters into basic financial instruments transactions that result in the recognition of financial assets and liabilities like trade and other accounts receivable and payable and loans.

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at the present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade payables or receivables, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration, expected to be paid or received. However if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or financed at a rate of interest that is not a market rate or in case of an out-right short-term loan not at market rate, the financial asset or liability is measured, initially, at the present value of the future cash flow discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost.

Financial assets are derecognised when contractual rights to the cash flows from the assets expire, or when the Association 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.

Pension costs (note 24)

The Association participates in The Scottish Housing Associations' Defined Benefits Pension Scheme (SHAPS) and retirement benefits to employees of the Association are funded by the contributions from all participating employers and employees in the scheme. Payments are made in accordance with periodic calculations by consulting actuaries and are based on pension costs applicable across the various participating Associations taken as a whole.

Up until 31 March 2018, it was not possible to identify the share of underlying assets and liabilities belonging to individual participating employers. Thus, up until the end of the 31 March 2018 year end, the Scheme was accounted for as a defined contribution scheme. However the Association entered into a past service deficit repayment agreement with TPT and per FRS 102, this discounted past service deficit liability was recognised in the Statement of Financial Position.

From 1 April 2018, information became available in order to separate out the assets and liabilities between scheme members and thus the SHAPS defined benefit pension liability is accounted for as a defined benefit pension scheme from 1 April 2018 onwards. In accordance with FRS 102 section 28, the operating and financing costs of pension and post retirement schemes (determined by TPT) are recognised separately in the Statement of Comprehensive Income. Service costs are systematically spread over the service lives of the employees and financing costs are recognised in the period in which they arise. The difference between actual and expected returns on assets during the year, including changes in the actuarial assumptions, is recognised in Other Comprehensive Income.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2019

3. Judgements in applying policies and key sources of estimation uncertainty

In preparing the financial statements, management is required to make estimates and assumptions which affect reported income, expenses, assets, and liabilities. Use of available information and application of judgement are inherent in the formation of estimates, together with past experience and expectations of future events that are believed to be reasonable under the circumstances. Actual results in the future could differ from such estimates.

The Management Committee are satisfied that the accounting policies are appropriate and applied consistently. Key sources of estimation have been applied as follows:

Estimate	Basis of estimation
Valuation of housing properties	Housing properties are held at deemed cost on existing use valuations at the date of transition to FRS102 in April 2014.
Useful lives of property and equipment	The useful lives of property and equipment are based on the knowledge of senior management at the Association, with reference to expected asset life cycles.
The main components of housing properties and their useful lives	The cost of housing properties is split into separately identifiable components. These components were identified by knowledgeable and experienced staff members and based on costing models.
Recoverable amount of rental and other trade receivables	Rental arrears and other trade receivables are reviewed by appropriately experienced senior management team members on a case by case basis with the balance outstanding together with the payment history of the individual tenant being taken into account.
The obligations under the SHAPs pension scheme	This has relied on the actuarial assumptions of a qualified actuary which have been reviewed and are considered reasonable and appropriate. Additionally, the impact of Guaranteed Minimum Pension (GMP) equalisation has been included in the SAAPS defined benefit liability.
The valuation of investment properties	The investment property was valued by an appropriate employee surveyor using market data at the date of valuation.

4. Particulars of turnover, operating expenditure and operating surplus

	Notes	Turnover £	Operating Expenditure £	2019 Operating Surplus £	Turnover £	Operating Expenditure £	2018 Operating Surplus £
Social lettings	5	2,058,825	1,866,335	192,490	2,030,117	(1,640,091)	390,026
Other activities	6	75,826	73,823	2,003	82,681	(59,729)	22,952
Total		2,134,651	1,940,158	194,493	2,112,798	(1,699,820)	412,978

YORKHILL HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2019

	General Needs Housing £	Commercial £	Supported Housing £	Shared Ownership £	Other £	2019 Total £	2018 Total £
5 Particulars of income and expenditure from social lettings							
Income from rent and service charges							
Rent receivable net of service charges	1,680,830	11,128	-	-	-	1,691,958	1,642,690
Service charges	83,204	-	-	-	-	83,204	73,298
Gross income from rents and service charges	1,764,034	11,128	-	-	-	1,775,162	1,715,988
Less: Voids	(13,511)	-	-	-	-	(13,511)	(5,004)
Net income from rents and service charges	1,750,523	11,128	-	-	-	1,761,651	1,710,984
Release of deferred government grant	293,598	-	-	-	-	293,598	317,682
Grants from the Scottish Ministers	3,576	-	-	-	-	3,576	1,451
Total turnover from social letting activities	2,047,697	11,128	-	-	-	2,058,825	2,030,117
Expenditure							
Management and maintenance administration costs	819,683	-	-	-	-	819,683	774,346
Service charges	81,196	-	-	-	-	81,196	68,296
Planned cyclical maintenance including major repairs	279,453	-	-	-	-	279,453	173,598
Reactive maintenance costs	197,444	-	-	-	-	197,444	154,289
Bad debts - rents and service charges	16,905	-	-	-	-	16,905	5,648
Depreciation of social housing	471,654	-	-	-	-	471,654	463,914
Operating costs for social letting activities	1,866,335	-	-	-	-	1,866,335	1,640,091
Operating surplus							
On social letting activities, 2019	181,362	11,128	-	-	-	192,490	
On social letting activities, 2018	343,929	10,842	35,255	-	-		390,026

Included in depreciation of social housing is £2,139 (2018 - £7,137) relating to the loss on disposal of components.

YORKHILL HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2019

6. Particulars of turnover, operating expenditure and operating surplus/(deficit) from other activities

	Grants from Scottish Ministers	Other Revenue Grants	Supporting People Income	Other Income	Turnover		Operating Expenditure	Operating Bad Debts	Other Operating Expenditure	2019 Surplus	2018 Surplus/(deficit)
					£	£					
Wider role activities	-	-	-	-	-	-	-	-	-	-	-
Care and repair of property	-	-	-	-	-	-	-	-	-	-	-
Factoring	-	-	-	75,826	75,826	66,337	517	73,306	2,003	7,579	
Development and construction of property activities	-	-	-	-	-	-	-	-	-	-	-
Support activities	-	-	-	-	-	16,344	-	-	-	16,344	
Care activities	-	-	-	-	-	-	-	-	-	-	(676)
Agency/management services for RSL's	-	-	-	-	-	-	-	-	-	-	-
Other agency/management services	-	-	-	-	-	-	-	-	-	-	-
Development for sale to RSL's	-	-	-	-	-	-	-	-	-	-	-
Development and improvements for sale to non RSL's	-	-	-	-	-	-	-	-	-	-	-
Commercial properties	-	-	-	-	-	-	-	-	-	-	-
Disabled adaptations	-	-	-	-	-	-	-	-	-	-	-
Other income	-	-	-	-	-	-	-	-	-	-	(295)
Total from other activities, 2019	-	-	-	75,826	75,826	66,337	517	73,306	2,003		
Total from other activities, 2018	-	-	16,344	66,337	82,681			59,729		22,952	

YORKHILL HOUSING ASSOCIATION LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2019**

7. Operating surplus	2019	2018
	£	£
Surplus on ordinary activities before taxation is stated after charging:		
Depreciation	490,339	475,150
Auditor's remuneration		
- in their capacity as auditor	12,796	11,800
- other services	2,000	2,000
	<u><u> </u></u>	<u><u> </u></u>

8. Directors' emoluments

The Directors are defined as the members of the Management Committee, the Chief Executive and any other person reporting directly to the Chief Executive or the Management Committee whose total emoluments exceed £60,000 per year. One Director's total emoluments exceeded £60,000 per year. The Association considers key management personnel to be the Management Committee and the senior management team (listed on the Association's information page) of the Association only. No emoluments are paid to any member of the Management Committee during the year.

	2019	2018
	£	£
Emoluments of the Chief Executive	64,805	64,460
Social Security costs	7,560	7,686
Employers pension contributions	3,889	7,885
	<u><u>76,254</u></u>	<u><u>80,031</u></u>

The Chief Executive is an ordinary member of the Association's pension scheme described in Note 24. No enhanced or special terms apply to membership and they have no other pension arrangements to which the Association contributes. The Association's contributions for the Chief Executive include a proportion of the deficit contribution payment made to the scheme in the year (Note 24).

The emoluments of key management (excluding pension contributions and including social security costs and benefits in kind) for the year were £216,040 (2018 - £295,683). Their pension contributions (including the past service element) for the year were £46,029 (2018 - £34,308). No enhanced or special terms apply to membership and the directors have no other pension arrangements to which the Association contributes.

The emoluments (excluding pension contributions) of the directors were in the following range:

	2019	2018
	Number	Number
£60,000 - £70,000	1	1
	<u><u> </u></u>	<u><u> </u></u>
	£	£
Total expenses reimbursed to Management Committee insofar as not chargeable to UK income tax	48	819
	<u><u> </u></u>	<u><u> </u></u>

YORKHILL HOUSING ASSOCIATION LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2019**

9. Employee information

	2019	<i>2018</i>
	Number	<i>Number</i>
The average number of full time equivalent employees during the year was:	15	<i>15</i>
	2019	<i>2018</i>
	£	<i>£</i>
Wages and salaries	508,504	<i>486,652</i>
Social security costs	48,622	<i>45,793</i>
Pension contributions	41,017	<i>46,652</i>
Pension costs – Past service deficit measurement	-	<i>2,827</i>
Service cost adjustment	47,497	<i>-</i>
	645,640	<i>581,924</i>

The SHAPS past service deficit liability is subject to re-measurement each financial year.

	2019	<i>2018</i>
	£	<i>£</i>
Re-measurement impact of any change in assumptions	-	<i>4,000</i>
	-	<i>4,000</i>

This is included in management and administration costs

Year end 31 March 2019

During the year past service deficit contributions of £91,457 (2018 - £88,873) were paid. Of this payment £88,712 (2018 - £86,128) was a payment in respect of the SHAPS past service deficit liability. The remainder of £2,745 (2018 - £2,745) was pension management costs which have been included in the pension contributions total included in staff costs above.

10. Interest receivable

	2019	<i>2018</i>
	£	<i>£</i>
Interest receivable on deposits	10,493	<i>8,437</i>

11. Interest payable and financing costs

	2019	<i>2018</i>
	£	<i>£</i>
On private loans	39,057	<i>57,147</i>
Unwinding of discount factor – past service pension (Note 24)	-	<i>4,000</i>
Defined benefit pension liability – interest charge (Note 24)	11,000	<i>-</i>
	50,057	<i>61,147</i>

12. Taxation

The Association is a registered charity and as a result no corporation tax is due on any surplus generated from charitable activities. No corporation tax is due on its non-charitable activities.

YORKHILL HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2019

13. Housing stock

	2019	2018
The number of units of accommodation in management at year end:	Number	Number
General needs housing	456	417
Supported housing	-	39
	<u>456</u>	<u>456</u>

14a. Tangible fixed assets

	Housing Properties Held for General Letting £	Housing Properties Held for Supported Letting £	Total £
Cost:			
At 1 April 2018	14,902,795	1,625,980	16,528,775
Transfer to properties held for general letting	1,625,980	(1,625,980)	-
Additions during year	181,713	-	181,713
Disposals during year	(11,352)	-	(11,352)
As at 31 March 2019	<u>16,699,136</u>	<u>-</u>	<u>16,699,136</u>
Depreciation:			
At 1 April 2018	7,825,397	717,408	8,542,805
Transfer to properties held	717,408	(717,408)	-
Provided during the year	469,515	-	469,515
Disposals during the year	(9,214)	-	(9,214)
As at 31 March 2019	<u>9,003,106</u>	<u>-</u>	<u>9,003,106</u>
Net book value:			
As at 31 March 2019	<u>7,696,030</u>	<u>-</u>	<u>7,696,030</u>
As at 31 March 2018	<u>7,077,398</u>	<u>908,572</u>	<u>7,985,970</u>

There were no property disposal in the current year (2018 - 1).

Additions to housing properties during the year includes £nil capitalised interest (2018 - £nil) and £nil capitalised administration costs (2018 - £nil). All housing properties are freehold.

The depreciation charge for the year for housing stock was £469,515 (2018 - £456,778). The net book value of disposed components was £2,139 (2018 - £7,137) and has been included in depreciation of social housing in note 5 in accordance with the SORP.

YORKHILL HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2019

14b. Other fixed assets

	Office Properties £	Furniture Fittings & Equipment £	Total £
Cost:			
At 1 April 2018	535,054	44,351	579,405
Additions during year	-	11,676	11,676
Disposals during year	-	(10,082)	(10,082)
As at 31 March 2019	<u>535,054</u>	<u>45,945</u>	<u>580,999</u>
Depreciation:			
At 1 April 2018	76,008	29,753	105,761
Provided during the year	9,501	9,184	18,685
Disposals during the year	-	(10,082)	(10,082)
As at 31 March 2019	<u>85,509</u>	<u>28,855</u>	<u>114,364</u>
Net book value:			
As at 31 March 2019	<u>449,545</u>	<u>17,090</u>	<u>466,635</u>
As at 31 March 2018	<u>459,046</u>	<u>14,598</u>	<u>473,644</u>

Included within office properties are investment properties held at valuation totalling £60,000 (2018 - £60,000).

The company's interest in investment properties was valued at 31 March 2019 on an open market basis by the directors of the company.

If the investment properties had not been included at valuation they would have been included under the historical cost convention as follows:

	2019 £	2018 £
Cost	70,952	70,952
Accumulated depreciation	-	-
	<u>70,952</u>	<u>70,952</u>

YORKHILL HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2019

15. Debtors	2019 £	2018 £
Amounts falling due within one year:		
Arrears of rent and service charges	136,198	122,776
Less: Provision for doubtful debts	(60,478)	(60,478)
	<u>75,720</u>	<u>62,298</u>
Prepayments and accrued income	106,779	94,244
Other debtors	38,804	44,278
	<u>221,303</u>	<u>200,820</u>
16a. Cash and cash equivalents	2019 £	2018 £
Cash at bank and in hand	278,988	98,588
	<u>278,988</u>	<u>98,588</u>
16b. Investments	2019 £	2018 £
Balances held on deposit	2,229,559	2,248,549
	<u>2,229,559</u>	<u>2,248,549</u>
17. Creditors: Amounts falling due within one year	2019 £	2018 £
Housing loans	65,941	58,531
Trade creditors	122,314	88,859
Other taxation and social security	11,009	9,144
Other creditors	450,751	419,612
Accruals	121,938	74,223
Rent paid in advance	59,107	61,135
Deferred capital grants (Note 19)	293,001	292,779
SHAPS pension (note 24)	-	88,105
Pension creditor	5,782	6,935
	<u>1,129,843</u>	<u>1,099,323</u>

Pension contributions of £5,783 were outstanding at the year-end (2018 - £6,935)

YORKHILL HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2019

18. Creditors: Amounts falling due after more than one year	2019 £	2018 £
Deferred capital grants (Note 19)	5,348,190	5,636,451
SHAPS pension (note 24)	-	264,535
Housing loans	1,241,835	1,315,180
	<u>6,590,025</u>	<u>7,216,166</u>

Housing loans are secured by specific charges on the Association's properties. The net book value of housing properties secured at the year end was £1,394,357 (2018 - £1,481,667). There are 2 bank loans, of which one is repayable at a fixed interest rate of 5.04%, whilst the other is repayable at a variable interest rate at LIBOR plus 1%. These loans are repayable within the next 30 years as follows:-

	2019 £	2018 £
Within one year	65,941	58,531
Between one and two years	65,941	58,531
Between two and five years	197,820	175,593
After five years	978,074	1,081,056
	<u>1,307,776</u>	<u>1,373,711</u>
Recognised within amounts falling due in less than 1 year (Note 17)	(65,941)	(58,531)
	<u>1,241,835</u>	<u>1,315,180</u>

19. Deferred capital grants	2019 £	2018 £
Deferred capital grants 1 April	5,929,230	6,232,403
Grants received in year	5,559	14,509
Released to income in the year on disposal	(597)	(24,903)
Released to income in year	(293,001)	(292,779)
Deferred capital grants at 31 March	<u>5,641,191</u>	<u>5,929,230</u>
Liability split as:		
Within one year	293,001	292,779
Between one and two years	293,001	292,779
Between two and five years	879,001	878,338
After five years	4,176,188	4,465,334
	<u>5,641,191</u>	<u>5,929,230</u>

YORKHILL HOUSING ASSOCIATION LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2019**

20. Financial instruments	2019	2018
	£	£
Financial assets		
Cash and cash equivalents	2,508,547	2,347,137
Financial assets measured at amortised cost	188,865	175,448
	<u>2,697,412</u>	<u>2,522,585</u>
Financial liabilities		
Financial liabilities measured at amortised cost	1,949,454	2,253,801
	<u>1,949,454</u>	<u>2,253,801</u>

Financial assets measured at amortised cost comprised rental arrears, accrued income and other debtors.

Financial liabilities measured at amortised cost comprised housing loans, trade creditors, other creditors, accruals, pension creditor and the SHAPS deficit repayment plan (2018 only).

No financial assets or liabilities are held at fair value

21. Share capital	2019	2018
	£	£
At 1 April	130	134
Shares of £1 each fully paid and issued in the year	7	-
Shares forfeited in the year	(11)	(4)
At 31 March	<u>126</u>	<u>130</u>

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

22. Reserves

Revenue reserves include all current and prior year retained surpluses or deficits.

YORKHILL HOUSING ASSOCIATION LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2019**

23. Net cash flow from operating activities	2019	2018
	£	£
Surplus for the year	154,929	333,415
Adjustments for non-cash items:		
Carrying amount of tangible fixed asset disposals	-	35,179
Depreciation of tangible fixed assets	490,339	475,150
Gain on revaluation of investment properties	-	(46,255)
(Increase) in debtors	(20,483)	(22,445)
Decrease in post-employment benefits	-	(85,029)
(Decrease)/increase in creditors	110,992	(38,712)
Interest charge in respect of the defined benefit pension liability	11,000	4,000
Staff service costs in respect of the defined benefit liability	50,497	(3,099)
Adjustments for investing and financing activities:		
Proceeds from sale of tangible fixed assets	-	(52,710)
Fair value gain on investment properties	-	46,255
Grants repaid on disposals	-	50,151
Interest payable	50,057	61,147
Interest received	(10,493)	(8,437)
Release of deferred Government capital grants	(293,598)	(317,682)
Forfeited share capital	(11)	(4)
	543,229	430,924

24. Pension obligations

General

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

The Scheme is a multi-employer defined benefit scheme. The Scheme offers six benefit structures to employers, namely;

- Final salary with a 1/60th accrual rate
- Career average revalued earnings with a 1/60th accrual rate
- Career average revalued earnings with a 1/70th accrual rate
- Career average revalued earnings with a 1/80th accrual rate
- Career average revalued earnings with a 1/120th accrual rate contracted in Defined Contribution

An employer can elect to operate different benefit structures for their active members (as at the first day of April in any given year) and their new entrants. The DC option can be introduced by the employer on the first day of any month after giving a minimum of three months' prior notice.

Yorkhill Housing Association Limited has elected to operate the final salary with a 1/60th accrual rate for staff employed prior to 1 April 2011. All staff employed from 1 April 2011 are eligible to join the CARE 1/120th scheme including staff auto-enrolled from the staging date of 1 August 2016.

The Trustees commission an actuarial valuation of the Scheme every three years. The main purpose of the valuation is to determine the financial position of the Scheme in order to determine the level of future contributions required, so that the Scheme can meet its pension obligations as they fall due.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2019

24. Pension obligations (continued)

During the accounting period Yorkhill Housing Association Limited paid contributions at the rate of 12.6% of pensionable salaries for staff on Final Salary Scheme and 6.1% for staff on CARE 1/120th scheme. Member contributions were 12.5% and 6.0% respectively. There was an additional annual employer past service deficit contribution of £88,500 net of administration costs) made in the year ended 31 March 2019 (2018 - £86,128).

As at the balance sheet date there were 5 active members of the Final Salary Scheme and 8 active members of Care 1/120th scheme (2018 - 8 & 3). The annual pensionable payroll in respect of these members was £538,275 (2018 - £340,724). Yorkhill Housing Association Limited continues to offer membership of the Scheme to its employees.

Year ended 31 March 2018

Up until 31 March 2018, it was not possible in the normal course of events to identify the share of underlying assets and liabilities belonging to individual participating employers. Thus, up until the end of the 31 March 2018 year end, the Scheme was accounted for as a defined contribution scheme. However the Association entered into a past service deficit repayment agreement with the Pension Trust and per FRS 102, this discounted past service deficit liability was recognised in the Statement of Financial Position.

The last triennial valuation of the Scheme for funding purposes was carried out as at 30 September 2015. This valuation revealed a deficit of £198m. A Recovery Plan has been put in place to eliminate the deficit which runs to 28 February 2022 for the majority of employers, although certain employers have different arrangements.

The key valuation assumptions used to determine the assets and liabilities of the Scheme as at 30 September 2015 are detailed below:

- Investment return pre retirement		5.30% per annum
- Investment return post retirement	- Non-pensioners	3.40% per annum
- Investment return post retirement	- Pensioners	3.40% per annum
- Rate of salary increases		4.10% per annum
- Rate of pension increases	- pension accrued pre 6 April	2.00% per annum
2005		
	- pension accrued from 6 April	1.70% per annum
	2005	
	- (for leavers before 1 October 1993 pension increases are	
	5%)	
- Rate of price inflation		2.60% per annum

The contributions paid in respect of the defined contribution scheme is 4% employee contributions and 8% employer contributions.

YORKHILL HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2019

24. Pension obligations (continued)

30 September 2017 funding update

The Employer Committee received the 30 September 2017 Actuarial Report, the annual funding update which shows the Scheme's ongoing funding position in between each three-yearly valuation.

A summary is shown below:

30 September	Assets	Liabilities	Deficit	Funding
2015	£616m	£814m	£198m	76%
2016	£810m	£1,020m	£210m	79%
2018	£852m	£981m	£129m	87%

The Trustee's view is that the recovery plan remains appropriate and there is no need to take any action ahead of the next actuarial valuation, which was due as at 30 September 2018. The information regarding this 30 September 2018 valuation, including the annual funding update, is not yet available from TPT.

Past service deficit repayment liability

	2018 £
Provision at start of period	437,669
Unwinding of the discount factor (interest expense)	4,000
Deficit contribution paid	(85,930)
Remeasurements – impact of any changes in assumptions	(3,099)
Provision at end of period	<u>352,640</u>

Liability split as:	2018 £
< 1 year	88,105
1-2 years	89,399
2-5 years	175,136
> 5 years	-
	<u>352,640</u>

Statement of Comprehensive Income Impact

	2018 £
Interest expense	4,000
Remeasurements – impact of any change in assumptions	(3,099)
Assumptions	2018
Rate of discount	<u>1.51%</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.

24. Pension obligations (continued)*Year ended 31 March 2019***Accounting treatment from 1 April 2018**

From 1 April 2018, information became available in order to separate out the assets and liabilities between scheme members and thus the SHAPS defined benefit pension liability is accounted for as a defined benefit pension scheme from 1 April 2018 onwards. In accordance with FRS 102 section 28, the operating and financing costs of pension and post retirement schemes (determined by TPT) are recognised separately in the Statement of Comprehensive Income. Service costs are systematically spread over the service lives of the employees and financing costs are recognised in the period in which they arise. The difference between actual and expected returns on assets during the year, including changes in the actuarial assumptions, is recognised in Other Comprehensive Income.

At 31 March 2018, in respect of the SHAPS deficit repayment plan, amounts included within creditors due less than one year were £88,105 and amounts included within creditors due greater than one year were £264,535. At 1 April 2018, on initial recognition of the multi-employer defined benefit scheme, the opening adjustment to the liability was £81,360 to recognise a liability of £434,000 as at 1 April 2018.

Present values of defined benefit obligation, fair value of assets and defined benefit liability

	31 March 2019 £'000
Fair value of plan assets	3,165
Present value of defined benefit obligation	<u>(3,513)</u>
Defined benefit liability to be recognised	<u>(348)</u>

Reconciliation of opening and closing balances of the defined benefit obligation

	Year ended 31 March 2019 £'000
Defined benefit obligation at start of period	(3,447)
Current service cost	(48)
Expenses	(3)
Interest expense	(85)
Contribution by plan participants	(41)
Actuarial (losses)/gains due to scheme experience	4
Actuarial (losses)/gains due to changes in demographic assumptions	(10)
Actuarial (losses)/gains due to changes in financial assumptions	(183)
Benefits paid and expenses	<u>300</u>
Defined benefit liability at the end of the period	<u>(3,513)</u>

YORKHILL HOUSING ASSOCIATION LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
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24. Pension obligations (continued)

Reconciliation of opening and closing balances of the fair value of plan assets

	Year ended 31 March 2019 £'000
Fair value of plan assets at start of the period	3,013
Interest income	74
Experience on plan assets (excluding amounts included in interest income) - gain	248
Contributions by the employer	89
Contributions by plan participants	4
Benefits paid and expenses	(300)
Fair value of plan assets at end of period	3,165

Defined benefit costs recognised in the Statement of Comprehensive Income

	Period from 31 March 2018 to 31 March 2019 £'000
Current service cost	48
Admin expenses	3
Net interest expense	11
Defined benefit costs recognised in Statement of Comprehensive Income	62

Defined benefit costs recognised in Other Comprehensive Income

	Period ended 31 March 2019 £'000
Experience on plan assets (excluding amounts included in net interest cost - gain	248
Experience gains and losses arising on the plan liabilities – gain	4
Effects of changes in the demographic assumptions underlying the present value of the defined benefit obligation – (loss)	(10)
Effects of changes in the financial assumptions underlying the present value of the defined benefit obligation – (loss)	(183)
Total amount recognised in other comprehensive income – gain	59

YORKHILL HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS
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24. Pension obligations (continued)

Fund allocation for employer's calculated share of assets

	31 March 2019 £'000
Global Equity	509
Absolute Return	268
Distressed Opportunities	54
Credit Relative Value	55
Alternative Risk Premia	177
Fund of Hedge Funds	9
Emerging Markets Debt	101
Risk Sharing	92
Insurance-Linked Securities	82
Property	63
Infrastructure	133
Private Debt	41
Corporate Bond Fund	222
Long Lease Property	38
Secured Income	110
Over 15 Year Gilts	81
Liability Driven Investment	1,127
Net Current Assets	3
Total Assets	3,165

The main financial assumptions used by the Scheme Actuary, TPT, in their FRS 102 calculations are as follows:

Assumptions as at	31 March 2019 % per annum
Discount rate	2.29
Inflation (RPI)	3.30
Inflation (CPI)	2.30
Salary growth	3.30
Allowance for commutation of pension for cash at retirement	75% of maximum allowance

The mortality assumptions adopted at 31 March 2019 imply the following life expectancies:

	Life expectancy at age 65 (years)
Male retiring in 2019	21.7
Female retiring in 2019	23.4
Male retiring in 2039	23.1
Female retiring in 2039	24.7

Life expectancy is based on the Fund's VitaCurves with improvements in line with the CMI 2017 model with an allowance for smoothing of recent mortality experience and long term rates of 1.25% p.a. for males and 1% p.a. for females.

24. Pension obligations (continued)**Member data summary****Active members**

	Number	Total earnings (£'000s p.a.)	Average age (unweighted)
Males	3	115	56
Females	7	199	42
Total	10	314	46

Deferred members

	Number	Deferred pensions (£'000s p.a.)	Average age (unweighted)
Males	1	-	50
Females	4	2	51
Total	5	2	51

Pensioners

	Number	Pensions (£'000s p.a.)	Average age (unweighted)
Males	2	5	61
Females	10	76	66
Total	12	81	65

Employer debt on withdrawal

Following a change in legislation in September 2005 there is a potential debt on the employer that could be levied by the Trustee of the Scheme. The debt is due in the event of the employer ceasing to participate in the Scheme or the Scheme winding up. The debt for the Scheme as a whole is calculated by comparing the liabilities for the Scheme (calculated on a buyout basis i.e. the cost of securing benefits by purchasing annuity policies from an insurer, plus an allowance for expenses) with the assets of the Scheme. If the liabilities exceed assets there is a buy-out debt.

The leaving employer's share of the buy-out debt is the proportion of the Scheme's liability attributable to employment with the leaving employer compared to the total amount of the Scheme's liabilities (relating to employment with all the employers). The leaving employer's debt therefore includes a share of any 'orphan' liabilities in respect of previously participating employers. The amount of the debt therefore depends on many factors including total Scheme liabilities, Scheme investment performance, the liabilities in respect of current and former employees of the employer, financial conditions at the time of the cessation event and the insurance buy-out market. The amounts of debt can therefore be volatile over time.

The Association has been notified by TPT of the estimated employer debt on withdrawal from the Scheme based on the financial position of the Scheme as at 30 September 2017. The employer debt on withdrawal based on the valuation as at 30 September 2017 was £2,543,498. The employer debt on withdrawal based on the valuation as at 30 September 2018 is not yet available from TPT.

GMP equalisation

Guaranteed Minimum Pension (GMP) is the minimum pension which an occupational pension scheme in the UK has to provide for those employees who were contracted out of the State Earnings-Related Pension Scheme (SERPS). Both pension scheme members and sponsoring employers paid lower National Insurance contributions at the time of accrual given the lower benefits being accrued for the member by the state. Women can currently receive their GMP benefits at age 60 compared to age 65 for men. GMP also accrued at a faster rate for women than men.

Historically some defined benefit schemes had different retirement ages for men and women. Therefore schemes are required to "equalise" pension ages and overall benefit scales between males and females. The Scheme actuary is therefore required to estimate the impact of GMP and include an allowance for the increase in calculated liabilities.

The impact of GMP equalisation for Yorkhill Housing Association Limited is 0.17% of liabilities, which is expected to be approximately £6,000. This is included within the closing defined benefit liability as detailed above.

25. Payments to members and key management personnel

Some members of the Management Committee are tenants of the Association. The tenancies of these Committee Members are on normal terms and the members cannot use their position to their advantage.

The total rent and service charge payable in the year relating to tenant Board members is £15,952 (2018 - £24,199). The prepaid rent relating to tenant Board members included within debtors at the year-end is £592 (2018 - £937). The total rental arrears relating to tenant Board members included within creditors at the year-end is £46 (2018 - £1,330).

The total remuneration (including pension contributions and benefits in kind) paid to Key Management who are deemed to be the Executive Officers as noted on the Association's information page was £262,069 (2018 - £329,991).