

Grampian Housing Association Limited

Report of the Board of Management and Consolidated Financial Statements For the Year Ended 31 March 2019

Registration Particulars:

Financial Conduct Authority

Co-operative and Community Benefit Societies Act
2014
Registered Number 1769 R (S) (FSA)

Scottish Housing Regulator

Housing (Scotland) Act 2010
Registered Number HAL 120 AL

The Scottish Charity Register

Charity Number SC042023

GRAMPIAN HOUSING ASSOCIATION LIMITED

REPORT OF THE BOARD OF MANAGEMENT AND FINANCIAL STATEMENTS

For the year ended 31 March 2019

Contents

Board of Management, Executives and Advisers	1 – 2
Report of the Board of Management	3 – 6
Statement of Board of Management’s Responsibilities	7
Board of Management’s Statement on Internal Financial Controls	8
External Auditor’s Report on Corporate Governance Matters	9
Independent Auditors’ Report	10 – 11
Statement of Comprehensive Income	12 – 13
Statement of Financial Position	14
Statement of Changes in Reserves	15
Statement of Cashflows	16
Notes to the Financial Statements	17 – 43

GRAMPIAN HOUSING ASSOCIATION LIMITED
BOARD OF MANAGEMENT, EXECUTIVES AND ADVISERS

For the year ended 31 March 2019

The Board of Management and Executive Officers

The Board of Management and the Executive Officers who held office during the year and up to the date of signing of the financial statements together with the interests of the Board members at the year end in the share capital of the Association at 31 March 2019 and 2018 (or date of appointment if later) follow:

<i>Board Members</i>		Number 2019	Number 2018
Norton Bertram-Smith	Resigned 12 March 2019	-	1
Peter Kennedy #	Resigned 29 July 2019 (Chair)	-	1
Nora Radcliffe		1	1
Gordon Edwards	Resigned 22 January 2019	-	1
Ursula Boyle	Resigned 25 September 2018	-	1
Dr Abhishek Agarwal ~		1	1
Ma'aruf Razzak		1	1
Fraser Graham	(Vice Chair)	1	1
Margaret Bochel		1	1
Richard Tinto	Resigned 26 June 2018	-	1
Colin Campbell		1	1
Sean Breen	Resigned 20 November 2018	-	1
Ross Haworth	Resigned 25 September 2018	-	1
Mark Kemp	Resigned 12 February 2019	-	1
Richard Dodunski	Resigned 25 September 2019	-	1
James Cargill	Appointed 26 June 2018	1	-
Raymond Strachan*	Appointed 25 September 2018 Resigned 11 December 2018	1	-
Louise Doherty	Appointed 30 January 2019	1	-
Shenthiel Selvam	Appointed 4 February 2019	1	-

Sharing Owner

~ Factoring customer

*Tenant board member

The following were members of Kirkgate Developments Limited:

Richard Dodunski	Resigned 26 September 2018
Graham Morrison	
Gordon Edwards	
Stewart Davidson	
Stacy Edghill	(Chair)
Neil Clapperton	Chief Executive of the Association
Malcolm McNeil	Executive Officer (Company Secretary)

The following were members of TLC Housing Maintenance Limited:

Diane Stephen	(Chair)
Mark Masson	
Peter Kennedy	Resigned 29 July 2019 (Chair of the Association)
James Cargill	Appointed 27 November 2018
Ursula Boyle	Resigned 25 September 2018
Neil Clapperton	Chief Executive of the Association
Malcom McNeil	Executive Officer (Company Secretary)
William Innes	Appointed 21 May 2019

An executive officer of the Association, although not having the legal status of director, acts as an executive within the authority delegated by the Board.

GRAMPIAN HOUSING ASSOCIATION LIMITED
BOARD OF MANAGEMENT, EXECUTIVES AND ADVISERS

For the year ended 31 March 2019

Registered office:	Huntly House 74 Huntly Street Aberdeen AB10 1TD
Auditors:	RSM UK Audit LLP Statutory Auditor Chartered Accountants Third Floor, Centenary House 69 Wellington Street Glasgow G2 6HG
Internal Auditors:	MHA Henderson Loggie The Vision Building 20 Greenmarket Dundee DD1 4QB
Bankers:	The Royal Bank of Scotland plc 78 Union Street Aberdeen AB10 1HH Bank of Scotland 38 Albyn Place Aberdeen AB10 1YN THFC (Social Housing Finance) Limited 4 th Floor 107 Cannon Street London EC4N 5AF Nationwide Building Society Caledonia House Carnegie Avenue Dunfermline KY11 8PJ
Solicitors:	Harper Macleod LLP The Ca'd'oro 45 Gordon Street Glasgow G1 3PE
Key Management Personnel:	Chief Executive, Neil Clapperton Strategic Services Director, Malcolm McNeil Chief Operating Officer, Craig Stirrat

GRAMPIAN HOUSING ASSOCIATION LIMITED

REPORT OF THE BOARD OF MANAGEMENT

For the year ended 31 March 2019

The Board of Management presents its report and audited financial statements for the year ended 31 March 2019.

Principal Activities

The principal activity of Grampian Housing Association (the Group) is to provide and manage quality affordable accommodation for people in housing need. The Association owns and manages a wide range of housing for rent. It also has a considerable portfolio of shared ownership properties. The Association works closely with local authorities to provide accommodation for homeless households and in partnership with others it provides special needs accommodation throughout the Grampian area. The Association also has relationships with other agencies including NHS Grampian.

There are two active subsidiaries Kirkgate Developments Limited and TLC Housing Maintenance Limited. The former develops and manages properties for sale, mid-market and market rent properties as well as developing opportunities for social enterprise and commercial and community facilities.

TLC Housing Maintenance Limited provides maintenance services to the Association and its main objectives are to provide better quality services to tenants and provide value for money to the Association through VAT savings on services provided.

Objectives

The future objectives of the Group are centred on the provision of affordable housing with a pragmatic mix of social rent, shared ownership and mid-market rent, backed up by the provision of housing support. As a registered charity, all aims and objectives must be compatible with the Association's charitable status or carried out by Group companies where necessary. Objectives are measured against appropriate Key Performance Indicators and performance is regularly reviewed by the Association's Board and Audit Committee as well as being reported annually to the Scottish Housing Regulator.

Strategy for Achieving Objectives

The Group's objectives are set out in its Five Year Business Plan for 2019 to 2024 which has been prepared following rigorous and comprehensive review and external input and validation. The Plan will be the subject of annual review as well as an assessment of performance against the agreed objectives. This new plan reflects the Association's aim to be a top quartile Association and to step away from previous reliance on rent reviews that relied on increases that exceeded RPI. The Association aims to see the customer once again being at the core of what it does and staff that are truly empowered to provide service at point of demand.

Responsibility for day to day implementation of the Business Plan lies with the Senior Management Team, and is in turn the subject of a performance management framework this breaks objectives down into a series of actions for departmental teams and individuals. At a strategic level, key indicators are regularly reported to the Board, and at a micro level individual actions are reviewed via ongoing staff appraisal.

Business Model

The Group's business model is defined via the business planning process described above. The provision of affordable housing remains at its core, with a strong foundation in terms of commitment to current tenants. This is augmented by new build investment backed by government grant to address continued strong demand for social housing and provision for key workers in the Grampian area. The Group is also conscious of the need for increased efficiency in an environment where public finance is the subject of constraint, and it has embarked on a major programme of transformation which aims to improve the value for money which it delivers.

GRAMPIAN HOUSING ASSOCIATION LIMITED

REPORT OF THE BOARD OF MANAGEMENT

For the year ended 31 March 2019

Development and Performance

During 2018-19, the Group increased capital investment in its properties: this included 220 new kitchens, 158 new bathrooms, 45 full window replacements and work on 120 heating systems. A number of new properties were also built during the year, with 83 units added to the Group's portfolio at locations which included Aberdeen, Collieburn, Kemnay and Inch. In addition 72 properties have been added as a result of the directed transfer of Kincardine Housing Co-operative. Further expansion is envisaged in 2019-20 in the context of the 500 unit ambition set by the latest five year Business Plan.

The Association continues to build on earlier work to simplify its governance structure and intends to review this once again in 2019/20 to ensure good governance remains at the heart of the Association and incorporates actions identified through self assessment in preparation for the Association's first Annual Assurance Statement.

The Association continued to upgrade and invest in its systems and processes during the year in the context of a strategy to migrate existing services to digital and mobile platforms. Grampian also remains focused on value for money and to this end continues to participate in a UK wide benchmarking service (Housemark). Following restructure of the Senior Management Team in 2018, work to identify and agree a new structure has continued with recent changes to roles within a new Leadership Team which aims to ensure that our approach to delivery is ever more collegiate and effective.

The Group had a turnover of £19,707,000, which represented an increase of £1,165,000 on the previous year's turnover of £18,542,000. It should be noted however that this excludes the £1,198,000 surplus that relates to the directed transfer of 72 properties from Kincardine Housing Co-operative. On this turnover the Group showed a surplus before tax of £3,451,000, some £1,549,000 up on the equivalent surplus of £1,902,000 in 2018: as noted above this was chiefly caused by the impact of the Kincardine directed transfer with mainstream income and expenditure being generally in line with 2018. Operating expenditure is shown net of an amount of £2,194,000 transferred out of planned and cyclical repairs and capitalised in the year, which represents an increase of £107,000 on the 2018 balance of £2,087,000. The Association had a turnover of £19,308,000 which represented an increase of £1,181,000 on the previous year's turnover of £18,127,000. Operating expenditure of £13,540,000 shows an increase of £282,000 when compared with the previous year £13,822,000. The Association shows a surplus before tax of £3,899,000 which represents an increase of £1,909,000 from the previous year figure of £1,990,000.

Kirkgate Developments Limited's operational results showed increased turnover of 12% at £915,000 compared to £814,000 in 2018. This was offset by an increase in operating expenditure of 22% to £665,000 from £545,000 in 2018. Included within interest and finance costs was a one-off cost arising from the early repayment of a Bank loan which was required as part of a wider restructure of Group borrowing.

TLC Housing Maintenance continues to make progress and is currently completing all of the Association's cyclical kitchen and bathroom replacement program for 2019-20. Although a deficit of £68,000 was incurred for the financial year, (2018: Deficit £163,000) the business is expected to show profit in 2019-20.

As Grampian Housing Association has charitable status, the Association's tax liability is minimal. More specifically, any losses incurred by TLC Housing Maintenance Limited and Kirkgate Developments Limited can be utilised to reduce taxable profits earned in future years.

GRAMPIAN HOUSING ASSOCIATION LIMITED

REPORT OF THE BOARD OF MANAGEMENT

For the year ended 31 March 2019

Future Prospects

The Group's long term financial plans show that it can withstand and adapt to change in the face of increased financial pressures. A balancing act will be required where service quality is maintained and improved to meet the legitimate expectations of existing customers, and at the same time the needs of waiting list applicants for new homes are addressed following the Scottish Government's upward revision of housing grant.

The Group continues to apply a rent policy which supports new build ambitions, however within the new Business Plan this has been reviewed in light of affordability pressures on tenants. This sees the Association step away from earlier reliance on annual increases based on RPI plus to one where the indexation is based on CPI. In addition work has continued on a review of the rent setting policy and has included consultation with tenants in this important area.

In 2018/19 the Association took positive steps to maintain liquidity and will now bring forward a new Treasury Management Strategy which will be informed by a comprehensive and strategic review of capital needs. This will look at the range of options available in respect of capital funding to the Association.

Principal Risks and Uncertainties

The Group faces a mix of national and local environmental risks, and assessment of risk forms an integral part of the Business Plan. Regular review and scenario testing is an essential part of our risk mitigation strategy.

Although Scottish Government grant support for new build has increased, the long term political context for the sector is not wholly clear. The position in respect of Brexit and any wider constitutional issues also creates the potential for adverse impact on our operating environment and hence uncertainty. Any continuation or extension of public finance austerity is likely to increase future financial pressures. In addition despite signs of recovery, the fall out from earlier oil and gas sector recession remains an issue. Current experience is that the latter has had minimal direct impact on social housing demand, however continues to restrain the Group's ability to move towards more market-based rent options as the middle to high end of the market has seen a substantial reduction in both activity and values in Aberdeen and surrounding areas. The Association is aware of the continued impact of wage stagnation and decline in household income as a result and hence the new Business Plan sees affordability of its rents as a key strategic objective.

Key Performance Indicators (financial and non-financial)

The Association's relevant KPIs, based on data returned and published in the Annual Return on the Charter to the Scottish Housing Regulator / other available statistics are as follows:

	Actual 2017/18	Scottish Average 2017/18	Actual 2018/19	Target 2018/19
% Void Loss	0.6%	0.6%	0.7%	0.8%
Average Re-Let Time	28 Days	27 Days	30 Days	N/A
Staff costs as % of Turnover	19.8%	N/A	19.4%	N/A
% Properties meeting SHQS	93%	90.4%	94%	96%
Unit Cost of Day to Day Repairs	£458	N/A	£449	£445
% Tenant Overall Satisfaction	87.4%	91.7%	81.4%	N/A
% Tenants think VFM provided	81.7%	83.8%	69.6%	N/A

In considering these statistics, it should be noted that processes associated with the introduction of the Scottish Social Housing Charter mean that set peer group comparisons are no longer immediately available for a number of indicators; averages across Scotland are instead used when appropriate.

GRAMPIAN HOUSING ASSOCIATION LIMITED

REPORT OF THE BOARD OF MANAGEMENT

For the year ended 31 March 2019

The Key Performance Indicators show that void loss and re-let times again increased slightly in 2018-19. The percentage of properties which meet the Scottish Housing Quality Standard continues to be influenced by the adoption of a far stricter methodology which assumes that recent Stock Condition survey results are reflective of all housing stock; actual repairs required here are in the main more minor in nature. Performance under this heading has nonetheless improved from 2017-18.

Tenant satisfaction with both the overall service and the value for money provided by the Association has deteriorated since 2016 when the previous triennial survey yielded a large sample size. Whilst the business health of the Association is relatively good (better than average operating margin and re-investment of cash), the position in respect of tenant satisfaction is disappointing and addressing this is a key focus within the new Business Plan. This issue is therefore at the heart of the current transformation program.

Governance

Following a review in 2013 and then in 2016, the Association has rationalised its governance structure. This supported ensuring that the Board's focus was strategic, focussed on good outcomes and mitigation of risk. The effectiveness of its approach in this area will be the subject of a further review in 2019/20 including the framework currently in place for the appointment, appraisal and development of the Board.

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

Going Concern

Although the Group and Association are reporting Net Current Liabilities, this is seen as normal in the ongoing business cycle. The Board has a reasonable expectation on the basis of the above that the Group has adequate resources to continue in operational existence for the foreseeable future. Thus, Grampian will continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Related Party Transactions

Certain senior officers have non-executive positions with related social enterprises in the Grampian area. Any transactions with respect to these and other relevant linkages are listed in note 34 to the financial statements.

Disclosure of Information to the Auditor

The members of the Board of Management at the date of approval of these financial statements have confirmed, as far as they are aware, that there is no relevant information of which the auditor is unaware. They confirm that they have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that it has been communicated to the auditors.

Auditor

In accordance with obligations regarding procurement, the Association will be arranging to tender external audit.

By Order of the Board of Management

Malcolm McNeil

Secretary

Date: 27 August 2019

GRAMPIAN HOUSING ASSOCIATION LIMITED

STATEMENT OF THE BOARD OF MANAGEMENT'S RESPONSIBILITIES

For the year ended 31 March 2019

The Co-operative and Community Benefit Societies Act 2014 and registered social housing legislation requires the Board of Management to ensure that financial statements are prepared for each financial year, which give a true and fair view of the state of affairs of the Group and of the surplus or deficit of the Association and group for that period. In preparing those financial statements, the Board of Management is required to:

- select suitable accounting policies and apply them consistently;
- make reasonable and prudent judgements and estimates;
- 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 Group will continue in business.

The Board of Management is responsible for keeping proper accounting records which disclose with reasonable accuracy, at any time the financial position of the Association. The Board of Management must ensure that the financial statements comply with the Co-operative and Community Benefits Societies Act 2014 and the Registered Housing Association Determination of Accounting Requirements February 2019.

It is responsible for safeguarding the assets of the Association and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities. It has general responsibility for taking reasonable steps to safeguard the assets of the RSL and to prevent and detect fraud and other irregularities.

GRAMPIAN HOUSING ASSOCIATION LIMITED

BOARD OF MANAGEMENT'S STATEMENT ON INTERNAL FINANCIAL CONTROLS

For the year ended 31 March 2019

The Board of Management acknowledges its ultimate responsibility for ensuring that the Group has in place a system of controls that is appropriate for the business environments in which it operates. These controls are designed to give reasonable assurance with respect to:


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

It is the Board of Management'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 or failure to meet objectives. Key elements include ensuring that;

- formal policies and procedures are in place, including the ongoing documentation of key systems and rules relating to the delegation of authority which allow the monitoring of controls and restrict the unauthorised use of the Group'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 Board of Management and Senior Management Team to monitor the key business risks and financial objectives, and progress being made towards achieving the financial plans set for the year and the medium term;
- monthly/quarterly management accounts are prepared promptly, providing relevant, reliable and up-to-date financial and other information with significant variances from budget being investigated as appropriate;
- regulatory returns are prepared, authorised and submitted promptly to the relevant regulatory bodies;
- all significant new initiatives, major commitments and investment projects are subject to formal authorisation procedures, through the Board of Management;
- the Audit Committee/Board of Management receives reports from their Senior Management Team and from the external and internal auditors to provide reasonable assurance that control procedures are in place and are being followed and that a general review of the major risks facing the Group is undertaken; and
- formal procedures have been established for instituting appropriate action to correct any weaknesses identified through internal and external audit reports.

The effectiveness of the Group's system of internal financial control has been reviewed by the Audit Committee/Senior Management Team for the year ended 31 March 2019. No weaknesses were found in internal financial controls which resulted in material losses, contingencies or uncertainties which require disclosure in the financial statements or in the auditors' report on the financial statements.

By order of the Board of Management


Malcolm McNeil
Secretary
Date: 27 August 2019

GRAMPIAN HOUSING ASSOCIATION LIMITED

**REPORT BY THE AUDITORS TO THE MEMBERS OF GRAMPIAN HOUSING
ASSOCIATION 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 8 concerning the Association's compliance with the information required by the Regulatory Standards for systemically important RSLs in respect of internal financial controls contained within the publication "Our Regulatory Framework" and associated Regulatory Advisory Notes which are issued by the Scottish Housing Regulator.

Basis of Opinion

We carried out our review having regard to the requirements to corporate governance matters within Bulletin 2006/5 issued by the Financial Reporting Council through enquiry of certain members of the Management Committee and Officers of the Association and examination of relevant documents. 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 Controls on page 8 has provided the disclosures required by the relevant Regulatory Standards for systemically important RSLs within the publication "Our Regulatory Framework" and associated Regulatory Advisory Notes issued by the Scottish Housing Regulator in respect of internal financial controls and is consistent with the information which came to our attention as a result of our audit work on the Financial Statements.



RSM UK AUDIT LLP
Statutory Auditor
Chartered Accountants
Third Floor, Centenary House
69 Wellington Street
Glasgow
G2 6HG

Date 10/9/15

GRAMPIAN HOUSING ASSOCIATION LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF GRAMPIAN HOUSING ASSOCIATION LIMITED REGISTERED UNDER THE CO-OPERATIVE AND COMMUNITY BENEFIT SOCIETIES ACT 2014

FOR THE YEAR ENDED 31 MARCH 2019

Opinion

We have audited the financial statements of Grampian Housing Association Limited (the 'Association') and its subsidiaries (the 'Group') for the year ended 31 March 2019 which comprise the Consolidated Statement of Comprehensive Income, the Statement of Comprehensive Income, the Consolidated and Housing Association Statement of Financial Position, the Consolidated and Housing Association Statement of Changes in Reserves, the Consolidated and Housing Association Statement of Cashflows and 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 FRS 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 Group's and Association's affairs as at 31 March 2019 and of the income and expenditure of the Group and the income and expenditure of the Association for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- have been prepared in accordance with the requirements of the Co-operative and Community Benefit Societies Act 2014, the Co-operative and Community Benefit Societies (Group Accounts) Regulations 1969, Part 6 of the Housing (Scotland) Act 2010 and the Determination of Accounting Requirements – February 2019.

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 Group and the parent Association in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

- the Board's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Board 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 Board is 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.

GRAMPIAN HOUSING ASSOCIATION LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF GRAMPIAN HOUSING ASSOCIATION LIMITED REGISTERED UNDER THE CO-OPERATIVE AND COMMUNITY BENEFIT SOCIETIES ACT 2014

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 requires 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 of the Association; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of the Board

As explained more fully in the Board's responsibilities statement set out on page 7, the Board 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 Board determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board is responsible for assessing the Association's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board either intends 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

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

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: <https://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 Part 7 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 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.



RSM UK AUDIT LLP
Statutory Auditor
Chartered Accountants
Third Floor, Centenary House
69 Wellington Street
Glasgow
G2 6HG

Date

10/9/15

GRAMPIAN HOUSING ASSOCIATION LIMITED - CONSOLIDATED

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2019

	<i>Note</i>	2019	2018
		£000	£000
Turnover	2,3,4	19,707	18,542
Operating expenditure	2,3,4	(13,979)	(14,123)
		<hr/>	<hr/>
Operating surplus	8	5,728	4,419
Gain on disposal of property, plant and equipment	9	208	819
Fair value (loss) on investment properties	16	(251)	(82)
Surplus on acquisition of Kincardine Housing Co-op	35	1,198	-
Interest receivable	10	4	3
Interest and finance costs	11	(3,436)	(3,257)
		<hr/>	<hr/>
Surplus before taxation		3,451	1,902
Taxation	12	40	4
		<hr/>	<hr/>
Total comprehensive income for the year		3,491	1,906
		<hr/> <hr/>	<hr/> <hr/>

The results relate wholly to continuing activities.

The accompanying notes on pages 17 to 43 form part of these financial statements.

GRAMPIAN HOUSING ASSOCIATION LIMITED

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2019

	<i>Note</i>	2019 £000	2018 £000
Turnover	2,3,4	19,308	18,127
Operating expenditure	2,3,4	(13,540)	(13,822)
Operating surplus	8	5,768	4,305
Gift aid received		-	-
Gain on disposal of property, plant and equipment	9	208	819
Surplus on acquisition of Kincardine Housing Co-op	35	1,198	-
Interest receivable	10	101	60
Interest and finance costs	11	(3,376)	(3,194)
Surplus before taxation		3,899	1,990
Taxation	12	6	(2)
Total comprehensive income for the year		3,905	1,988

All figures relate to continuing operations.

The accompanying notes on pages 17 to 43 form part of these financial statements.

GRAMPIAN HOUSING ASSOCIATION LIMITED

CONSOLIDATED AND HOUSING ASSOCIATION STATEMENT OF FINANCIAL POSITION

For the year ended 31 March 2019

	<i>Note</i>	2019		2018	
		GROUP	ASSOCIATION	GROUP	ASSOCIATION
		£000	£000	£000	£000
Fixed assets					
Intangible assets and goodwill	13	132	132	222	222
Housing properties	14	224,199	224,199	214,931	214,931
Other fixed assets	15	2,177	2,126	2,301	2,227
Investment Properties	16	5,067	-	5,318	-
Investments	17	-	-	-	-
		<hr/>	<hr/>	<hr/>	<hr/>
		231,575	226,457	222,772	217,380
		<hr/>	<hr/>	<hr/>	<hr/>
Fixed asset investments					
LIFT loans		429	429	429	429
LIFT grants		(429)	(429)	(429)	(429)
		<hr/>	<hr/>	<hr/>	<hr/>
		-	-	-	-
		<hr/>	<hr/>	<hr/>	<hr/>
Current assets					
Properties held for sale and work in progress	19	641	608	1,617	1,599
Trade and other debtors	20	1,698	1,719	1,459	1,444
Cash and cash equivalents	21	3,503	3,338	2,793	2,675
		<hr/>	<hr/>	<hr/>	<hr/>
		5,842	5,665	5,869	5,718
		<hr/>	<hr/>	<hr/>	<hr/>
Current liabilities					
Creditors: amounts falling due within one year	22	(6,630)	(6,533)	(7,329)	(7,247)
		<hr/>	<hr/>	<hr/>	<hr/>
Net current (liabilities)		(788)	(868)	(1,460)	(1,529)
		<hr/>	<hr/>	<hr/>	<hr/>
Debtors: amounts falling due after more than one year	20	-	3,382	-	2,176
		<hr/>	<hr/>	<hr/>	<hr/>
Total assets less current liabilities		230,787	228,971	221,312	218,027
		<hr/>	<hr/>	<hr/>	<hr/>
Creditors: amounts falling due after more than one year	23	(217,632)	(217,632)	(211,633)	(210,612)
Provisions for liabilities	27	(93)	(93)	(74)	(74)
Other provisions	27	(161)	-	(195)	-
		<hr/>	<hr/>	<hr/>	<hr/>
Total net assets		12,901	11,246	9,410	7,341
		<hr/>	<hr/>	<hr/>	<hr/>
Capital and reserves					
Share capital	28	1	1	1	1
Income and expenditure reserve	28	10,906	10,730	7,680	7,340
Non distributable reserve	28	1,479	-	1,729	-
Restricted reserve	28	515	515	-	-
		<hr/>	<hr/>	<hr/>	<hr/>
		12,901	11,246	9,410	7,341
		<hr/>	<hr/>	<hr/>	<hr/>

These financial statements on pages 12 to 43 were approved and authorised for issue by the Board of Management on 27 August 2019 by:

Fraser Graham
Vice Chair

Nora Radcliffe
Board member

GRAMPIAN HOUSING ASSOCIATION LIMITED

CONSOLIDATED AND HOUSING ASSOCIATION STATEMENT OF CHANGES IN RESERVES

For the year ended 31 March 2019

CONSOLIDATED

	<i>Note</i>	Income and expenditure reserve £000	Restricted reserve £000	Revaluation reserve £000	Share capital £000	Total £000
Balance at 1 April 2017		5,692	-	1,811	1	7,504
Surplus for the year		1,906	-	-	-	1,906
Transfer from non distributable reserve to income and expenditure reserve		81	-	(81)	-	-
Balance at 31 March 2018	28	7,679	-	1,730	1	9,410
Surplus for the year		2,976	515	-	-	3,491
Transfer from non distributable reserve to income and expenditure reserve		251	-	(251)	-	-
Balance at 31 March 2019	28	10,906	515	1,479	1	12,901

HOUSING ASSOCIATION

	<i>Note</i>	Income and expenditure reserve £000	Restricted reserve £000	Share capital £000	Total £000
Balance at 1 April 2017		5,352	-	1	5,353
Surplus for the year		1,988	-	-	1,988
Balance at 31 March 2018	28	7,340	-	1	7,341
Surplus for the year		3,390	515	-	3,905
Balance at 31 March 2019	28	10,730	515	1	11,246

GRAMPIAN HOUSING ASSOCIATION LIMITED

CONSOLIDATED AND HOUSING ASSOCIATION STATEMENT OF CASHFLOWS

For the year ended 31 March 2019

	<i>Note</i>	2019		2018	
		GROUP £000	ASSOCIATION £000	GROUP £000	ASSOCIATION £000
Net cash generated from operating activities	30	8,298	7,038	9,307	9,346
Cash flow from investing activities					
Purchase of tangible fixed assets		(13,661)	(13,659)	(18,358)	(18,295)
Proceeds from sale of tangible fixed assets		2,415	2,415	2,725	2,725
Grants received		6,953	6,953	9,279	9,279
Cash acquired on business combination		513	513	-	-
Grants repaid		(358)	(358)	(282)	(282)
Interest received		4	101	3	60
Net cash from / (used in) investing activities		4,164	3,003	2,674	2,833
Cash flow from financing activities					
Interest paid		(3,518)	(3,458)	(3,257)	(3,194)
New secured loans		52,423	52,423	-	-
Repayment of borrowings		(52,359)	(51,305)	(713)	(965)
Net cash (used in) / from financing activities		(3,454)	(2,340)	(3,970)	(4,159)
Net increase / (decrease) in cash and cash equivalents		710	663	(1,296)	(1,326)
Cash and cash equivalents at beginning of year		2,793	2,675	4,089	4,001
Cash and cash equivalents at end of year		3,503	3,338	2,793	2,675

GRAMPIAN HOUSING ASSOCIATION LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

1. Accounting policies

Legal status

The Association is registered under the Co-operative and Community Benefit Societies Act 2014, is registered by the Financial Conduct Authority, is registered with the Scottish Housing Regulator under the Housing (Scotland) Act 2010 and meets the definition of a public benefit entity. The company is registered on The Scottish Charity Register, Charity Number SC042023. The company is registered in Scotland and the address of the Company's registered office and principal place of business is Huntly House, 74 Huntly Street, Aberdeen, AB10 1TD.

The Association's principal activities and the nature of the operations are as described in the Report of the Board of Management.

Basis of accounting

These financial statements have been prepared in accordance with UK Generally Accepted Accounting Practice (UK GAAP) including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' ('FRS 102'), the Housing SORP 2014 'Statement of Recommended Practice for Registered Housing Providers' and comply with the Determination of Accounting Requirements 2019, and under the historical cost convention, modified to include investment properties at fair value.

The financial statements are prepared in Sterling (£) and are rounded to the nearest whole £'000 unless where otherwise stated.

Basis of consolidation

The Group financial statements consolidate the results of Grampian Housing Association Limited, and its subsidiary companies Kirkgate Developments Limited and TLC Housing Management Limited using acquisition accounting. The dormant subsidiaries are not included in the consolidation and are listed in note 18.

In accordance with FRS102, the association has taken advantage of the exemptions available under Section 33 of disclosing related party transactions with subsidiary undertakings.

Critical accounting estimates and areas of judgement

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

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

Critical accounting estimates:

Valuation of property and investment property

- Management reviews its estimate of the useful lives of depreciable assets at each reporting date based on historical data and sector standards
- Management commissions an independent valuation of the investment properties on an annual basis

Components of housing properties

- Management reviews its asset components at each reporting date based on historical data and sector standards
- Management reviews its estimate of the useful lives of depreciable components at each reporting date based on historical data and sector standards

Properties held for sale

- Management reviews the properties held as stock for sale to ensure the recoverability of the cost of the asset

GRAMPIAN HOUSING ASSOCIATION LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

1. Accounting policies (continued)

Allocation of costs for Shared Ownership developments

- Management reviews the shared historical costs and allocates on a pro-rata basis, reviewing this area annually

Impairment

- Measurement of recoverable amount for impairment reviews
- Cash generating units

Recoverable amount of rent arrears and other debtors

- Management reviews the arrears annually and on this basis, will set a level of outstanding debt against which a provision will be made

Going concern

The Group has a significant asset base matched by growing reserves. Recent cash flow forecasts covering a period of 1 year from the signing of these financial statements indicate that there are sufficient loan facilities in place to meet the Group's borrowing requirements. From quarterly reports, the Association receives sufficient information to react should adverse circumstances pose a threat to the Association and for this reason, a 1 year forecast is seen as appropriate. These forecasts include a level of investment in grant assisted social rental developments. On that basis, the Board of Management has a reasonable expectation that the Group has adequate resources to continue to adopt the going concern basis of accounting in preparing the annual financial statements.

The Group had net current liabilities at 31 March 2019 of £788,000 (2018 – net current liabilities of £1,460,000) caused chiefly by a reduction in properties held in stock for sale and an increase in year end accruals. As a result of the ongoing uncertainties in the housing market, only properties where sales are likely to complete by Q2 2019 or that are being actively marketed have been retained in stock. In recent weeks the local housing market has started to show signs of improvement and an increase in property sales is expected in the coming year.

Turnover

Turnover comprises rental and service charge income receivable in the period from tenants and owner occupiers, fees and revenue based grants receivable from local authorities and the Scottish Government and fees from the provision of management services. It also includes lease income from commercial property and from the sale of properties within the shared ownership sector and tenants right to buy properties. It also includes grant income to subsidise wider agenda activities and fees from operating the government's OMSE and Right to Buy schemes and sundry other income.

Rental income is recognised from the point when properties under development reach practical completion or otherwise become available for letting, net of any voids.

Income from sales of shared ownership properties and tenant right to buy properties is recognised at the point of legal completion of the transaction.

Revenue grants are receivable when the conditions for receipt of agreed grant funding have been met.

Government Grants

Government grants include grants receivable from the Scottish Government, local authorities and other government bodies. Government grants are recognised at the fair value of the asset received or receivable when there is reasonable assurance that the grant conditions will be met and the grants will be received.

Government grants received for housing properties are recognised in income over the useful economic life of the structure of the asset under the accruals model, with no amortisation in the year of addition.

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

GRAMPIAN HOUSING ASSOCIATION LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

1. Accounting policies (continued)

Other Grants

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

Other Income

Interest Income

Interest income is accrued on a time-apportioned basis, by reference to the principal outstanding at the effective interest rate.

Investment Income

Investment income is recognised on an accruals basis.

Development costs and allowances

Development allowances are intended to finance certain internal administrative costs relating to the acquisition and development of housing land and buildings for approved schemes. Notional development allowances become available in instalments according to the progress of work on the scheme and are included in HAG or are treated as deferred allowances in accruals and deferred income while development costs are added to housing properties. Deferred development allowances are used to fund future development costs.

Deferred Income

Income received in advance for commercial properties (in the form of a grassum) and for housing properties from the Foyer is treated as deferred income and released to the income and expenditure account over the period to which the rent relates.

Intangible Assets and Goodwill

All intangible assets shall be considered to have a finite useful life. The use of an intangibles asset that arises from contractual or other legal rights shall not exceed the period of the contractual or other legal rights, but may be shorter depending on the period over which the entity expects to use the asset. The intangible assets are amortised to write down the cost of each asset to its estimated residual value, based on the straight line basis over the estimated years of the assets life. The estimated asset life for computer software is 4 years.

Tangible fixed assets - housing properties

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

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

Cost includes the cost of acquiring land and buildings and expenditure incurred during the development period.

Works to existing properties which replace a component that has been treated separately for depreciation purposes, along with those works that enhance the economic benefits of the assets are capitalised as improvements. Such enhancements can occur if improvements result in either:

- An increase in rental income
- A material reduction in future maintenance costs; or
- A significant extension to the life of the property.

Shared ownership properties are split proportionally between fixed assets and current assets based on the element relating to expected first tranche sales. The first tranche portion is classed as a current asset and related sales proceeds are included in turnover. The remaining element is classed as a fixed asset and included in housing properties at cost, less any provisions needed for depreciation or impairment. Where the first tranche has been sold prior to the acquisition of the properties, these are included in fixed assets only.

Investment properties

Investment properties, (including properties held under an operating lease) consist of commercial properties and properties not held for social benefit. These properties are initially measured at cost and subsequently measured at fair value whilst a reliable measure of fair value is available without undue cost or effort. Changes in fair value are recognised in income and expenditure.

GRAMPIAN HOUSING ASSOCIATION LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

1. Accounting policies (continued)

The Companies Act 2006 requires all properties to be depreciated. However, this requirement conflicts with the generally accepted accounting principle set out in FRS 102. The Board of Management consider that, because investment properties are not held for consumption, but for their investment potential, to depreciate them would not give a true and fair view.

If this departure from the Companies Act 2006 had not been made in order to give a true and fair view, the surplus/deficit for the financial year would have been reduced by depreciation. However, the amount of depreciation cannot reasonably be quantified because depreciation is only one of the many factors reflected in the annual valuation and the amount relating to the depreciation of the property cannot be separately identified.

Depreciation of housing properties

Freehold land or assets under construction are not depreciated.

The Association separately identifies the major components of its housing properties and charges depreciation so as to write-down the cost of each component to its estimated residual value, based on a straight line basis over the estimated years of the component's life.

	Years
Land	Nil
Assets under construction	Nil
Structure	100
Roofs	60
Kitchens	15
Bathrooms	25
Windows and Doors	25
Lifts	20
Heating Systems	25
Door Entry Systems	15
Electrics	20
Boilers	12
Insulation	25

No depreciation is charged on these assets in the year of purchase, but a full year's charge is made on the year of disposal.

Impairments of fixed assets

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

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

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

GRAMPIAN HOUSING ASSOCIATION LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

1. Accounting policies (continued)

Other tangible fixed assets

Tangible fixed assets are initially measured at cost, net of depreciation and any impairment losses. Depreciation is provided on all tangible fixed assets, other than freehold land and investment properties, at rates calculated to write off the cost or valuation of each asset to its estimated residual value on a straight line basis over its expected useful life as follows:

	Over
Freehold land and buildings	100 years
Freehold land and buildings improvements	15 years
Commercial properties	100 years
Commercial properties improvements	15 years
Heritable property	50 years
Plant, machinery, fixtures and motor vehicles	3 to 5 years
Computer hardware and software	4 years

Residual value is calculated on prices prevailing at the report date, after estimating costs of disposal, for the asset as if it were at the age and in the condition expected at the end of its useful life.

No depreciation is charged on these assets in the year of purchase, but a full year's charge is made in the year of disposal.

Borrowing costs

General and specific borrowing costs directly attributable to the acquisition and construction of qualifying properties are added to the cost of those properties until such a time as the properties are ready for their intended use or sale. All other borrowing costs are expensed as incurred.

Stocks

Stocks are valued at the lower of cost and net realisable value.

Taxation and deferred tax

Grampian Housing Association Limited has charitable status and is registered with the Office of Scottish Charities Regulator and is therefore exempt from paying Corporation Tax on charitable activities. Kirkgate Developments Limited and TLC Housing Maintenance Limited are still liable to tax.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

Deferred tax is recognised in the Statement of Comprehensive Income on revaluations where at the balance sheet date there is a binding agreement to sell the asset and the gain or loss expected to arise on sale has been recognised. Deferred tax is measured at the average tax rates that are expected to apply in the periods in which timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

VAT

The Association is VAT registered, however a large portion of income, namely rents, is exempt for VAT purposes therefore giving rise to a Partial Exemption calculation. Expenditure is shown inclusive of VAT. Kirkgate Developments Limited and TLC Housing Maintenance Limited are a part of the same VAT group.

Deposits and liquid resources

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

GRAMPIAN HOUSING ASSOCIATION LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

1. Accounting policies (continued)

Leases

All leases are operating leases and the annual rentals are charged to income and expenditure on a straight line basis over the lease term.

Rent free periods or other incentives received for entering into an operating lease are accounted for as a reduction to the expense and are recognised, on a straight-line basis over the lease term.

Employee benefits

The costs of short term employee benefits are recognised as a liability and an expense.

Employees are entitled to carry forward up to 5 days of any unused holiday entitlement at the reporting date. The cost of any unused entitlement is recognised in the period in which the employee's services are received.

The best estimate of the expenditure required to settle an obligation for termination benefits is recognised immediately as an expense when the Association is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

Retirement benefits

Defined contribution plans

At 31 March 2019 the Association only operates defined contribution schemes and the amounts charged to income and expenditure are the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments.

Loan arrangement fees

Loan arrangement fees are amortised over the term of the loan to which they relate and prior year figures are adjusted to reallocate issue costs.

Financial instruments

The Association has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102, in full, to all of its financial instruments. Financial assets and financial liabilities are recognised when the Association becomes a party to the contractual provisions of the instrument and are offset only when the Association currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the assets and settle the liability simultaneously.

Financial assets

Debtors

Debtors which are receivable within one year and which do not constitute a financing transaction are initially measured at the transaction price. Trade debtors are subsequently measured at amortised cost, being the transaction price less any amounts settled and any impairment losses. Where the arrangement with a trade debtor constitutes a financing transaction, the debtor is initially and subsequently measured at present value of future payments discounted at a market rate of interest for a similar debt instrument.

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

Financial liabilities

Trade creditors

Trade creditors payable within one year that do not constitute a financing transaction are initially measured at the transaction price and subsequently measured at amortised cost, being the transaction price less any amounts settled. Where the arrangement with a trade creditor constitutes a financing transaction, the creditor is initially and subsequently measured at the present value of future payments discounted at a market rate of interest for a similar instrument.

GRAMPIAN HOUSING ASSOCIATION LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

1. Accounting policies (continued)

Borrowings

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

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

Derecognition of financial assets and liabilities

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

Provisions

Provisions are recognised when the Association has an obligation at the reporting date as a result of a past event which it is probable will result in the transfer of economic benefits and that obligation can be estimated reliably. Provisions are measured at the best estimate of the amounts required to settle the obligation. Where the effect of the time value for money is material, the provision is based on the present value of those amounts, discounted at the pre-tax discount rate that reflects the risks specific to the liability. The unwinding of the discount is recognised within interest payable and similar charges.

Reserves

The Association establishes restricted funds for specific purposes where their use is subject to restrictions imposed by third parties.

Business Combination

Assets and liabilities acquired through a business combination are recognised at fair value. Combinations which are for £nil consideration are treated as a combination that is in substance a gift with any excess of fair value of the assets received over the fair value of the liabilities acquired being recognised as income within the Statement of Comprehensive Income.

GRAMPIAN HOUSING ASSOCIATION LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

2. Particulars of turnover, operating costs and operating surplus or deficit

Group:	Turnover £000	Operating costs £000	Operating surplus/ (deficit) £000	Operating surplus for previous period of account £000
Affordable letting activities (note 3)	17,371	(11,396)	5,975	4,424
Other activities (note 4a)	2,336	(2,583)	(247)	(5)
Total	<u>19,707</u>	<u>(13,979)</u>	<u>5,728</u>	<u>4,419</u>
Total for previous period of account	<u>18,542</u>	<u>(14,123)</u>	<u>4,419</u>	<u> </u>
Association:	Turnover £000	Operating costs £000	Operating surplus/ (deficit) £000	Operating surplus for previous period of account £000
Affordable letting activities (note 3)	17,371	(11,396)	5,975	4,424
Other activities (note 4b)	1,937	(2,144)	(207)	(119)
Total	<u>19,308</u>	<u>(13,540)</u>	<u>5,768</u>	<u>4,305</u>
Total for previous period of account	<u>18,127</u>	<u>(13,822)</u>	<u>4,305</u>	<u> </u>

GRAMPIAN HOUSING ASSOCIATION LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

3. Particulars of turnover, operating costs and operating surplus or deficit from affordable letting activities	General Needs Social Housing £000	Shared Ownership Housing £000	Total 2019 £000	Total 2018 £000
Group and Association				
Rent receivable net of service charges	13,965	1,367	15,332	14,203
Service charges	629	143	772	739
Gross income from rents and service charges	14,594	1,510	16,104	14,942
Less Voids	(133)	(32)	(165)	(225)
Net income from rents and service charges	14,461	1,478	15,939	14,717
Grants released from deferred income	1,326	106	1,432	1,365
Grants from Scottish Ministers	-	-	-	-
Other revenue grants	-	-	-	44
Total turnover from affordable letting activities	15,787	1,584	17,371	16,126
Management and maintenance administration costs	(4,019)	(164)	(4,183)	(3,963)
Service costs	(718)	-	(718)	(679)
Planned and cyclical maintenance including major repairs costs	(787)	-	(787)	(1,283)
Reactive maintenance costs	(1,448)	-	(1,448)	(1,480)
Bad debts – rent and service charges	(67)	(6)	(73)	(295)
Depreciation of affordable let properties	(3,966)	(221)	(4,187)	(4,002)
Impairment of affordable let properties	-	-	-	-
Operating costs for affordable letting activities	(11,005)	(391)	(11,396)	(11,702)
Operating surplus for affordable letting activities	4,782	1,193	5,975	4,424
Operating surplus for affordable letting activities for previous reporting period	3,301	1,123	4,424	-

GRAMPIAN HOUSING ASSOCIATION LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

4a. Particulars of turnover, operating costs and operating surplus or deficit from other activities	Grants from Scottish Ministers £000	Other revenue grants £000	Other income £000	Total turnover £000	Operating costs – bad debts £000	Other operating costs £000	Operating surplus or deficit £000	Total from Other Activities- 2018 £000
Wider role activities undertaken to support the community, other than the provision, construction, improvement and management of housing	-	141	-	141	-	(673)	(532)	(468)
Care and repair	-	-	-	-	-	-	-	-
Investment property activities	-	-	414	414	-	(396)	18	269
Factoring	-	-	446	446	(19)	(511)	(84)	13
Support activities	-	-	-	-	-	-	-	-
Care activities	-	-	-	-	-	-	-	-
Contracted out activities undertaken for RSL's	-	-	50	50	-	(43)	7	(80)
Contracted out services undertaken for other organisations	-	-	119	119	-	(264)	(145)	(120)
Developments for sale to RSL's	-	-	-	-	-	-	-	-
Developments and improvements for sale to other organisations	-	-	-	-	-	-	-	-
Uncapitalised development administration costs	-	-	-	-	-	-	-	-
Development and construction of property activities	29	-	-	29	-	(163)	(134)	(153)
Homestake / LIFT / Help to Buy	56	7	-	63	-	-	63	233
First Tranche Shared Ownership sales	-	-	270	270	-	(270)	-	(31)
Other Activities (material) – Foyer	-	-	133	133	-	(19)	114	120
Other Activities (non material)	-	83	588	671	-	(225)	446	212
Total from other activities	85	231	2,020	2,336	(19)	(2,564)	(247)	(5)
Total from other activities – 2018	283	190	1,943	2,416	(6)	(2,415)	(5)	-

GRAMPIAN HOUSING ASSOCIATION LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

4b. Particulars of turnover, operating costs and operating surplus or deficit from other activities	Grants from Scottish Ministers £000	Other revenue grants £000	Other income £000	Total turnover £000	Operating costs – bad debts £000	Other operating costs £000	Operating surplus or (deficit) £000	Total from Other Activities- 2018 £000
Association:								
Wider role activities undertaken to support the community, other than the provision, construction, improvement and management of housing	-	141	-	141	-	(673)	(532)	(468)
Care and repair	-	-	-	-	-	-	-	-
Investment property activities	-	-	-	-	-	-	-	-
Factoring	-	-	446	446	(19)	(511)	(84)	13
Support activities	-	-	-	-	-	-	-	-
Care activities	-	-	-	-	-	-	-	-
Contracted out activities undertaken for RSL's	-	-	65	65	-	-	65	75
Contracted out services undertaken for other organisations	-	-	119	119	-	(264)	(145)	(120)
Developments for sale to RSL's	-	-	-	-	-	-	-	-
Developments and improvements for sale to other organisations	-	-	-	-	-	-	-	-
Uncapitalised development administration costs	-	-	-	-	-	-	-	-
Development and construction of property activities	29	-	-	29	-	(163)	(134)	(153)
Homestake / LIFT / Help to Buy	56	7	-	63	-	-	63	233
First Tranche Shared Ownership sales	-	-	270	270	-	(270)	-	(31)
Other Activities (material) – Foyer	-	-	133	133	-	(19)	114	120
Other Activities (non material)	-	83	588	671	-	(225)	446	212
Total from other activities	85	231	1,621	1,937	(19)	(2,125)	(207)	(119)
Total from other activities – 2018	283	190	1,528	2,001	(6)	(2,114)	(119)	

GRAMPIAN HOUSING ASSOCIATION LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

5. Accommodation in Management

	Units under development		Units under management	
	2019	2018	2019	2018
Group				
General needs housing	302	355	3,380	3,228
Non-social	-	-	32	32
	<u>302</u>	<u>355</u>	<u>3,412</u>	<u>3,260</u>
Shared ownership	-	-	498	518
Association				
General needs housing	302	355	3,380	3,228
Shared ownership	-	-	498	518

Grampian Housing Association leases 91 units (2018: 87 units) to its subsidiary, Kirkgate Developments Limited and these are let as mid market and market rental properties.

6. Remuneration of key management personnel (Group and Association)

No payment or fees or other remuneration was made to the Board members during the year.

Key management personnel are defined as the Chief Executive and senior management team reporting directly to the Chief Executive or the Board at 31 March 2019. During the year the senior management team consisted of the Chief Operating Officer, the Strategic Services Director, the Director of Finance (Resigned 13 July 2018) and the Director of Housing (Resigned 15 June 2018).

	2019 £000	2018 £000
Aggregate emoluments payable to key management personnel (excluding pension contributions), whose total emoluments are £60,000 or more	347	393
Emoluments payable to the Chief Executive (excluding pension contributions)	102	97
Aggregate pension contributions in relation to the key management personnel	31	39
Total emoluments payable to key management personnel	<u>417</u>	<u>432</u>
Total emoluments payable to key management personnel whose emoluments during the reporting period fell within the following bands:		
	2019 No	2018 No
£60,000 - £69,999	-	1
£70,000 - £79,999	2	3
£80,000 - £89,999	1	-
£90,000 - £99,999	-	1
£100,000 - £109,999	1	-

An ex-gratia payment of £40,000 was made during the year (2018: £nil) in respect of loss of office for Grampian Housing Association Limited.

GRAMPIAN HOUSING ASSOCIATION LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

7a. Staff numbers and costs (Group)

The average monthly number of full time equivalent persons (including key management personnel) employed by the Association during the year was:

	Number of employees	
	2019	2018
Office and management/administration	53	52
Housing support and care	35	34
Development	8	10
Operations	15	10
	<hr/>	<hr/>
	111	106
	<hr/>	<hr/>

The average number of employees during 2019 – 119 (2018 – 113)

Staff costs for the above persons:

	2019	2018
	£000	£000
Wages and salaries	3,567	3,365
Social security costs	320	312
Defined contribution pension costs	279	260
	<hr/>	<hr/>
	4,166	3,937
	<hr/>	<hr/>

7b. Staff numbers and costs (Association)

The average monthly number of full time equivalent persons (including key management personnel) employed by the Association during the year was:

	Number of employees	
	2019	2018
Office and management/administration	51	50
Housing support and care	35	34
Development	8	10
	<hr/>	<hr/>
	94	94
	<hr/>	<hr/>

The average number of employees during 2019 – 102 (2018 – 101)

Staff costs for the above persons:

	2019	2018
	£000	£000
Wages and salaries	3,194	3,058
Social security costs	292	289
Defined contribution pension costs	257	238
	<hr/>	<hr/>
	3,743	3,585
	<hr/>	<hr/>

GRAMPIAN HOUSING ASSOCIATION LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

8. Operating surplus

	2019	2019	2018	2018
	Group	Association	Group	Association
	£000	£000	£000	£000
<i>Operating surplus is stated after charging:</i>				
Depreciation of housing properties	4,187	4,187	4,002	4,002
Depreciation of other tangible fixed assets	128	103	149	124
Amortisation of intangible assets	90	90	136	136
<i>Operating lease rentals:</i>				
Buildings	26	26	26	26
Agency / Temporary Costs	101	89	46	46
<i>Fees payable to RSM UK Audit LLP and its associates in respect of both audit and non-audit services are as follows:-</i>				
Audit services – statutory audit	32	24	31	24
Taxation compliance services	12	8	13	10
Other assurance services	4	4	4	4

9. Surplus or deficit on sale of fixed assets

	2019	2019	2018	2018
	Group	Association	Group	Association
	£000	£000	£000	£000
Disposal proceeds	2,415	2,415	2,934	2,934
Carrying value of assets	(2,112)	(2,112)	(1,925)	(1,925)
	<u>303</u>	<u>303</u>	<u>1,009</u>	<u>1,009</u>
Provision for impairment in stock value	6	6	(39)	(39)
(Deficit) on disposal of components	(101)	(101)	(151)	(151)
	<u>208</u>	<u>208</u>	<u>819</u>	<u>819</u>

10. Interest receivable

	2019	2019	2018	2018
	Group	Association	Group	Association
	£000	£000	£000	£000
Interest on bank deposits	4	4	3	3
Interest from Group undertakings	-	97	-	57
	<u>4</u>	<u>101</u>	<u>3</u>	<u>60</u>

GRAMPIAN HOUSING ASSOCIATION LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

11. Interest payable and similar charges

	2019 Group £000	2019 Association £000	2018 Group £000	2018 Association £000
Interest arising on:				
Bank loans and overdrafts	3,254	3,426	3,343	3,280
Other loans	32	32	8	8
Early redemption penalty	232	-	-	-
Less interest capitalised on housing properties under construction	(82)	(82)	(94)	(94)
	<hr/>	<hr/>	<hr/>	<hr/>
	3,436	3,376	3,257	3,194
	<hr/>	<hr/>	<hr/>	<hr/>

12. Taxation

Group	2019 £000	2018 £000
<i>UK corporation tax</i>		
Current tax on income for the year	-	-
Adjustment in respect of previous years	(6)	2
	<hr/>	<hr/>
Total current tax	(6)	2
Deferred tax movement	(34)	(6)
Adjustment in respect of previous periods	-	-
	<hr/>	<hr/>
Tax on surplus on ordinary activities	(40)	(4)
	<hr/>	<hr/>

Factors affecting the tax charge for the current year

The current tax charge for the year differs from the charge calculated at the UK corporation tax rate of 19% (2018: 19%). The differences are explained below:

	2019 £000	2018 £000
<i>Current tax reconciliation</i>		
(Loss) / Surplus on ordinary activities before tax	3,451	1,902
Less current year charity profit	(3,899)	(1,990)
	<hr/>	<hr/>
	(448)	(88)
<i>Effects of:</i>		
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK 19% (2018: 19%)	(85)	(17)
Expenses not deductible for tax purposes	48	16
Adjustments to brought forward balances	(6)	(5)
Capital allowances in excess of depreciation	-	-
Prior year adjustment	-	2
Adjustments closing deferred tax to average rate	3	-
	<hr/>	<hr/>
Total current tax charge (see above)	(40)	(4)
	<hr/>	<hr/>

GRAMPIAN HOUSING ASSOCIATION LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

12. Taxation (continued)

Deferred taxation

The movement in the deferred taxation account during the year was:

	2019	2019	2018	2018
	Group	Association	Group	Association
	£000	£000	£000	£000
Balance brought forward	195	-	199	-
Income and expenditure account movement arising during the year	(40)	-	(4)	-
	<hr/>	<hr/>	<hr/>	<hr/>
Balance carried forward	155	-	195	-
	<hr/>	<hr/>	<hr/>	<hr/>

The balance of the deferred taxation account consists of the tax effect of timing differences in respect of:

Group	2019	2019	2018	2018
	Provided	Potential	Provided	Potential
	£000	Provision	£000	Provision
		£000		£000
Excess of taxation allowances over depreciation of fixed assets	48	-	37	-
Capital gains	136	-	158	-
Losses and other deductions	(29)	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Deferred tax liability/(asset)	155	-	195	-
	<hr/>	<hr/>	<hr/>	<hr/>

13. Intangible assets and goodwill (Group and Association)

	Computer Software	Computer Software Under Construction	Total
	£000	£000	£000
<i>Cost</i>			
At 1 April 2018	658	91	749
Additions	-	-	-
	<hr/>	<hr/>	<hr/>
At 31 March 2019	658	91	749
	<hr/>	<hr/>	<hr/>
<i>Amortisation</i>			
At 1 April 2018	527	-	527
Provided during year	90	-	90
	<hr/>	<hr/>	<hr/>
At 31 March 2019	617	-	617
	<hr/>	<hr/>	<hr/>
<i>Net book value</i>			
At 31 March 2019	41	91	132
	<hr/>	<hr/>	<hr/>
At 31 March 2018	131	91	222
	<hr/>	<hr/>	<hr/>

GRAMPIAN HOUSING ASSOCIATION LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

14. Tangible fixed assets - Housing properties (Group and Association)

	Held for Letting £000	Under Construction £000	Completed Shared Ownership £000	Shared Ownership Under Construction £000	Total £000
<i>Cost</i>					
At 1 April 2018	227,843	12,750	28,399	-	268,992
Additions	-	10,934	-	-	10,934
Properties acquired	395	-	-	-	395
Transfers from/(to) stock (note 19)	650	-	(580)	-	70
Kincardine Housing Co-op	1,094	-	-	-	1,094
Works to existing properties	2,194	-	-	-	2,194
Schemes completed and transfers	10,231	(10,231)	-	-	-
Disposals	(1,005)	-	(1,246)	-	(2,251)
At 31 March 2019	241,402	13,453	26,573	-	281,428
<i>Depreciation</i>					
At 1 April 2018	50,929	-	3,132	-	54,061
Provided during year	3,966	-	221	-	4,187
Transfers	-	-	(64)	-	(64)
Eliminated on disposals	(849)	-	(106)	-	(955)
At 31 March 2019	54,046	-	3,183	-	57,229
<i>Net book value</i>					
At 31 March 2019	187,356	13,453	23,390	-	224,199
At 31 March 2018	176,914	12,750	25,267	-	214,931

	2019 £000	2018 £000
Expenditure on works to existing properties		
Improvement work capitalised	-	-
Replacement component spend capitalised	2,194	2,087
Amounts charged to income and expenditure	784	1,196
Total major repairs spend	2,978	3,283
Finance Costs		
Aggregate amount of finance costs included in the cost of housing properties	706	624

GRAMPIAN HOUSING ASSOCIATION LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

14. Tangible fixed assets - Housing properties (Group and Association) (continued)

Development administration costs capitalised amounted to £28,000 (2018: £62,000) and development allowances amounted to £35,890 (2018: £89,000).

Interest capitalised at 5% amounted to £82,353 (2018: £94,000).

The cost of land included in the housing properties is £46,436,000 (2018: £45,083,000).

None of the Association's land or buildings were held under a lease.

Grampian Housing Association Limited considers rental schemes and shared ownership schemes in each of the main areas, Aberdeen, Aberdeenshire and Moray to be separate cash generating units when assessing for impairment, in accordance with SORP 2014.

During the year, no properties were recognised as impaired. A review of potential impairment was not considered necessary as there were no indicators of impairment.

The properties leased to Kirkgate Developments Limited are included above at the following values:

	2019	2018
	£000	£000
Cost	11,168	10,620
Accumulated depreciation	(661)	(528)
	<hr/>	<hr/>
Total	10,507	10,092
	<hr/>	<hr/>

15. Tangible fixed assets – Other (Group)

	Commercial properties	Heritable land and buildings	Plant and machinery, fixtures and motor vehicles	Computer hardware	Total
	£000	£000	£000	£000	£000
<i>Cost</i>					
At 1 April 2018	594	2,741	542	449	4,326
Additions	-	2	2	-	4
Disposals	-	-	(22)	-	(22)
At March 2019	<hr/> 594	<hr/> 2,743	<hr/> 522	<hr/> 449	<hr/> 4,308
<i>Depreciation</i>					
At 1 April 2018	225	970	411	419	2,025
Provided during year	16	57	42	13	128
Eliminated on disposals	-	-	(22)	-	(22)
At 31 March 2019	<hr/> 241	<hr/> 1,027	<hr/> 431	<hr/> 432	<hr/> 2,131
<i>Net book value</i>					
At March 2019	<hr/> 353	<hr/> 1,716	<hr/> 91	<hr/> 17	<hr/> 2,177
At 31 March 2018	<hr/> 369	<hr/> 1,771	<hr/> 131	<hr/> 30	<hr/> 2,301
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

Included in heritable land and buildings is land costing £260,000. Net accumulated interest capitalised in tangible fixed assets at 31 March 2019 amounted to £515,000 (2018: £515,000). Interest of £nil was capitalised in the year (2018: £nil).

GRAMPIAN HOUSING ASSOCIATION LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

15. Tangible fixed assets – Other (Association) (continued)

	Commercial properties £000	Heritable land and buildings £000	Plant and machinery, fixtures and motor vehicles £000	Computer hardware £000	Total £000
<i>Cost</i>					
At 1 April 2018	594	2,741	443	449	4,227
Additions	-	2	-	-	2
Disposals	-	-	(22)	-	(22)
At March 2019	594	2,743	421	449	4,207
<i>Depreciation</i>					
At 1 April 2018	225	970	386	419	2,000
Provided during year	16	57	17	13	103
Eliminated on disposals	-	-	(22)	-	(22)
At 31 March 2019	241	1,027	381	432	2,081
<i>Net book value</i>					
At March 2019	353	1,716	40	17	2,126
At 31 March 2018	369	1,771	57	30	2,227

16. Investment Properties

	2019 £000	2018 £000
At 1 April 2018	5,318	5,400
(Decrease) in value	(251)	(82)
At 31 March 2019	5,067	5,318

Investment properties, which are all freehold, were valued on an open market existing use basis at 31 March 2019 by J&E Shepherd, Chartered Surveyors. The valuation of the properties was carried out in accordance with Royal Institution of Chartered Surveyors ('RICS') Appraisal and Valuation Manual. No depreciation is provided in respect of investment properties.

On an historical cost basis these fixed assets would have been included at:

	Investment properties	
	2019 £000	2018 £000
Cost	3,832	3,867
Aggregate Depreciation	579	571

GRAMPIAN HOUSING ASSOCIATION LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

17. Fixed asset investments

	2019	2018
	£	£
At 31 March 2019 and 2018	6	6

18. Subsidiary Undertakings

Grampian Housing Association's subsidiary undertakings are all companies Limited by Share Capital:

Name of Undertaking	Class of shareholding	Proportion of nominal value held directly	Nature of business
Kirkgate Developments Limited	Ordinary	100% (2018: 100%)	Mid-market and commercial letting
TLC Housing Maintenance Ltd	Ordinary	100% (2018: 100%)	Cyclical maintenance
Kirkgate Homes Limited	Ordinary	100% (2018: 100%)	Dormant
Grampian Community Energy Limited	Ordinary	100% (2018: 100%)	Dormant

19. Properties for sale and work in progress

	2019	2019	2018	2018
	Group	Association	Group	Association
	£000	£000	£000	£000
Work in progress	33	-	32	14
Shared ownership properties for sale	678	678	1,585	1,585
Transfers to Fixed Assets (note 14)	(70)	(70)	-	-
	<u>641</u>	<u>608</u>	<u>1,617</u>	<u>1,599</u>

20. Debtors

	2019	2019	2018	2018
	Group	Association	Group	Association
	£000	£000	£000	£000
Amounts falling due within one year				
Rent and service charges receivable	1,447	1,447	1,366	1,366
Less: provision for bad and doubtful debts	(617)	(617)	(865)	(865)
	<u>830</u>	<u>830</u>	<u>501</u>	<u>501</u>
HAG receivable	270	270	349	349
Prepayments and accrued income	254	250	325	307
Other debtors	344	306	284	267
Amount due from Group undertaking	-	3	-	11
Loan due from Group undertaking	-	60	-	9
	<u>1,698</u>	<u>1,719</u>	<u>1,459</u>	<u>1,444</u>

GRAMPIAN HOUSING ASSOCIATION LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

20. Debtors (continued)

Amounts falling due after more than one year	2019 Group £000	2019 Association £000	2018 Group £000	2018 Association £000
Loans due from Group undertakings	-	3,382	-	2,176
	<hr/>	<hr/>	<hr/>	<hr/>
	-	3,382	-	2,176
	<hr/>	<hr/>	<hr/>	<hr/>

Loans to subsidiary companies are at a commercial rate with defined payback terms.

The above figure for rental debtors (Group and Association) is made up as follows:

	2019			2018		
	Debtor £000	Provided £000	Net debtor £000	Debtor £000	Provided £000	Net debtor £000
Due from current tenants	1,047	(449)	598	1,114	(408)	706
Due from former tenants	400	(168)	232	252	(185)	67
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	1,447	(617)	830	1,366	(593)	773
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

£300,000 of bad debt was written off during the period (2018: £82,000).

21. Cash and cash equivalents

During 2005, a cash charge was created between THFC (Social Housing Finance) Limited and Grampian Housing Association Limited, whereby the Association maintains a minimum balance of £235,000 (2018: £235,000) on a specific deposit account.

22. Creditors: amounts falling due within one year

	2019		2018	
	Group £000	Association £000	Group £000	Association £000
Debt (note 25)	1,736	1,736	2,141	2,108
Trade creditors	653	611	1,011	982
Other creditors	844	844	716	716
Accruals and deferred income	1,538	1,453	1,743	1,651
Rent and service charges received in advance	292	292	211	211
Deferred capital grants (note 24)	1,497	1,497	1,432	1,432
Deposits	53	53	53	53
Amount due to Group undertaking	-	30	-	72
Other taxation and social security costs	17	17	22	22
Corporation tax	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
	6,630	6,533	7,329	7,247
	<hr/>	<hr/>	<hr/>	<hr/>

Bank loans are secured by charges over specific housing properties.

GRAMPIAN HOUSING ASSOCIATION LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

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

	2019	2019	2018	2018
	Group	Association	Group	Association
	£000	£000	£000	£000
Debt (note 25)	78,023	78,023	77,554	76,533
Deferred capital grant (note 24)	139,609	139,609	134,079	134,079
	<u>217,632</u>	<u>217,632</u>	<u>211,633</u>	<u>210,612</u>

24. Deferred capital grant

	2019	2019	2018	2018
	Group	Association	Group	Association
	£000	£000	£000	£000
As at 1 April	135,511	135,511	127,810	127,810
Grant received in the year	6,953	6,953	9,279	9,279
Capital grant released	(1,432)	(1,432)	(1,365)	(1,365)
Acquired through business combination (note 35)	397	397	-	-
Capital grant on disposals/repaid	(322)	(322)	(213)	(213)
As at 31 March	<u>141,107</u>	<u>141,107</u>	<u>135,511</u>	<u>135,511</u>
The deferred capital grant is split:				
Government Grant	131,436	131,436	125,735	125,735
Other Grant	9,670	9,670	9,776	9,776
	<u>141,106</u>	<u>141,106</u>	<u>135,511</u>	<u>135,511</u>
Amounts to be released within one year	1,497	1,497	1,432	1,432
Amounts to be released in more than one year	139,609	139,609	134,079	134,079
	<u>141,106</u>	<u>141,106</u>	<u>135,511</u>	<u>135,511</u>

25. Debt analysis – borrowings

	2019	2019	2018	2018
	Group	Association	Group	Association
	£000	£000	£000	£000
Creditors: amounts falling due within one year				
Bank loans	1,736	1,736	2,141	2,108
	<u>1,736</u>	<u>1,736</u>	<u>2,141</u>	<u>2,108</u>
Creditors: amount falling due after more than one year				
Bank loans	78,023	78,023	77,554	76,533
	<u>78,023</u>	<u>78,023</u>	<u>77,554</u>	<u>76,533</u>

GRAMPIAN HOUSING ASSOCIATION LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

25. Debt analysis – borrowings (continued)

Borrowings are denominated and repaid in pounds sterling, have contractual interest rates that are either fixed or variable rates linked to LIBOR that are not leveraged and do not contain conditional returns or repayment provisions other than to protect the lender against credit deterioration or changes in relevant legislation or taxation.

Bank borrowings mature at different dates with instalments each year until the last instalment of loans falling to be repaid in the year ending March 2037 (2018: March 2041). £18,531,931 (2018: £43,831,000) bear average fixed-rate interest of 5.4% per annum (2018: 6.3% per annum) and £61,387,051 (2018: £34,818,000) bear average variable-rate interest of 1.4% above LIBOR (2018: 1.3% above LIBOR). The association makes a mix of bi-annual and annual repayments of the bank borrowings.

Bank borrowings of £78,770,100 (2018: £79,703,000) are secured against the Association and its subsidiaries housing and investment properties.

Based on the lender's earliest repayment dates, borrowings are repayable as follows:

	2019	2019	2018	2018
	Group	Association	Group	Association
	£000	£000	£000	£000
Due within one year	1,789	1,789	2,148	2,115
Due in one year or more but less than two years	1,770	1,770	16,746	16,712
Due between two and five years	18,594	18,594	5,798	5,682
Due more than five years	57,766	57,766	55,010	54,139
	<u>79,919</u>	<u>79,919</u>	<u>79,702</u>	<u>78,648</u>
Loan arrangement fees	(160)	(160)	(7)	(7)
	<u>79,759</u>	<u>79,759</u>	<u>79,695</u>	<u>78,641</u>

26. Financial instruments

	2019	2019	2018	2018
Financial assets:	Group	Association	Group	Association
	£000	£000	£000	£000
Debt instruments measured at amortised cost	1,437	4,846	1,133	3,314
Total	<u>1,437</u>	<u>4,846</u>	<u>1,133</u>	<u>3,314</u>

	2019	2019	2018	2018
Financial liabilities:	Group	Association	Group	Association
	£000	£000	£000	£000
Measured at amortised cost	82,847	82,750	83,218	82,135
Total	<u>82,847</u>	<u>82,750</u>	<u>83,218</u>	<u>82,135</u>

GRAMPIAN HOUSING ASSOCIATION LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

27. Provisions

	Deferred Taxation £000	Holiday Pay £000	Total £000
At 1 April 2018	195	74	269
Reversed in the year	(40)	(74)	(114)
Additional provision in year	6	93	99
At 31 March 2019	<u>161</u>	<u>93</u>	<u>254</u>

Holiday pay

This represents holiday accrued as a result of services rendered in the current period and which employees are entitled to carry forward. The provision is measured as the statutory cost payable for the period of absence.

28. Share capital & reserves

The Association is limited by guarantee and consequently has no share capital. Each of the Association's members has the right to buy a £1 Ordinary share and participate at member's meetings. This share would be forfeited in the event of the Association winding up. The £1 Ordinary share has voting rights and no rights to distributions.

	Association	
	2019	2018
Share of each fully paid	Number	Number
At 1 April	102	100
Joined during the year	3	12
Left during the year	(24)	(10)
At 31 March	<u>81</u>	<u>102</u>

Shares issued were in respect of new members of the Association. The Association issues £1 Ordinary shares which have voting rights and no rights to distributions.

Reserves

Reserves of the Group and Association represent the following:

Non Distributable Reserve

Reserve arising from the revaluation of the investment properties owned by the subsidiary company on an open market valuation at 31 March 2019 - £1,479,000 (31 March 2018 - £1,729,000).

Other Restricted Reserves

During the year the assets and liabilities of Kincardine Housing Co-operative were transferred to the Association. The conditions of transfer provide that the cash in bank as at the transfer date is treated as a Restricted Reserve to address SHQS and EESSH in relation to the Kincardine properties which includes the replacement of property components that have reached the end of their useful life. Subject to the outcome of an independent Property Condition Survey it is anticipated that the whole balance of £515,000 will be utilised for this purpose in 2019-20.

GRAMPIAN HOUSING ASSOCIATION LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

29. Capital commitments and other contractual obligations – Group and Association

	2019	2018
	£000	£000
Capital expenditure contracted for but not provided in the financial statements	27,876	15,434
Other loans committed but not yet drawn down	-	-
	<hr/>	<hr/>
	27,876	15,434
	<hr/>	<hr/>
HAG expected on remaining contracted capital expenditure	11,491	7,539
Expenditure authorised by the Board, but not contracted	-	-
	<hr/>	<hr/>

As the relevant expenditure is incurred, corresponding loans and/or grants are sought from Housing and Regeneration Department, Local Authorities and the private sector. The Association has agreed an extension to its borrowing from its main lender, the Royal Bank of Scotland that ensures funds are available to complete committed projects.

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

	2019	2019	2018	2018
	Group	Association	Group	Association
	£000	£000	£000	£000
Surplus for the year	3,491	3,905	1,906	1,988
Adjustment for non cash items:				
Depreciation of tangible fixed assets	4,405	4,380	4,287	4,262
(Gain)/loss on disposal of tangible fixed assets	(208)	(208)	(819)	(819)
Interest receivable	(4)	(101)	(3)	(60)
Interest payable	3,436	3,376	3,257	3,194
Taxation	(40)	(6)	(4)	2
Deferred income	(1,396)	(1,396)	(1,365)	(1,365)
Business combination – excess of fair value of assets over the fair value of liabilities acquired	(1,198)	(1,198)	-	-
FV loss on investment property	251	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Operating cash flows before movements in working capital	8,737	8,752	7,259	7,202
	<hr/>	<hr/>	<hr/>	<hr/>
Decrease / (Increase) in stock	326	341	560	574
Decrease / (Increase) in trade and other debtors	(239)	(1,481)	2,879	2,914
(Decrease) / Increase in trade and other creditors	(526)	(574)	(1,391)	(1,344)
	<hr/>	<hr/>	<hr/>	<hr/>
Cash generated from / (used in) operations	8,298	7,038	9,307	9,346
	<hr/>	<hr/>	<hr/>	<hr/>

GRAMPIAN HOUSING ASSOCIATION LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

31. Commitments under operating leases - Group and Association

The total future minimum lease payments under non-cancellable operating leases for fixed assets (note 8) are as follows:

	2019 £000	2018 £000
Amounts due:		
Within one year	26	26
Between one and five years	38	52
After five years	-	-
	<hr/>	<hr/>
	64	78
	<hr/> <hr/>	<hr/> <hr/>

32. Contingent liabilities

There were no contingent liabilities in the period (2018: £nil)

33. Retirement benefits

Grampian Housing Association participates in a defined contribution pension scheme for all qualifying employees in the United Kingdom. The assets of the scheme are held separately from those of the Company in an independently administered fund. The contributions payable by the Association charged to income and expenditure amounted to £257,000 (2018: £238,000). Contributions totalling £nil (2018: £nil) were payable to the fund at the year end and are included in creditors.

No other post-retirement benefits are provided. The schemes are fully funded schemes.

34. Related party disclosures

The Chief Executive of the Association is also a board member of Our Power Energy Supply Ltd. In the year to 31 March 2019 there was an amount of £782 (2018: £1,181) paid and an outstanding balance of £15,648 due in relation to Our Power and energy consumption for void properties. Our Power went into Administration on 31 January 2019.

The Chief Operating Officer is a board member of Housemark.

During the year to 31 March 2019 the following transactions were effected in relation to Housemark:
Annual subscription and specialist group membership £8,505 (2018: £7,841).

Norton Bertram-Smith a member of the Board is also a director of On Purpose Ltd at the year end there was £nil (2018: £1,566) paid in respect of a training course.

Margaret Bochel a member of the Board is also a Board member of the Policy Council at Aberdeen and Grampian Chamber of Commerce there was an amount of £1,635 (2018: £1,698) paid mainly in relation to a membership fee.

Peter Kennedy the Chair of the Board for Grampian Housing and a member of the board for TLC Housing Maintenance Ltd is also a Board member of Grampian Regional Equality Council there was an amount of £360 (2018: £45) paid in relation to training.

Colin Campbell a member of the Board is a director of Langstane Press. There was an amount paid in respect of stationery of £3,094 (2018: £5,276) plus an outstanding balance of £191 due at 31 March 2019.

GRAMPIAN HOUSING ASSOCIATION LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

34. Related party disclosures (continued)

Gordon Edwards a member of the board of Kirkgate Developments Ltd and Grampian Housing Association is also a director of Aberdeen Council of Voluntary Organisations there was an amount paid in respect of a membership and advertising fee of £200 (2018: £150).

As at 31 March 2019 1 member of the Board of Management was a sharing owner of the Association (2018: 1) and there were no tenants on the Board (2018: none). During the year £2,380 (2018: £2,313) of rent was receivable from the sharing owner member. At the year end there was £nil (2018: £nil) of rent arrears due from the sharing owner member.

Amounts outstanding are unsecured, non-interest bearing and will be settled in cash. No guarantees have been given or received. No expense has been recognised in the year (2018: £nil) in respect of bad debts from related parties.

The company has taken the exemption available under Section 33 of FRS102 in relation to disclosing related party transactions with Kirkgate Developments Limited and TLC Housing Management Limited.

35. Acquisitions

On 31 January 2019, Grampian Housing Association acquired the assets and liabilities of Kincardine Housing Association for £nil consideration.

At 31 January 2019 (the 'acquisition date'), the assets and liabilities of Kincardine Housing Association were consolidated at their fair values, as set out below. The excess of the fair value of the assets acquired over the fair value of the liabilities acquired of £1,198,000 has been recognised in the statement of comprehensive income. £513,000 cash at bank forms part of £515,000 recognised in restricted reserve.

	Initial book value	Fair value adjustment	Fair value at date of acquisition
	£000	£000	£000
Tangible fixed assets	1,457	(363)	1,094
Trade debtors	8	-	8
Cash at bank	513	-	513
Total Assets	1,978	(363)	1,615
Trade creditors	(10)	-	(10)
Other creditors	(397)	-	(397)
Accruals	(10)	-	(10)
Total liabilities	(417)	-	(417)
Net Assets	1,561	(363)	1,198

