



Alexander Sloan
Accountants and Business Advisers

Grampian Housing Association Limited

Report of the Board of Management and Consolidated Financial Statements

For the year ended 31 March 2020

Registered Social Landlord No. HAL120 AL

FCA Reference No. 1769R(S)

Scottish Charity No. SCO42023

GRAMPIAN HOUSING ASSOCIATION LIMITED

REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

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GRAMPIAN HOUSING ASSOCIATION LIMITED

BOARD OF MANAGEMENT, EXECUTIVES AND ADVISERS YEAR ENDED 31 MARCH 2020

Board of Management

Nora Radcliffe	
Dr Abhishek Agarwal	Appointed as Chair 27 August 2019
Ma'aruf Razzak	
Fraser Graham	Resigned 24 September 2019
Margaret Bochel	
Colin Campbell	Resigned 25 June 2019
James Cargill	Appointed as Vice Chair 24 September 2019
Louise Doherty	Resigned 25 June 2019
Shenthiel Selvam	
Denise Belshaw	Appointed 24 September 2019, Resigned 11 February 2020
Stewart Davidson	Appointed 10 December 2019
Sean Girvan	Appointed 21 May 2019
Kristi Kelly	Appointed 21 May 2019
Peter Kennedy	Resigned 29 July 2019, Reappointed 24 September 2019, Removed 22 October 2019
Stuart Rothnie	Appointed 24 September 2019
Gordon Slessor	Appointed 24 September 2019, Resigned 11 February 2020
Tigan Daspan	Appointed 23 June 2020

EXECUTIVE OFFICERS

Neil Clapperton	Chief Executive
Malcolm McNeil	Strategic Services Director
Craig Stirrat	Chief Operating Officer

REGISTERED OFFICE

Huntly House
74 Huntly Street
Aberdeen
AB10 1TD

EXTERNAL AUDITORS

Alexander Sloan
Accountants and Business Advisers
180 St Vincent Street
Glasgow
G2 5SG

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

BANKERS

Bank of Scotland
38 Albyn Place
Aberdeen
AB10 1YN

BANKERS

THFC (Social Housing Finance) Limited
4th Floor
107 Cannon Street
London
EC4N 5AF

BANKERS

Nationwide Building Society
Caledonia House
Carnegie Avenue
Dunfermline
KY11 8PJ

SOLICITOR

Harper MacLeod LLP
The Ca'd'oro
45 Gordon Street
Glasgow
G1 3PE

GRAMPIAN HOUSING ASSOCIATION LIMITED

REPORT OF THE BOARD OF MANAGEMENT FOR THE YEAR ENDED 31 MARCH 2020

The Board of Management presents its report and the Financial Statements for the year ended 31 March 2020.

Legal Status

The Association is registered with the Financial Conduct Authority as a Co-operative and Community Benefit Society (No.1769R(S)), the Scottish Housing Regulator as a registered social landlord (No. HAL120 AL) and as a registered Scottish Charity with the charity number SCO42023.

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 significant 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.

Review of Business and Future Developments

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 and reported annually to the Scottish Housing Regulator and tenants.

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 plan reflects the Association's aim to be a top quartile association and to step away from previous reliance on rent reviews that are based on increases that exceeded RPI. The Association aims to see the customer once again being at the core of what it does, staff that are truly empowered to provide service at point of demand, delivery of self service and management for those customers through digital delivery, better value for money and a net transfer of resources to the front line.

Responsibility for day to day implementation of the Business Plan lies with the Leadership Team, and is in turn the subject of a performance management framework which 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.

GRAMPIAN HOUSING ASSOCIATION LIMITED

REPORT OF THE BOARD OF MANAGEMENT FOR THE YEAR ENDED 31 MARCH 2020

Review of Business and Future Developments (Continued)

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 has embarked on a major programme of transformation which aims to improve the value for money which it delivers. This is summarised as 'Cheaper, better, quicker'.

Development and Performance

During 2019-20, the Group increased capital investment in its properties: this included 211 new bathrooms, 152 new boilers, 17 full heating systems, 21 cases of insulation replacement, 201 new kitchens, 3 new roofs and 90 full window installations. A number of new properties were also built during the year, with 94 units added to the Group's portfolio at locations which included Aberdeen, Newburgh, Inverurie, Peterhead and Inch with an additional 3 off the shelf properties purchased during the year. The Group bought 20 properties back from sharing owners and converted them into mid market rent properties. Further expansion is envisaged in 2020-21 in the context of the 500 unit ambition set by the latest five year Business Plan.

The Association continues to build on earlier work in respect of its governance structure and has adopted a rolling governance action plan to ensure good governance remains at the heart of the Association and incorporates actions identified through self assessment when preparing the Association's First Annual Assurance Statement.

The Association continues 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).

The Group had a turnover of £20,944,000, which represented an increase of £1,237,000 on the previous year's turnover of £19,707,000. The Group showed a surplus before tax of £3,213,000, a decrease of £238,000 on the equivalent surplus of £3,451,000 in 2019. Last financial year there was an exceptional item of £1,198,000 surplus in relation to the directed transfer of Kincardine Housing Co-operative, this year Grampian has continued to maintain similar surplus levels. The positive results show an increase in gain on property disposal of £697,000 and a decrease in interest and finance costs of £189,000 which is driven by the current historical low interest rates and a reduction in the fair value loss on investment properties of £218,000.

The Association's turnover was £20,518,000, an increase of £1,210,000 (2019: £19,308,000). Operating costs show an increase of £1,619,000 chiefly caused by an increase in cyclical, major repairs and reactive repairs when compared with 2019, these costs being due to a requirement to enable the meeting of prescribed standards. £442,000 was spent on Smoke Alarm, testing and replacement in order to meet new regulatory standards and also incorporating additional expenditure in respect of repair and maintenance for the 72 additional ex-Kincardine properties acquired. Surplus before tax was £3,181,000 for 2020 compared with £3,899,000 for 2019, a decrease of £718,000.

Kirkgate Developments Limited's operational results showed increased turnover of 9.5% at £1,002,000 compared to £915,000 in 2019. This was offset by an increase in operating expenditure of 23% to £819,000 from £665,000 in 2019. With the annual revaluation loss of £33,000 which is an 87% decrease from the revaluation loss of £251,000 in 2019 and a reduction in the interest and finance costs of £240,000 for 2020 mainly due to last year's one off loan breakage cost, this resulted in a surplus for the year before tax of £11,000 in 2020 (2019: Deficit of £358,000).

GRAMPIAN HOUSING ASSOCIATION LIMITED

REPORT OF THE BOARD OF MANAGEMENT FOR THE YEAR ENDED 31 MARCH 2020

Review of Business and Future Developments (Continued)

TLC Housing Maintenance has made good progress over the financial year which resulted in a surplus of £22,000 for 2020 (2019: Deficit of £68,000) before tax, however operations were affected at the end of March by the Covid-19 global pandemic and operations ceased for three months from April to June 2020. The Board of Management were supportive of the decision to proceed with the recommencement of TLC operations on 6 July 2020 based on the Scottish Government lockdown measures easing and that all safe working arrangements were in place for tenants and TLC operatives. The strategic aim for TLC is to continue with operations in line with the five year business plan and provide an excellent service to tenants and help to mitigate risk by continuously monitoring performance, cash flow and adapting to the changing environment.

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. Since the year end the Group has faced significant challenges resulting from the Covid-19 pandemic, including temporary suspension of operations for TLC Housing Maintenance. The Group's ongoing transformation journey has ensured that it is well placed to work through the difficult economic conditions that are likely to prevail for some time to come. A balancing act will be required in maintaining service quality and improvement to meet the legitimate expectations of existing customers, and at the same time the unmet housing needs of waiting list applicants..

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 2019/20 the Association achieved a positive outcome which leaves the Association with sufficient cash resources to maintain momentum on its committed development program as well as continue to work towards a new Treasury Management Strategy which will be informed by a comprehensive and strategic review of future capital needs. This will look at the range of options available in respect of capital funding to the Association. Uncertainty surrounds the future level of government support given the economic impact of Covid-19 but the Group is dynamic and agile in responding to these challenges.

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. The socio economic impact of Covid 19 is likely to be long lasting and structural in nature.

Although Scottish Government grant support for new build reflects current commitment to 2021 the position beyond that is unclear. Added to this is the impact of the Brexit post transition period as well as any further call for constitutional change within the UK., the long term political context for the sector is not wholly clear.

The downturn in the oil and gas sector is likely to be compounded by the impact of Covid-19 as a result of suppressed demand and the market exposure to price sensitivity and for the Group will wash through to further depress demand for market based products as well as house prices within the Group's operating area. In terms of social rents, despite the provision of state benefits, the impact of higher arrears and lag time in their recovery will remain a risk that the Group must continue to focus on mitigating.

GRAMPIAN HOUSING ASSOCIATION LIMITED

REPORT OF THE BOARD OF MANAGEMENT FOR THE YEAR ENDED 31 MARCH 2020

Review of Business and Future Developments (Continued)

Key Performance Indicators

The Association's relevant Key Performance Indicators (KPIs), which are based on data returned and published in the Annual Return on the Charter to the Scottish Housing Regulator, are as in the following table.

	<i>Actual</i> 2018/19	<i>Scottish</i> <i>Average</i> 2018/19	<i>Actual</i> 2019/20	<i>Target</i> 2019/20
<i>% Void Rent Loss</i>	0.70%	0.80%	0.60%	0.70%
<i>Average Re-Let Time</i>	29.78 days	27.8 days	26.78 days	28 days
<i>% of stock meeting SHQS</i>	93.80%	94%	96.20%	96%
<i>% of tenants satisfied with overall repairs service</i>	87.74%	91.60%	88.60%	89%
<i>% of tenant offers accepted on first offer</i>	92%	68.70%	92.56%	93%
<i>Gross rent arrears as % rent due</i>	6.29%	4.10%	6.13%	5%
<i>Rent collected as % of total due in year</i>	98.68%	99.50%	98.47%	99%

Overall the KPIs outcomes for 2019/20 reveal a steady improvement compared to the previous year, as shown for void rent loss and re-let times again. 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 seen continuous improvement from 2017-18 to now exceed the Scottish average.

On account of the quality of stock and environment, the Association maintains a strong demand for its empty properties with fewer refusals of offers than the Scottish average.

The level of rent collection and rent arrears remains of concern and whilst this will be an area further adversely affected by the COVID19 lockdown, all efforts will be made in 2020/21 to help tenants avoid getting into arrears and help tenants set up arrangements to clear their debt to the Association.

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 was 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.

GRAMPIAN HOUSING ASSOCIATION LIMITED

REPORT OF THE BOARD OF MANAGEMENT FOR THE YEAR ENDED 31 MARCH 2020

Going Concern

Based on its budgetary and forecasting processes the Board of Management has a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future; therefore, it continues 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 notes to the Financial Statements.

Board of Management and Executive Officers

The members of the Board of Management and the Executive Officers are listed on page 1.

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

The members of the Board of Management are also Trustees of the charity. Members of the Board of Management are appointed by the members at the Association's Annual General Meeting.

Statement of Board of Management's Responsibilities

The Co-operative and Community Benefit Act 2014 requires the Board of Management to prepare Financial Statements for each financial year which give a true and fair view of the state of affairs of the Association and of the surplus or deficit of the Association for that period. In preparing those Financial Statements, the Board of Management is required to:-

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

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 and to enable them to ensure that the financial statements comply with the Co-operative and Community Benefit Societies Act 2014, the Housing (Scotland) Act 2010 and the Determination of Accounting Requirements 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 is also responsible for ensuring the Association's suppliers are paid promptly.

GRAMPIAN HOUSING ASSOCIATION LIMITED

REPORT OF THE BOARD OF MANAGEMENT FOR THE YEAR ENDED 31 MARCH 2020

Statement on Internal Financial Control

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 environment 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;
- 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. Key elements of the Group's systems 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 Group 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 which allow the management team and the Board of Management to monitor key business risks, financial objectives and the progress being made towards achieving the financial plans set for the year and for the medium term;
- monthly/quarterly financial management reports 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 Board of Management receives reports from management 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;
- formal procedures have been established for instituting appropriate action to correct any weaknesses identified through internal or external audit reports.

The Board of Management has reviewed the effectiveness of the system of internal financial control in existence in the Group for the year ended 31 March 2020. No weaknesses were found in the internal financial controls which resulted in material losses, contingencies or uncertainties which require disclosure in the financial statements or in the auditor's report on the financial statements.

Donations

During the year the Association made charitable donations amounting to £3,355 (2019 - £2,227).

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 auditors are 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 auditors.

Auditors

A resolution to reappoint the Auditors, Alexander Sloan, Accountants and Business Advisers, will be proposed at the Annual General Meeting.

GRAMPIAN HOUSING ASSOCIATION LIMITED

REPORT OF THE BOARD OF MANAGEMENT FOR THE YEAR ENDED 31 MARCH 2020

By order of the Board of Management



MALCOLM MCNEIL

Secretary

25 August 2020

GRAMPIAN HOUSING ASSOCIATION LIMITED

REPORT BY THE AUDITORS TO THE MEMBERS OF GRAMPIAN HOUSING ASSOCIATION LIMITED ON CORPORATE GOVERNANCE MATTERS

In addition to our audit of the Financial Statements, we have reviewed your statement on page 7 concerning the Group's compliance with the information required by the Regulatory Standards in respect of internal financial controls contained in the publication 'Our Regulatory Framework' and associated Regulatory Advice Notes which are issued by the Scottish Housing Regulator.

Basis of Opinion

We carried out our review having regard to the requirements relating to corporate governance matters within Bulletin 2006/5 issued by the Financial Reporting Council. The Bulletin does not require us to review the effectiveness of the Group's procedures for ensuring compliance with the guidance notes, nor to investigate the appropriateness of the reasons given for non-compliance.

Opinion

In our opinion the Statement on Internal Financial Control on page 7 has provided the disclosures required by the relevant Regulatory Standards with the publication 'Our Regulatory Framework' and associated Regulatory Advice Notes by the Scottish Housing Regulator in respect of internal financial controls and is consistent with the information which came to our attention as a result of our audit work on the Financial Statements.

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



ALEXANDER SLOAN

Accountants and Business Advisers
Statutory Auditors
GLASGOW
25 August 2020



GRAMPIAN HOUSING ASSOCIATION LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF GRAMPIAN HOUSING ASSOCIATION LIMITED

Opinion

We have audited the financial statements of Grampian Housing Association Limited (the 'Parent') and its subsidiaries (the 'Group') for the year ended 31 March 2020 which comprise the Group and Parent Statement of Comprehensive Income, the Group and Parent Statement of Financial Position, the Group and Parent Statement of Cash Flows, and related notes including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK' (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 the Parent Association's affairs as at 31 March 2020 and of its surplus for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Co-operative and Community Benefit Societies Act 2014, the Housing (Scotland) Act 2010 and the Determination of Accounting Requirements 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 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 of Management's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Board of Management has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or the parent 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 Board of Management is responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

GRAMPIAN HOUSING ASSOCIATION LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF GRAMPIAN HOUSING ASSOCIATION LIMITED (Continued)

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:

- proper books of account have not been kept by the Group in accordance with the requirements of the legislation;
- a satisfactory system of control over transactions has not been maintained by the Group in accordance with the requirements of the legislation;
- the Statement of Comprehensive Income and Statement of Financial Position are not in agreement with the books of account of the Group; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of the Board of Management

As explained more fully in the Statement of Board of Management's Responsibilities as set out on page 6, the Board of Management are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Board of Management 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 of Management is responsible for assessing the Group'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 of Management either intends to liquidate the Group or to cease operations, or has 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/auditorresponsibilities>. This description forms part of our audit 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.



ALEXANDER SLOAN

Accountants and Business Advisers

Statutory Auditors

GLASGOW

25 August 2020



Alexander Sloan
Accountants and Business Advisers

GRAMPIAN HOUSING ASSOCIATION LIMITED

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2020

	Notes	2020 £000	2019 £000
Revenue	2	20,944	19,707
Operating costs	2	15,370	13,979
OPERATING SURPLUS		5,574	5,728
Gain on sale of housing stock	7	905	208
Exceptional item	29	-	1,198
Interest receivable and other income		14	4
Interest payable and similar charges	8	(3,247)	(3,436)
Movement in fair value of financial instruments		(33)	(251)
		(2,361)	(2,277)
Surplus on ordinary activities before taxation	9	3,213	3,451
Tax on surplus on ordinary activities	10	(35)	40
TOTAL COMPREHENSIVE INCOME		3,178	3,491

The results relate wholly to continuing activities.

The notes on pages 20 to 46 form an integral part of these financial statements.

GRAMPIAN HOUSING ASSOCIATION LIMITED

PARENT STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2020

	Notes	2020 £000	2019 £000
Revenue	2	20,518	19,308
Operating costs	2	15,159	13,540
OPERATING SURPLUS		5,359	5,768
Gain on sale of housing stock	7	905	208
Exceptional item	29	-	1,198
Interest receivable and other income		164	101
Interest payable and similar charges	8	(3,247)	(3,376)
		(2,178)	(1,869)
Surplus on ordinary activities before taxation	9	3,181	3,899
Tax on surplus on ordinary activities	10	-	6
TOTAL COMPREHENSIVE INCOME		3,181	3,905

The results relate wholly to continuing activities.

The notes on pages 20 to 46 form an integral part of these financial statements.

GRAMPIAN HOUSING ASSOCIATION LIMITED

GROUP STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2020

	Notes	2020	2019
		£000	£000
NON-CURRENT ASSETS			
Intangible assets	11	49	132
Housing properties - depreciated cost	12	235,585	224,199
Other tangible assets	12	2,070	2,177
Investments	13	5,034	5,067
		<u>242,738</u>	<u>231,575</u>
FIXED ASSET INVESTMENTS			
LIFT loans		429	429
LIFT grants		(429)	(429)
		<u>-</u>	<u>-</u>
CURRENT ASSETS			
Stock and work in progress	14	83	641
Receivables	16	2,608	1,698
Cash and cash equivalents	17	3,115	3,503
		<u>5,806</u>	<u>5,842</u>
CREDITORS: Amounts falling due within one year	18	<u>(5,535)</u>	<u>(5,132)</u>
NET CURRENT ASSETS		<u>271</u>	<u>710</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		243,009	232,285
CREDITORS: Amounts falling due after more than one year	19	(78,307)	(78,023)
PROVISIONS FOR LIABILITIES AND CHARGES			
Other Provision	28	(283)	(254)
		(283)	(254)
DEFERRED INCOME			
Social housing grants	21	(138,774)	(131,435)
Other grants	21	(9,566)	(9,672)
		<u>(148,340)</u>	<u>(141,107)</u>
NET ASSETS		<u>16,079</u>	<u>12,901</u>
EQUITY			
Share capital	22	1	1
Revenue reserves		14,634	11,421
Revaluation reserve		1,444	1,479
		<u>16,079</u>	<u>12,901</u>

The financial statements were approved by the Board of Management and authorised for issue and signed on their behalf on 25 August 2020.


Board Member


Board Member


Secretary

The notes on pages 20 to 46 form an integral part of these financial statements.

GRAMPIAN HOUSING ASSOCIATION LIMITED

PARENT STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2020

	Notes	2020	2019
		£000	£000
NON-CURRENT ASSETS			
Intangible assets	11	49	132
Housing properties - depreciated cost	12	235,585	224,199
Other tangible assets	12	2,041	2,126
		<u>237,675</u>	<u>226,457</u>
FIXED ASSET INVESTMENTS			
LIFT loans		429	429
LIFT grants		(429)	(429)
		<u>-</u>	<u>-</u>
RECEIVABLES: Amounts falling due after more than one year	15	3,322	3,382
CURRENT ASSETS			
Stock and work in progress	14	25	608
Receivables	16	2,645	1,719
Cash and cash equivalents	17	2,898	3,338
		<u>5,568</u>	<u>5,665</u>
CREDITORS: Amounts falling due within one year	18	(5,417)	(5,035)
NET CURRENT ASSETS		<u>151</u>	<u>630</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		241,148	230,469
CREDITORS: Amounts falling due after more than one year	19	(78,307)	(78,023)
PROVISIONS FOR LIABILITIES AND CHARGES			
Other Provision	28	(74)	(93)
		<u>(74)</u>	<u>(93)</u>
DEFERRED INCOME			
Social housing grants	21	(138,774)	(131,435)
Other grants	21	(9,566)	(9,672)
		<u>(148,340)</u>	<u>(141,107)</u>
NET ASSETS		<u>14,427</u>	<u>11,246</u>
EQUITY			
Share capital	22	1	1
Revenue reserves		14,426	11,245
		<u>14,427</u>	<u>11,246</u>

The financial statements were approved by the Board of Management and authorised for issue and signed on their behalf on 25 August 2020.



Board Member



Board Member



Secretary

The notes on pages 20 to 46 form an integral part of these financial statements.

GRAMPIAN HOUSING ASSOCIATION LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2020

	Notes	2020 £000	2019 £000
Surplus for the Year		3,178	3,491
<i>Adjustments for non-cash items:</i>			
Depreciation of tangible fixed assets	12	5,736	4,405
Amortisation of capital grants	21	(1,495)	(1,396)
Increase/decrease in provisions		(19)	
Gain on disposal of tangible fixed assets		(905)	(208)
Taxation	10	35	(40)
Business combination - excess of fair value of assets over fair value of assets acquired		-	(1,198)
Change in market value of investments		33	251
		<u>3,385</u>	<u>1,814</u>
Interest receivable		(14)	(4)
Interest payable	8	<u>3,247</u>	<u>3,436</u>
Operating cash flows before movements in working capital		9,796	8,737
Change in stock		4	326
Change in debtors		(872)	(239)
Change in creditors		456	(526)
		<u>(412)</u>	<u>(439)</u>
Net cash inflow from operating activities		9,384	8,298
Investing Activities			
Acquisition and construction of properties		(18,022)	(13,661)
Social housing grant received		8,960	6,953
Social housing grant repaid		(310)	(358)
Cash acquired on business combination		-	513
Proceeds on disposal of housing properties		2,629	-
Proceeds on disposal of other tangible assets		-	2,415
		<u>(6,743)</u>	<u>(4,138)</u>
Net cash outflow from investing activities			
Financing Activities			
Loan Advances Received		2,000	52,423
Interest received on cash and cash equivalents		14	4
Interest paid on loans		(3,247)	(3,518)
Loan principal repayments		(1,796)	(52,359)
		<u>(3,029)</u>	<u>(3,450)</u>
Net cash outflow from financing activities			
(decrease)/increase in cash	23	(388)	710
Opening cash & cash equivalents		3,503	2,793
Closing cash & cash equivalents		<u>3,115</u>	<u>3,503</u>
Cash and cash equivalents as at 31 March			
Cash	23	3,115	3,503
		<u>3,115</u>	<u>3,503</u>

The notes on pages 20 to 46 form an integral part of these financial statements.

GRAMPIAN HOUSING ASSOCIATION LIMITED

PARENT STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2020

	Notes	2020 £000	2019 £000
Surplus for the Year		3,181	3,905
<i>Adjustments for non-cash items:</i>			
Depreciation of tangible fixed assets	12	5,682	4,380
Amortisation of intangible assets	12	28	-
Amortisation of capital grants	21	(1,495)	(1,396)
Increase/decrease in provisions		(19)	-
Gain on disposal of tangible fixed assets		(905)	(208)
Taxation	-	-	(6)
Business combination - excess of fair value of assets		-	(1,198)
		<u>3,291</u>	<u>1,572</u>
Interest receivable		(164)	(101)
Interest payable	8	<u>3,247</u>	<u>3,376</u>
Operating cash flows before movements in working capital		9,555	8,752
Change in stock		30	(574)
Change in debtors		(866)	(1,481)
Change in creditors		400	341
		<u>(436)</u>	<u>(1,714)</u>
Net cash inflow from operating activities		9,119	7,038
Investing Activities			
Acquisition and construction of properties		(17,972)	(13,659)
Purchase of Intangible Fixed Assets		(36)	-
Purchase of other fixed assets		(11)	-
Social housing grant received		8,960	6,953
Social housing grant repaid		(310)	(358)
Proceeds on sale of investments/Cash acquired on busin		-	513
Proceeds on disposal of housing properties		2,629	-
Proceeds on disposal of other tangible assets		-	2,415
		<u>(6,740)</u>	<u>(4,136)</u>
Net cash outflow from investing activities		(6,740)	(4,136)
Financing Activities			
Loan Advances Received		2,000	52,423
Interest received on cash and cash equivalents		164	101
Interest paid on loans		(3,247)	(3,458)
Loan principal repayments		(1,736)	(51,305)
		<u>(2,819)</u>	<u>(2,239)</u>
Net cash outflow from financing activities		(2,819)	(2,239)
(decrease)/increase in cash	23	(440)	663
Opening cash & cash equivalents		3,338	2,675
Closing cash & cash equivalents		<u><u>2,898</u></u>	<u><u>3,338</u></u>
Cash and cash equivalents as at 31 March			
Cash	23	2,898	3,338
		<u><u>2,898</u></u>	<u><u>3,338</u></u>

The notes on pages 20 to 46 form an integral part of these financial statements.

GRAMPIAN HOUSING ASSOCIATION LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY AS AT 31 MARCH 2020

	Share Capital £000	Revaluation Reserve £000	Revenue Reserve £000	Total £000
Balance as at 1 April 2018	1	1,730	7,679	9,410
Other movements	-	(251)	251	-
Surplus for the year	-	-	3,491	3,491
Balance as at 31 March 2019	1	1,479	11,421	12,901
Balance as at 1 April 2019	1	1,479	11,421	12,901
Other movements	-	(35)	35	-
Surplus for the year	-	-	3,178	3,178
Balance as at 31 March 2020	1	1,444	14,634	16,079

The notes on pages 20 to 46 form an integral part of these financial statements.

GRAMPIAN HOUSING ASSOCIATION LIMITED

PARENT STATEMENT OF CHANGES IN EQUITY AS AT 31 MARCH 2020

	Share Capital	Revenue Reserve	Total
	£000	£000	£000
Balance as at 1 April 2018	1	7,340	7,341
Surplus for the year	-	3,905	3,905
Balance as at 31 March 2019	<u>1</u>	<u>11,245</u>	<u>11,246</u>
Balance as at 1 April 2019	1	11,245	11,246
Surplus for the year	-	3,181	3,181
Balance as at 31 March 2020	<u>1</u>	<u>14,426</u>	<u>14,427</u>

The notes on pages 20 to 46 form an integral part of these financial statements.

GRAMPIAN HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020 NOTES TO THE FINANCIAL STATEMENTS

1. PRINCIPAL 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 is 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.

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.

GRAMPIAN HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

NOTES TO THE FINANCIAL STATEMENTS (continued)

1. PRINCIPAL ACCOUNTING POLICIES (continued.)

Properties held for sale

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

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.

Revenue

Revenue 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 Help 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

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

NOTES TO THE FINANCIAL STATEMENTS (Continued)

1. PRINCIPAL 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.

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 intangible 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 asset's life.

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.

GRAMPIAN HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

NOTES TO THE FINANCIAL STATEMENTS (Continued)

1. PRINCIPAL ACCOUNTING POLICIES (Continued.)

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.

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

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.

<i>Component Name</i>	<i>Useful Economic Life Depreciation Rate</i>
Land	Not Depreciated
Assets under construction	Not Depreciated
Structure	100 years
Roofs	60 years
Kitchens	15 years
Bathrooms	25 years
Windows and Doors	25 years
Lifts	20 years
Heating Systems	25 years
Door Entry Systems	15 years
Electrics	20 years
Boilers	12 years
Insulation	25 years

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

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

NOTES TO THE FINANCIAL STATEMENTS (Continued)

1. PRINCIPAL 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:

<i>Asset Category</i>	<i>Depreciation Rate</i>
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.

GRAMPIAN HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020 NOTES TO THE FINANCIAL STATEMENTS (Continued)

1. PRINCIPAL ACCOUNTING POLICIES (Continued.)

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 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.

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 2020 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.

GRAMPIAN HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

NOTES TO THE FINANCIAL STATEMENTS (Continued)

1. PRINCIPAL ACCOUNTING POLICIES (Continued.)

Financial assets

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

Borrowings

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

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

Derecognition of financial assets and liabilities

A financial asset is derecognised only when the contractual rights to cash flows expire or are settled, or substantially all the risks and rewards of ownership are transferred to another party, or if some significant risks 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

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020 NOTES TO THE FINANCIAL STATEMENTS (continued)

2. PARTICULARS OF TURNOVER, OPERATING COSTS AND OPERATING SURPLUS OR DEFICIT - GROUP

	Notes	Turnover £000	Operating costs £000	2020 Operating surplus / (deficit) £000	Turnover £000	Operating costs £000	2019 Operating surplus / (deficit) £000
Affordable letting activities	3	18,602	13,475	5,127	17,371	11,396	5,975
Other Activities	4	2,342	1,895	447	2,336	2,583	(247)
Total		20,944	15,370	5,574	19,707	13,979	5,728

3. PARTICULARS OF TURNOVER, OPERATING COSTS AND OPERATING SURPLUS OR DEFICIT FROM AFFORDABLE LETTING ACTIVITIES - GROUP

	General Needs Housing £000	Shared Ownership £000	2020 Total £000	2019 Total £000
Revenue from Lettings				
Rent receivable net of service charges	15,163	1,298	16,461	15,332
Service charges receivable	646	146	792	772
Gross income from rent and service charges	15,809	1,444	17,253	16,104
Less: Rent losses from voids	146	-	146	165
Income from rents and service charges	15,663	1,444	17,107	15,939
Grants released from deferred income	1,389	106	1,495	1,432
Total turnover from affordable letting activities	17,052	1,550	18,602	17,371
Expenditure on affordable letting activities				
Management and maintenance administration costs	3,888	129	4,017	4,183
Service costs	819	-	819	718
Planned and cyclical maintenance, including major repairs	1,635	-	1,635	787
Reactive maintenance costs	1,900	-	1,900	1,448
Bad Debts - rents and service charges	620	9	629	73
Depreciation of affordable let properties	4,271	204	4,475	4,187
Operating costs of affordable letting activities	13,133	342	13,475	11,396
Operating surplus on affordable letting activities	3,919	1,208	5,127	5,975
2019	4,782	1,193		

GRAMPIAN HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

NOTES TO THE FINANCIAL STATEMENTS (continued)

2. PARTICULARS OF TURNOVER, OPERATING COSTS AND OPERATING SURPLUS OR DEFICIT - PARENT

	Notes	Turnover £000	Operating costs £000	2020 Operating surplus / (deficit) £000	Turnover £000	Operating costs £000	2019 Operating surplus / (deficit) £000
Affordable letting activities	3	18,602	13,475	5,127	17,371	11,396	5,975
Other Activities	4	1,916	1,684	232	1,937	2,144	(207)
Total		20,518	15,159	5,359	19,308	13,540	5,768

3. PARTICULARS OF TURNOVER, OPERATING COSTS AND OPERATING SURPLUS OR DEFICIT FROM AFFORDABLE LETTING ACTIVITIES - PARENT

	General Needs Housing £000	Shared Ownership £000	2020 Total £000	2019 Total £000
Revenue from Lettings				
Rent receivable net of service charges	15,163	1,298	16,461	15,332
Service charges receivable	646	146	792	772
Gross income from rent and service charges	15,809	1,444	17,253	16,104
Less: Rent losses from voids	146	-	146	165
Income from rents and service charges	15,663	1,444	17,107	15,939
Grants released from deferred income	1,389	106	1,495	1,432
Total turnover from affordable letting activities	17,052	1,550	18,602	17,371
Expenditure on affordable letting activities				
Management and maintenance administration costs	3,888	129	4,017	4,183
Service costs	819	-	819	718
Planned and cyclical maintenance, including major repairs	1,635	-	1,635	787
Reactive maintenance costs	1,900	-	1,900	1,448
Bad Debts - rents and service charges	620	9	629	73
Depreciation of affordable let properties	4,271	204	4,475	4,187
Operating costs of affordable letting activities	13,133	342	13,475	11,396
Operating surplus on affordable letting activities	3,919	1,208	5,127	5,975
2019	4,782	1,193		

GRAMPIAN HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020
NOTES TO THE FINANCIAL STATEMENTS (continued)

4. PARTICULARS OF REVENUE, OPERATING COSTS AND OPERATING SURPLUS OR DEFICIT FROM OTHER ACTIVITIES - GROUP

	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 / (deficit) 2020 £000	Operating surplus / (deficit) 2019 £000
Wider role activities	-	65	-	65	-	507	(442)	(532)
Investment property activities	-	-	393	393	-	210	183	18
Factoring	-	-	449	449	18	502	(71)	(84)
Contracted out services undertaken for registered social landlords	-	-	91	91	-	-	91	7
Contracted out services undertaken for other organisations	-	-	140	140	-	239	(99)	(145)
Uncapitalised development administration costs	-	-	-	-	-	-	-	(134)
Homestake/Lift/Help to Buy	-	144	932	1,076	-	225	851	63
Other activities	88	5	35	128	-	194	(66)	560
Total From Other Activities	88	214	2,040	2,342	18	1,877	447	(247)
2019	85	231	2,020	2,336	19	2,564	(247)	

GRAMPIAN HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020
 NOTES TO THE FINANCIAL STATEMENTS (continued)

4. PARTICULARS OF REVENUE, OPERATING COSTS AND OPERATING SURPLUS OR DEFICIT FROM OTHER ACTIVITIES

	Grants from Scottish Ministers	Other revenue grants	Other income	Total Turnover	Operating costs - bad debts	Other operating costs	Operating surplus / (deficit) 2020	Operating surplus / (deficit) 2019
	£000	£000	£000	£000	£000	£000	£000	£000
Wider role activities	-	65	-	65	-	507	(442)	(532)
Factoring	-	-	449	449	18	502	(71)	(84)
Contracted out services undertaken for registered social landlords	-	-	58	58	-	-	58	65
Contracted out services undertaken for other organisations	-	-	140	140	-	239	(99)	(145)
Homestake/Lift/Help to Buy	88	5	35	128	-	194	(66)	(71)
Other activities	-	144	932	1,076	-	224	852	560
Total From Other Activities	88	214	1,614	1,916	18	1,666	232	(207)
2019	85	231	1,621	1,937	19	2,125	(207)	

GRAMPIAN HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020 NOTES TO THE FINANCIAL STATEMENTS (continued)

5. OFFICERS' EMOLUMENTS - GROUP

	2020 £000	2019 £000
The Officers are defined in the Co-operative and Community Benefit Societies Act 2014 as the members of the Board of Management, managers and employees of the Group.		
Aggregate emoluments payable to Officers with emoluments greater than £60,000 (excluding pension contributions)	<u>264</u>	<u>347</u>
Pension contributions made on behalf of Officers with emoluments greater than £60,000	<u>26</u>	<u>31</u>
Compensation payable to Officers for loss of office	<u>-</u>	<u>40</u>
Emoluments payable to Chief Executive (excluding pension contributions)	105	102
Pension contributions paid on behalf of the Chief Executive	<u>11</u>	<u>11</u>
Total emoluments payable to the Chief Executive	<u>116</u>	<u>113</u>
Total emoluments paid to key management personnel	<u>297</u>	<u>417</u>

The number of Officers, including the highest paid Officer, who received emoluments, including pension contributions, over £60,000 was in the following ranges:-

	Number	Number
£70,001 to £80,000	2	2
£80,001 to £90,000	-	1
£100,000 to £110,000	<u>1</u>	<u>1</u>

5. OFFICERS' EMOLUMENTS - PARENT

	2020 £000	2019 £000
The Officers are defined in the Co-operative and Community Benefit Societies Act 2014 as the members of the Board of Management, managers and employees of the Association.		
Aggregate emoluments payable to Officers with emoluments greater than £60,000 (excluding pension contributions)	<u>264</u>	<u>347</u>
Pension contributions made on behalf of Officers with emoluments greater than £60,000	<u>26</u>	<u>31</u>
Compensation payable to Officers for loss of office	<u>-</u>	<u>40</u>
Emoluments payable to Chief Executive (excluding pension contributions)	105	102
Pension contributions paid on behalf of the Chief Executive	<u>11</u>	<u>11</u>
Total emoluments payable to the Chief Executive	<u>116</u>	<u>113</u>
Total emoluments paid to key management personnel	<u>297</u>	<u>417</u>

The number of Officers, including the highest paid Officer, who received emoluments, including pension contributions, over £60,000 was in the following ranges:-

	Number	Number
£70,001 to £80,000	2	2
£80,001 to £90,000	-	1
£100,000 to £110,000	<u>1</u>	<u>1</u>

GRAMPIAN HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020 NOTES TO THE FINANCIAL STATEMENTS (continued)

6. EMPLOYEE INFORMATION - GROUP

	2020	2019
	No.	No.
Average monthly number of full time equivalent persons employed during the year	<u>112</u>	<u>111</u>
Average total number of employees employed during the year	<u>119</u>	<u>119</u>
Staff costs were:	£000	£000
Wages and salaries	3,770	3,567
National insurance costs	343	320
Pension costs	308	279
	<u>4,421</u>	<u>4,166</u>

6. EMPLOYEE INFORMATION - PARENT

	2020	2019
	No.	No.
Average monthly number of full time equivalent persons employed during the year	<u>94</u>	<u>94</u>
Average total number of employees employed during the year	<u>101</u>	<u>102</u>
Staff costs were:	£000	£000
Wages and salaries	3,172	3,194
National insurance costs	294	292
Pension costs	270	257
	<u>3,736</u>	<u>3,743</u>

GRAMPIAN HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020 NOTES TO THE FINANCIAL STATEMENTS (continued)

7. GAIN ON SALE OF HOUSING STOCK

	Group		Parent	
	2020	2019	2020	2019
	£000	£000	£000	£000
Sales proceeds	2,809	2,415	2,809	2,415
Cost of sales	<u>1,904</u>	<u>2,207</u>	<u>1,904</u>	<u>2,207</u>
Gain on sale of housing stock	<u>905</u>	<u>208</u>	<u>905</u>	<u>208</u>

8. INTEREST PAYABLE AND SIMILAR CHARGES

	Group		Parent	
	2020	2019	2020	2019
	£000	£000	£000	£000
On bank loans and overdrafts	3,326	3,254	3,326	3,426
Other loan Interest	20	32	20	32
Early redemption penalties	<u>-</u>	<u>232</u>	<u>-</u>	<u>-</u>
	3,346	3,518	3,346	3,458
Less: Interest Capitalised on developments	<u>(99)</u>	<u>(82)</u>	<u>(99)</u>	<u>(82)</u>
	<u>3,247</u>	<u>3,436</u>	<u>3,247</u>	<u>3,376</u>

The capitalisation rate of capitalised development period interest was 5% (2019 - 5%).

9. SURPLUS FOR THE YEAR

	Group		Parent	
	2020	2019	2020	2019
	£000	£000	£000	£000
Surplus For The Year is stated after charging/(crediting):				
Depreciation - non-current assets	5,682	4,315	5,682	4,290
Amortisation of intangible assets	28	90	28	90
Auditors' remuneration - audit services	29	32	23	24
Auditors' remuneration - other services	8	16	6	12
Operating lease rentals - land & buildings	<u>24</u>	<u>26</u>	<u>24</u>	<u>26</u>

GRAMPIAN HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

NOTES TO THE FINANCIAL STATEMENTS (continued)

10. CORPORATION TAX

	Group	
	2020	2019
	£000	£000
Analysis of Charge in Year		
<i>Current Tax:</i>		
Current tax on income for the year	-	-
Adjustments in respect of previous years	-	(6)
Total current tax	-	(6)
Deferred tax movement	35	(34)
Tax on surplus on ordinary activities	35	(40)

Factors affecting the charge 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% (2019 - £19%). The difference is explained below:

	2020	2019
	£000	£000
Surplus on ordinary activities before tax	3,213	3,451
Less current year charity profit	(3,181)	(3,899)
	32	(448)
Effects of:		
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK 19% (2019 - 19%)	6	(85)
Expenses not deductible for tax purposes	-	48
Adjustments to brought forward balances		(6)
Adjustments closing deferred tax to average rate	29	3
Total current tax charge above	35	(40)

Deferred taxation

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

	2020	2019
	£000	£000
Balance brought forward	155	195
Income and expenditure account movement arising during the year	35	(40)
Movement on consolidation	19	-
Balance carried forward	209	155

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

	2020	2019
	£000	£000
Effect of taxation allowances over depreciation of fixed assets	50	48
Capital gains	164	136
Losses and other deductions	(24)	(29)
Movement on consolidation	19	-
Deferred tax liability/(assets)	209	155

GRAMPIAN HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

NOTES TO THE FINANCIAL STATEMENTS (continued)

11. Intangible assets	Computer software under construction	Computer software	Total
- Group and parent	£000	£000	£000
COST			
At 1 April 2019	91	658	749
Additions	-	36	36
Eliminated on disposals	(91)	(149)	(240)
At 31 March 2020	<u>-</u>	<u>545</u>	<u>545</u>
AMORTISATION			
At 1 April 2019	-	617	617
Charge for year	-	28	28
Eliminated on disposal	-	(149)	(149)
At 31 March 2020	<u>-</u>	<u>496</u>	<u>496</u>
NET BOOK VALUE			
At 31 March 2020	<u>-</u>	<u>49</u>	<u>49</u>
At 31 March 2019	<u>91</u>	<u>41</u>	<u>132</u>

GRAMPIAN HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020 NOTES TO THE FINANCIAL STATEMENTS (continued)

12. NON-CURRENT ASSETS - Group

(a) Housing Properties	Housing Properties Held for Letting £000	Housing Properties In course of Construction £000	Shared Ownership Completed £000	Total £000
COST				
At 1 April 2019	241,402	13,453	26,573	281,428
Additions	5,294	12,740	345	18,379
Disposals	(1,311)	-	(1,290)	(2,601)
Transfers	13,643	(11,921)	(1,722)	-
At 31 March 2020	<u>259,028</u>	<u>14,272</u>	<u>23,906</u>	<u>297,206</u>
DEPRECIATION				
At 1 April 2019	54,046	-	3,183	57,229
Charge for Year	5,365	-	220	5,585
Transfers	76	-	(76)	-
Disposals	(1,088)	-	(105)	(1,193)
At 31 March 2020	<u>58,399</u>	<u>-</u>	<u>3,222</u>	<u>61,621</u>
NET BOOK VALUE				
At 31 March 2020	<u>200,629</u>	<u>14,272</u>	<u>20,684</u>	<u>235,585</u>
At 31 March 2019	<u>187,356</u>	<u>13,453</u>	<u>23,390</u>	<u>224,199</u>
	2020		2019	
Expenditure on Existing Properties	<i>Component replacement</i>	<i>Improvement</i>	<i>Component replacement</i>	<i>Improvement</i>
	£000	£000	£000	£000
Amounts capitalised	3,145	-	2,194	-
Amounts charged to the statement of comprehensive income	-	1,431	-	784
	<u>-</u>	<u>1,431</u>	<u>-</u>	<u>784</u>

Included in the net book value of housing properties are long leasehold properties of £13,283,000 (2019 - £10,507,000). All other housing properties are heritable.

The aggregate amount of finance costs included in the cost of housing properties amounted to £706,000 (2019 - £706,000).

Development administration costs capitalised amounted to £ 49,980 (2019 - £28,000) and development allowances amounted to £ 87,306 (2019 - £35,890).

GRAMPIAN HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

NOTES TO THE FINANCIAL STATEMENTS (continued)

12. NON-CURRENT ASSETS

(a) Housing Properties Parent	Housing Properties Held for Letting £000	Housing Properties In course of Construction £000	Shared Ownership Completed £000	Total £000
COST				
At 1 April 2019	241,402	13,453	26,573	281,428
Additions	5,294	12,740	345	18,379
Disposals	(1,311)	-	(1,290)	(2,601)
Transfers	13,643	(11,921)	(1,722)	-
At 31 March 2020	<u>259,028</u>	<u>14,272</u>	<u>23,906</u>	<u>297,206</u>
DEPRECIATION				
At 1 April 2019	54,046	-	3,183	57,229
Charge for Year	5,365	-	220	5,585
Transfers	76	-	(76)	-
Disposals	(1,088)	-	(105)	(1,193)
At 31 March 2020	<u>58,399</u>	<u>-</u>	<u>3,222</u>	<u>61,621</u>
NET BOOK VALUE				
At 31 March 2020	<u>200,629</u>	<u>14,272</u>	<u>20,684</u>	<u>235,585</u>
At 31 March 2019	<u>187,356</u>	<u>13,453</u>	<u>23,390</u>	<u>224,199</u>

	2020		2019	
	<i>Component replacement</i> £000	<i>Improvement</i> £000	<i>Component replacement</i> £000	<i>Improvement</i> £000
Expenditure on Existing Properties				
Amounts capitalised	3,145	-	2,194	-
Amounts charged to the statement of comprehensive income	-	1,431	-	784

The Association acquired properties from Kincardine Housing Co-operative in 2018/19. In the prior year the properties were shown within the cost of housing properties at NBV. In the current year the Association has decided to include these at full cost less accumulated depreciation. The net effect of this change is £nil. This was done to ensure housing properties in the accounts aligns with the Association's internal fixed asset register.

Included in the net book value of housing properties are long leasehold properties of £13,283,000 (2019 - £10,507,000). All other housing properties are heritable.

Additions to housing properties include capitalised development administration costs of £50,000 (2019- £28,000)

The Association's lenders have standard securities over housing property with a carry value of £46,876,000 (2019 - £46,436,000).

GRAMPIAN HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

NOTES TO THE FINANCIAL STATEMENTS (continued)

12. NON CURRENT ASSETS (continued)

(b) Other tangible assets - Group	Office Premises £000	Furniture & Equipment £000	Machinery & Equipment £000	Computer Equipment £000	Total £000
COST					
At 1 April 2019	3,337	397	125	449	4,308
Additions	-	3	-	12	15
Eliminated on disposals	-	-	-	(321)	(321)
At 31 March 2020	<u>3,337</u>	<u>400</u>	<u>125</u>	<u>140</u>	<u>4,002</u>
DEPRECIATION					
At 1 April 2019	1,268	378	53	432	2,131
Charge for year	69	13	28	12	122
Eliminated on disposals	-	-	-	(321)	(321)
At 31 March 2020	<u>1,337</u>	<u>391</u>	<u>81</u>	<u>123</u>	<u>1,932</u>
NET BOOK VALUE					
At 31 March 2020	<u>2,000</u>	<u>9</u>	<u>44</u>	<u>17</u>	<u>2,070</u>
At 31 March 2019	<u>2,069</u>	<u>19</u>	<u>72</u>	<u>17</u>	<u>2,177</u>

Included in heritable land and buildings is land costing £260,000. Net interest capitalised in tangible fixed assets at 31 March 2020 amounted to £515,000 (2019 - £515,000). Interest of £nil was capitalised in the year (2109 - £nil).

(b) Other tangible assets - Parent	Office Premises £000	Furniture & Equipment £000	Machinery & Equipment £000	Computer Equipment £000	Total £000
COST					
At 1 April 2019	3,337	381	40	449	4,207
Additions	-	-	-	12	12
Eliminated on disposals	-	-	-	(321)	(321)
At 31 March 2020	<u>3,337</u>	<u>381</u>	<u>40</u>	<u>140</u>	<u>3,898</u>
DEPRECIATION					
At 1 April 2019	1,268	369	12	432	2,081
Charge for year	71	8	6	12	97
Eliminated on disposals	-	-	-	(321)	(321)
At 31 March 2020	<u>1,339</u>	<u>377</u>	<u>18</u>	<u>123</u>	<u>1,857</u>
NET BOOK VALUE					
At 31 March 2020	<u>1,998</u>	<u>4</u>	<u>22</u>	<u>17</u>	<u>2,041</u>
At 31 March 2019	<u>2,069</u>	<u>12</u>	<u>28</u>	<u>17</u>	<u>2,126</u>

GRAMPIAN HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

NOTES TO THE FINANCIAL STATEMENTS (continued)

13. FIXED ASSET INVESTMENTS - GROUP AND PARENT

	2020	2019
	£000	£000
Investment properties	5,034	5,067

Subsidiary Undertakings

Grampian Housing Association has the following wholly owned subsidiary undertakings. Kirkgate Developments Limited 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 its parent. Kirkgate Homes Limited and Grampian Community Energy Limited are dormant. The registered offices of the subsidiaries is Huntly House, 74 Huntly Street, Aberdeen, AB10 1TD.

	2020		2019	
	<i>Reserves</i>	<i>Profit / (Loss)</i>	<i>Reserves</i>	<i>Profit / (Loss)</i>
	£000	£000	£000	£000
Kirkgate Developments Limited	1,851	(21)	1,872	(358)
TLC Housing Maintenance Limited	(198)	20	(218)	(57)
Kirkgate Homes Limited	2	-	2	-
Grampian Community Energy Limited	1	-	1	-

Investment Properties

	2020	2019
	£000	£000
At 1 April 2019	5,067	5,318
Revaluations taken to the statement of comprehensive income	(33)	(251)
At 31 March 2020	5,034	5,067

Investment properties, which are all freehold, were valued on an open market value basis at 31 March 2020 by J&E Shepherd, Chartered Surveyors. The valuations of the properties was carried out in accordance with the Royal Institution of Chartered Surveyors ("RICS") Appraisal and Valuation Manual. No depreciation is provided in respect of investment properties.

The Association participates in a shared equity arrangement. At 31 March 2020 the Association had spent £25,000 (2019 - £678,000) on shared equity properties.

On a historical cost basis these fixed assets would have been included at a cost of £3,832,000 (2019 - £3,832,000) and aggregate depreciation of £681,874 (2019 - £579,000).

GRAMPIAN HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020 NOTES TO THE FINANCIAL STATEMENTS (continued)

14. STOCK AND WORK IN PROGRESS

	GROUP		PARENT	
	2020 £000	2019 £000	2020 £000	2019 £000
Properties for sale	25	608	25	608
Stock of maintenance materials	58	33	-	-
	<u>83</u>	<u>641</u>	<u>25</u>	<u>608</u>

15. RECEIVABLE AMOUNTS DUE AFTER MORE THAN ONE YEAR

	GROUP		PARENT	
	2020 £000	2019 £000	2020 £000	2019 £000
Loans due from subsidiary	-	-	3,322	3,382

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

16. RECEIVABLES

	GROUP		PARENT	
	2020 £000	2019 £000	2020 £000	2019 £000
Gross arrears of rent and service charges	1,012	1,447	1,012	1,447
Less: Provision for doubtful debts	<u>(582)</u>	<u>(617)</u>	<u>(582)</u>	<u>(617)</u>
<i>Net arrears of rent and service charges</i>	430	830	430	830
Social housing grant receivable	1,679	270	1,679	270
Other receivables	499	598	412	556
Amounts due from group undertakings	-	-	124	63
	<u>2,608</u>	<u>1,698</u>	<u>2,645</u>	<u>1,719</u>

17. CASH AND CASH EQUIVALENTS

	GROUP		PARENT	
	2020 £000	2019 £000	2020 £000	2019 £000
Cash at bank and in hand	<u>3,115</u>	<u>3,503</u>	<u>2,898</u>	<u>3,338</u>
	3,115	3,503	2,898	3,338

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 (2019 - £235,000) on a specific deposit account.

GRAMPIAN HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020 NOTES TO THE FINANCIAL STATEMENTS (continued)

18. PAYABLES: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group		Parent	
	2020 £000	2019 £000	2020 £000	2019 £000
Bank loans	1,716	1,736	1,716	1,736
Trade payables	1,574	653	1,529	610
Rent received in advance	300	292	300	292
Other taxation and social security	18	17	18	17
Amounts due to group undertakings	-	-	52	30
Other payables	756	897	756	897
Accruals and deferred income	1,171	1,537	1,046	1,453
	<u>5,535</u>	<u>5,132</u>	<u>5,417</u>	<u>5,035</u>

19. PAYABLES: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	Group		Parent	
	2020 £000	2019 £000	2020 £000	2019 £000
Bank loans	78,307	78,023	78,307	78,023

20. DEBT ANALYSIS - BORROWINGS

	Group		Parent	
	2020 £000	2019 £000	2020 £000	2019 £000
Bank Loans				
Amounts due within one year	1,770	1,789	1,770	1,789
Amounts due in one year or more but less than two years	1,751	1,770	1,751	1,770
Amounts due in two years or more but less than five years	22,950	18,594	22,950	18,594
Amounts due in more than five years	53,659	57,766	53,659	57,766
	<u>80,130</u>	<u>79,919</u>	<u>80,130</u>	<u>79,919</u>
Loan arrangement fees	(107)	(160)	(107)	(160)
	<u>80,023</u>	<u>79,759</u>	<u>80,023</u>	<u>79,759</u>

The Association has a number of bank loans the principal terms of which are as follows:

Lender	Number of Properties Secured	Effective Interest Rate	Maturity (Year)	Variable or Fixed
THFC	113	5.5%	2020	Fixed
Nationwide	60	LIBOR + 0.35%	2026 & 2029	Variable
Bank of Scotland - Syndicate	1,028	6.0%	2032	Fixed
Bank of Scotland - Syndicate	-	5.9%	2032	Fixed
Bank of Scotland - Syndicate	-	5.5%	2025	Fixed
Bank of Scotland - Syndicate	-	LIBOR + 1%	2025	Variable
Royal Bank of Scotland - Syndicate	-	5.5%	2032	Fixed
Royal Bank of Scotland	1,331	LIBOR + 1.5%	2029	Variable
Royal Bank of Scotland	-	4.9%	2037	Fixed
Royal Bank of Scotland	-	4.8%	2036	Fixed
Royal Bank of Scotland	-	LIBOR + 1.1%	2022	Variable
HEEPS	-	0.0%	2028	N/A

GRAMPIAN HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020
NOTES TO THE FINANCIAL STATEMENTS (continued)

21. DEFERRED INCOME - GROUP AND PARENT

	Social Housing Grants £000	Other Housing Grants £000	Total £000
Capital grants received			
At 1 April 2019	149,611	11,049	160,660
Additions in the year	8,960	1	8,961
Eliminated on disposal	(310)	(1)	(311)
At 31 March 2020	<u>158,261</u>	<u>11,049</u>	<u>169,310</u>
Amortisation			
At 1 April 2019	18,176	1,377	19,553
Amortisation in year	1,389	106	1,495
Eliminated on disposal	(78)	-	(78)
At 31 March 2020	<u>19,487</u>	<u>1,483</u>	<u>20,970</u>
Net book value			
At 31 March 2020	<u>138,774</u>	<u>9,566</u>	<u>148,340</u>
At 31 March 2019	<u>131,435</u>	<u>9,672</u>	<u>141,107</u>

This is expected to be released to the Statement of Comprehensive Income in the following years:

	2020 £000	2019 £000
Amounts due within one year	1,495	1,497
Amounts due in more than one year	146,845	139,609
	<u>148,340</u>	<u>141,106</u>

22. SHARE CAPITAL

Shares of £1 each, issued and fully paid	PARENT	
	2020 £	2019 £
At 1 April	81	102
Issued in year	7	3
Cancelled in year	(14)	(24)
At 31 March	<u>74</u>	<u>81</u>

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

GRAMPIAN HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020 NOTES TO THE FINANCIAL STATEMENTS (continued)

23. STATEMENT OF CASH FLOWS - GROUP

Reconciliation of net cash flow to movement in net debt

	£000	2020 £000	£000	2019 £000
(Decrease) / increase in cash	(388)		710	
Cashflow from change in net debt	(264)		(64)	
Movement in net debt during the year		(652)		646
Net debt at 1 April		(76,256)		(76,902)
Net debt at 31 March		(76,908)		(76,256)

	At 01 April 2019 £000	Cashflows £000	Other Changes £000	At 31 March 2020 £000
Cash and cash equivalents	3,503	(388)	-	3,115
	3,503	(388)	-	3,115
Debt: Due within one year	(1,736)	(264)	284	(1,716)
Due after more than one year	(78,023)	-	(284)	(78,307)
Net debt	(76,256)	(652)	-	(76,908)

23. STATEMENT OF CASH FLOWS - PARENT

Reconciliation of net cash flow to movement in net funds

	£000	2020 £000	£000	2019 £000
(Decrease) / increase in cash	(440)		663	
Cashflow from change in net debt	(264)		(1,118)	
Movement in net debt during the year		(704)		(455)
Net debt at 1st April 2019		(76,421)		(75,966)
Net debt at 31 March 2020		(77,125)		(76,421)

	At 01 April 2019 £000	Cashflows £000	Other Changes £000	At 31 March 2020 £000
Cash at bank and in hand	3,338	(440)	-	2,898
	3,338	(440)	-	2,898
Debt: Due within one year	(1,736)	(264)	284	(1,716)
Due after more than one year	(78,023)	-	(284)	(78,307)
Net Debt	(76,421)	(704)	-	(77,125)

24. CAPITAL COMMITMENTS - GROUP AND PARENT

	2020 £000	2019 £000
Capital Expenditure that has been contracted for but has not been provided for in the financial statements	26,114	27,876

The above commitments will be financed by a mixture of public grant, private finance and the Association's own resources.

GRAMPIAN HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020
NOTES TO THE FINANCIAL STATEMENTS (continued)

25. COMMITMENTS UNDER OPERATING LEASES - GROUP AND PARENT

	2020 £000	2019 £000
At the year end, the total minimum lease payments under non-cancellable operating leases were as follows:		
Land and Buildings		
Expiring in the next year	14	26
Expiring later than one year and not later than five years	12	38
	<u> </u>	<u> </u>

26. DETAILS OF ASSOCIATION

The Association is a Registered Society registered with the Financial Conduct Authority and is domiciled in Scotland.

The Association's principal place of business is Huntly House, 74 Huntly Street, Aberdeen, AB10 1TD.

The Association is a Registered Social Landlord and Scottish Charity that owns and manages social housing property in Aberdeen, Aberdeenshire & Moray.

27. BOARD OF MANAGEMENT MEMBER EMOLUMENTS - GROUP AND PARENT

Board of Management members received £nil (2019 - £nil) in the year by way of reimbursement of expenses. No remuneration is paid to members in respect of their duties to the Association.

GRAMPIAN HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020 NOTES TO THE FINANCIAL STATEMENTS (continued)

28. PROVISIONS FOR LIABILITIES AND CHARGES - GROUP

	2020	2019
	£000	£000
Deferred Tax and Holiday Pay		
At 1 April	254	269
Increase / (decrease) in provision	29	(15)
At 31 March	<u>283</u>	<u>254</u>

At the year end the balance of provisions was split £209,000 (2019 - £161,000) for deferred tax and £74,000 (2019 - £93,000) for holiday pay.

29. EXCEPTIONAL ITEM GROUP

	2020	2019
	£000	£000
Surplus on acquisition of Kincardine Housing Co-operative	-	1,198

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

30. HOUSING STOCK - GROUP

The number of units of accommodation in management at the year end was:-

	No.	No.
General needs	3,501	3,380
Non-social	32	32
Shared ownership	449	498
Units under development	308	302
	<u>4,290</u>	<u>4,212</u>

Housing units managed by the Association and leased to its subsidiary:

Name of Organisation	Number of Units	
	No.	No.
Kirkgate Developments Limited	<u>117</u>	<u>91</u>

GRAMPIAN HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020 NOTES TO THE FINANCIAL STATEMENTS (continued)

31. RELATED PARTY TRANSACTIONS

Members of the Board of Management are related parties of the Association as defined by Financial Reporting Standard 102.

Any transactions between the Association and any entity with which a Board of Management member has a connection with is made at arm's length and is under normal commercial terms.

Transactions with Board of Management members (and their close family) were as follows:

	2020	2019
	£	£
Rent received from tenants on the Board of Management and their close family members	200	2,380
Factoring charges received from factored owners on the Board of Management and their close family members	730	368
Members of the Board of Management who are tenants	-	1
Members of the Board of Management who are sharing owners	1	1

The Chief Operating Officer is a member of the Housemark Scotland Advisory Board. During the year transactions were effected in relation to Housmark for annual subscription and other costs amounting to £7,126 (2019: £8,505).

A member of the board is as a Board member of the Policy council at Aberdeen and Grampian Chamber of Commerce and there was an amount of £1,140 (2019 - £1,635) paid in relation to a membership fee.

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.

32. EVENTS AFTER THE REPORTING DATE

At the time of approving the Financial Statements the United Kingdom is impacted by the Coronavirus pandemic. While the Association's strong financial position means that it is well placed to manage the impact on operations, it continues to monitor the position and update its plans accordingly. Like most businesses, however, the virus is likely to have some impact in the forthcoming year.

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 Association in an independently administered fund. The contributions payable by the Association charged to the statement of comprehensive income amounted to £270,000 (2019 - £257,000).

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