

Hillcrest Housing Association Limited

FCA No. 1603 R (S)
Charity No. SC006809
RSL No. 125

Report and Consolidated Financial Statements for the Year Ended
31st March 2019

Hillcrest Housing Association Limited
Report and Consolidated Financial Statements
for the year ended 31st March 2019

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Hillcrest Housing Association Limited

Members, Executives and Advisers

Committee of Management

Mr. A Russell	Chairperson (appointed 9 August 2018) Audit & General Purposes Convenor (resigned 9 August 2018)
Ms. V. Howard	Operations Sub Committee Convenor (appointed 14 November 2018) Chairperson (resigned 9 August 2018)
Ms. M. Dwarshuis	Operations Sub Committee Convenor (resigned 14 November 2018)
Mr. D. Boyle	Audit & General Purposes Convenor (appointed 9 August 2018)
Mr. D. Scott	(Elected)
Mr. M. Hussain	(Elected)
Mr. C. Payne	(Elected – resigned 20 March 2019)
Mr. P. Shepherd	(Elected)
Ms. J. Roberts	(Elected)
Mr. D. Weir	(Elected)
Mr. T. Kirby	(Elected)
Mr. C. Robertson	(Co-opted)

Key Management Personnel

Group Chief Executive	Mrs. A. Linton
Deputy Chief Executive/Company Secretary	Ms. F. Morrision
Director of Finance	Mrs. L. Dryden
Director of Corporate Services	Mr. A. McGonigle (resigned 10 August 2018)
Director of Corporate Services	Ms. L. Don (appointed 14 August 2018)
Director of Development & New Business	Mr. D. Zwirlein
Director of Property	Mr. M. Percival
Director of Housing	Mr. B. Sander
Managing Director of Gowrie Care	Mrs. J Dunlop

Registered Office

1 Explorer Road
Dundee
DD2 1EG

Auditors

Findlays
Chartered Accountants &
Statutory Auditors
11 Dudhope Terrace
Dundee
DD3 6TS

Hillcrest Housing Association Limited
Members, Executives and Advisers

Bankers

Royal Bank of Scotland
3 High Street
Dundee
DD1 9LY

Barclays Commercial Bank
Aurora
1st Floor
120 Bothwell Street
Glasgow
G2 7TJ

Lloyds Bank
3rd Floor
25 Gresham Street
London
EC2V 7HN

GB Social Housing
35 Great St Helens
London
EC3A 6AP

Allia Impact Finance Limited
Future Business Centre
King's Hedges Road
Cambridge
CB4 2HY

Solicitors

Thorntons WS
Whitehall House
33 Yeaman Shore
Dundee
DD1 4BJ

Miller Hendry
13 Ward Road
Dundee
DD1 1LU

Hillcrest Housing Association Limited
Report of the Committee of Management
for the year ended 31st March 2019

The Committee of Management presents their report and the audited Financial Statements for the year ended 31st March 2019.

Incorporation

Hillcrest Housing Association is a Registered Social Landlord, a registered Scottish Charity and registered with the FCA under the Co-operative and Community Benefit Societies Act 2014. The relevant registration numbers are as follows:

Financial Conduct Authority	1603R (S)
OSCR	SC006809
Scottish Housing Regulator	RSL 125

Accounting Compliance

The financial statements of the Group have been prepared in accordance with applicable accounting standards including Financial Reporting Standard 102 *The Financial Reporting Standard Applicable in the UK and Republic of Ireland (FRS 102)*, the Statement of Recommended Practice for Registered Social Landlords 2014, and comply with the Registered Social Landlords Determination of Accounting Requirements 2014.

Committee of Management and Executive Officers

The Committee of Management, Executive Officers and Advisers of Hillcrest Housing Association are set out in pages 2 and 3. Each Member of the Committee of Management holds one fully paid share of £1 in the Group. The Directors of the Group hold no interest in the Group's share capital and although not having the legal status of Directors act as Executives within the authority delegated by the Committee.

Election to the Committee of Management is contained within the rules. All committee Members must be members of the Association. The maximum number of Committee Members is 15. Committee Members are elected at the Annual General Meeting. One-third of the Committee of Members must retire annually; they can put themselves up for re-election together with any nominated member of the Association.

Sustainability and Corporate Responsibility

The management, directors and staff at Hillcrest are committed to improving Hillcrest's performance in the development of housing and all other activities with regard to environmental, social and economic sustainability. We aim to implement all reasonably practicable measures to prevent pollution to the environment and comply with all current environmental regulations, legislation and 'other' requirements. All the companies in the Hillcrest Group have achieved the environmental accreditation standard – BS EN ISO 14001:2015 and are audited annually for reaccreditation. The standard is driven from the top with environmental impacts considered during business planning and then throughout the organisation. ISO 14001:2015 assists in reducing the risk of environmental mis-management, maximising environmental performance, ensuring legal compliance and allows the consideration of environmental impacts of construction/refurbishment.

Hillcrest Housing Association Limited
Report of the Committee of Management (continued)
for the year ended 31st March 2019

Sustainability and Corporate Responsibility (continued)

The Hillcrest Group of Companies also recognises its role in achieving sustainable communities through its involvement in social enterprise projects. We do this through different initiatives in different parts of the organisation. Hillcrest provides dedicated energy advice support and guidance, tenancy sustainment services and money advice. Hillcrest Maintenance has an approved apprenticeship strategy, employing up to 12 apprentices a year and also offers work experience and work placements to school children. Gowrie Care provides activities to service users through the Hubs for a range of activities including drama, arts and crafts, cycling and walking groups, bowling and cookery.

Hillcrest is working towards a more comprehensive approach to measuring our impact in Social Responsibility and to review more closely the outcomes achieved. This will allow us to develop a strategy that maximises the impact for the community.

Risk Management

Risk Management is an essential element of best practice corporate governance. The Hillcrest Group of Companies has an effective approach to risk management, embedding the process into the day to day activities carried out. All individuals have access to the risk register and are aware of the actions required to add to or amend risks.

The organisation has had a continued focus to risk management in identifying, mitigating and managing the risk processes throughout the Group and in particular within the Subsidiary reporting. The risk register is continually reviewed and updated to ensure all risks are noted and the risks quantified.

The Group ensures that structures and governance continually evolve and adapt to a fast changing and challenging operating environment and that where key risks are identified, strategies are put in place to manage the risk. The Committee of Management is satisfied that there are systems in place to mitigate the company's exposure to risk.

In the last year, the approach to risk management has further developed to include risk appetite. This has been assessed by each Company in the Group and will be used to further refine the approach to risk management and in particular around new venture or opportunities.

Review of Business and Future Development

Financial Review

Results

The Group has made a loss of £8.5M in the year to 31 March 2019 which represents a decrease of surplus of £15.0M from the previous year. The decrease is primarily due to 2 key elements. Firstly, an impairment loss of £9.6M on Ellengowan Drive, a development owned by Northern Housing Company. The Ellengowan site of 128 units was agreed, to be demolished and redeveloped. Planning permission was subsequently sought and received, with the demolition works commencing early May 2019. As a direct result of the planned redevelopment works, the value of the Ellengowan site was reduced accordingly and the impairment loss was included within the results for the financial year ended 31 March 2019.

Hillcrest Housing Association Limited
Report of the Committee of Management (continued)
For the year ended 31st March 2019

Financial Review (continued)

Results

Secondly, the results for 31 March 2019, take into account the introduction of recognising the defined benefit pension net liability position in line with new accounting legislation. Both Hillcrest Housing Association Limited and Gowrie Care Limited are members of a multi-employer defined benefit pension scheme. Historically, the pension administrators have been unable to separately identify each employer's share of the assets and liabilities of the scheme and employers have only been able to recognise a liability for the present value of the employer's deficit funding agreement. For year ended 31 March 2019, the administrators were able to be in a position to provide a split of the scheme's assets and liabilities and these are now recognised in the employer's financial statements. This change in accounting treatment has resulted in a reduction in the Group's surplus for the year on the initial recognition of the defined benefit scheme of £1.8M. Group surpluses have been further reduced by £1.6M as a result of a reduction in the actuarial valuation of the scheme at 31 March 2019.

Hillcrest Housing Association surplus before recognition of the defined benefit pension liability, reduced from £5.0M Surplus in 2018 to £3.6M in 2019. The surplus however noted took into account £175K (2018 - £2.5M) positive movement in the measurement of the fair value of financial instruments.

Annual surpluses are required to cover long term maintenance obligations, repayment of loans and future risks.

Balance Sheet

This resulted in a £8.5M decrease in the Group net assets from £74.7M to £66.2M as at 31 March 2019. The Group's liquidity remains strong with a significant number of unencumbered properties available as security if required. The increase in the Group's net asset value is attributable to the continued financial contribution to development. A further £63.1M was invested in property development during the financial year.

Growth

During the financial year to 31 March 2019, Hillcrest Housing Association took into management a further 270 units. These were a mixture of traditional social rented and mid-market rented property. Hillcrest continues to have a healthy development programme with 1,747 units planned for development in the forthcoming 3-year period.

A detailed housing stock analysis is provided in Note 14.

Hillcrest Housing Association Limited
Report of the Committee of Management (continued)
For the year ended 31st March 2019

Revenue Reserves

This reflects past years' activities and has to provide for the issues of the future financial health of the Group which are long term maintenance, loan repayments and future risk. General reserves are required to ensure the future financial stability of the Group. The total revenue reserves amount to £66.2M which the Committee of Management believes to be adequate.

Additional information about the reserves is provided in Notes 25.

Employee Involvement

The Group has continued its practice of keeping the employees informed about the matters affecting them as employees and the financial and economic factors affecting the Group and its tenants. This is achieved through consultations with employee representatives and staff meetings, newsletters, presentation of the Internal Management Plan to all staff and representation by staff at various working parties set up to review particular areas of work. The Hillcrest Group of Companies has achieved the Investors in People Gold Award, the Investors in Young People Silver Award and the Health and Well-being at Work Award.

Learning and Development

The Hillcrest Group of Companies has a comprehensive Learning and Development Policy, a dedicated Learning and Development Team who undertake a variety of internal training courses including organisational introduction, manual handling, non-crisis intervention and autism training.

The e-learning platform is utilised extensively to provide training more cost-effectively and to more members of staff.

Operational Policies

Hillcrest Housing Association has a comprehensive Policy and Procedures Manual covering all of its major areas of operation. All policies are reviewed regularly in line with guidance provided by Scottish Ministers, Best Practice Guidance and any other relevant statutory body.

Equal Opportunities & Disabled Persons

The Hillcrest Group of Companies has an Equality & Diversity Policy to ensure that there are no discrimination or less favourable treatment on the grounds of any protected characteristic, this being sex, marital status, age, race, colour, nationality, ethnic or national origin, religion, or disability, or is disadvantaged by conditions or requirements which cannot be justifiable. The Group has achieved the Disability 2 Tick Accreditation and is committed to making all reasonable adjustments if required to those within its employment.

Equality Impact Assessment is our process of identifying how our policies and services impact on any of the equality groups. This is undertaken at the start of the policy development process to ensure our policies, services and public documentation are designed right first time for our customers, service users and employees. The term policy and service are used to cover any activity across the Group, this includes HR policies, budget setting, strategic planning, service provision and employment matters.

Hillcrest Housing Association Limited
Report of the Committee of Management (continued)
For the year ended 31st March 2019

Health and Safety

The Health and Safety Committee continue to meet regularly to ensure that the organisation complies with the relevant Health and Safety legislation and will continue to improve Health and Safety measures throughout Hillcrest Housing Association.

Hillcrest has a comprehensive Health and Safety Manual that covers all aspects of the Group. There are regular training sessions provided by the dedicated Health and Safety Team to ensure that employees have the correct information to carry out their role safely. The Health and Safety Officers also carry out regular audits across the Group and share good practice and make recommendations for improvement.

Donations

The Group made aggregate donations of £2,644 in the year to 31 March 2019 to various organisations.

Treasury Management

Hillcrest Housing Association Treasury function operates within a framework of clearly defined Committee of Management approved policies and procedures. These serve to control the use of financial instruments and the Committee receives regular reports on relevant treasury matters. The overall aim of the Treasury function is to ensure sufficient liquidity is available to meet foreseeable needs, surplus cash is invested prudently and financial risk is minimised.

The investment activity undertaken by Hillcrest is prudent to try to maximise the returns on free funds.

Auditors

Findlays, Chartered Accountants are auditors to the Association and are willing to be re-elected.

By Order of the Committee

A. Russell
Chairperson
16th July 2019

Hillcrest Housing Association Limited
Strategic Report
For the year ended 31st March 2019

The Committee of Management present their strategic report for the year ended 31 March 2019.

Principal Activities

The principal activities of the Group are the provision of high quality rented accommodation at affordable rents for those in housing need and the provision of care and support services for those in need due to age, infirmity, disablement or handicap.

Hillcrest Housing Association has evolved a Group structure to deliver this range of services and activities. The key operating Companies within The Hillcrest Group are as follows;

Hillcrest Housing Association Limited (HHA) the ultimate Group parent company, sets the overall strategic direction and policy framework for the Group, provides administrative support services to other Group members and is the provider of social housing through which the majority of housing for rent and sale is developed and managed.

Gowrie Care Limited (GC) is a company limited by guarantee with charitable status and a wholly controlled subsidiary of HHA. GC focuses on providing care and support to individuals with a variety of different needs

Hillcrest Maintenance Services Limited (HMS) is a company limited by guarantee and a wholly controlled subsidiary of HHA. HMS provides maintenance services to HHA as well as other companies within the Group and external organisations.

Northern Housing Company Limited (NHCL) is a company limited by guarantee with charitable status and a wholly controlled subsidiary of HHA. NHCL provides mid-market rental accommodation throughout Dundee, Perth and Edinburgh. NHCL ceased trading on 31 March 2019 and the company's activities transferred to Hillcrest Enterprises Limited on 1 April 2019.

Hillcrest Enterprises (2019) Limited (HEL 2019), formally Hillcrest Enterprises Limited, is a company limited by guarantee and a wholly controlled subsidiary of HHA. HEL provides rental accommodation for people with special needs, agency and letting agency services and nursery services for children aged 0 – 5 years old. With the exception of the nursery services, the company's activities transferred to Hillcrest Enterprises Limited on 1 April 2019.

Hillcrest Enterprises Limited (HE) was incorporated on 1 April 2019 and is a company limited by shares and a wholly controlled subsidiary of HHA. HE provides mid-market rental accommodation, rented accommodation for people with special needs and agency and letting agency services.

Leith Links NHT 2011 LLP (LL) is a Limited Liability Partnership of which Hillcrest Housing Association is the controlling member. The company provides mid-market rented accommodation in Edinburgh and was set up under the National Housing Trust initiative.

Cair Scotland Limited (CS) is a company limited by guarantee with charitable status and a wholly owned subsidiary of Gowrie Care Limited with effect from 1st July 2017. Cair Scotland Limited provides support and resources to adults and young people who are or have the potential to become drug users.

Hillcrest Housing Association Limited
Strategic Report
For the year ended 31st March 2019

Principal Activities (continued)

Child Cair @ Limited (CC) is a company limited by guarantee with charitable status and a wholly owned subsidiary of Cair Scotland Limited. Child Cair @ Limited merged with its parent company, Cair Scotland Limited on 31 March 2018. The provision of nursery services transferred to Hillcrest Enterprises (2019) Limited on 1 October 2019. Child Cair @ Limited was dissolved on 25 June 2019.

Explorer Heat Limited (EH) is a company limited by shares and wholly controlled by HHA. This company is dormant and set out to undertake the maintenance and servicing of the district heating system which is part of the Sailmaker development.

The Hillcrest Group Limited (HG) is a company limited by guarantee and wholly controlled by HHA. This company is dormant and was registered simply to capture the name.

Vision and Strategic Objectives

The Hillcrest Group aims to remain a strong, effective Scottish organisation making an impact on increasing people's quality of life, contributing to sustainable communities and reducing social exclusion in our areas of operation.

Housing, care and social enterprise will remain our core activities but we will diversify and use our expertise to provide a wide range of products and services.

We will be seen as a learning organisation that invests in people both within the Group and in the wider community.

We will adapt to changing needs, expectations and opportunities and have a culture of continuous improvement and we will be efficient in procurement and the provision of services and provide value for money in all that we do.

Hillcrest will ensure that tenant's interests are considered fully at all times through engagement and consultation.

The Hillcrest Group of Companies Business Plan is designed to ensure that its strategy, products and services are delivered in accordance with its overall purpose and vision. As such, the Business Plan focuses on fulfilling the following strategic objectives;

- Provide good quality, well maintained housing at affordable rents
- Contribute to building sustainable communities
- Provide quality, creative, responsive care and support services.
- Contribute to social, economic and environmental activities.
- Ensure resources, skills and structure to meet objectives

3 Year Business Plan

Hillcrest Housing Association has prepared a detailed 3 year Business Plan to March 2022. The key aims and objectives of this plan are to capture the key short-term activities and targets for 2019-20 to reflect the overall strategic objectives and to build in, where appropriate, longer term objectives. The activities and targets are assigned to Directors and further delegated within departments where applicable.

Hillcrest Housing Association Limited
Strategic Report
For the year ended 31st March 2019

Future Development

The Hillcrest Group plans to continue to grow and develop over the 3 years covered by this plan. The increase in development funding and the subsidy level has increased the develop programme significantly. Hillcrest Housing Association is on site with a number of projects within Edinburgh, Perth & Kinross, Aberdeen and Dundee. This will increase the social rented stock by 247 and the properties available through mid-market rent by 81 in the year to 31 March 2020 A further 1,419 units are planned to be developed by 2022.

Welfare Reform

The impact of welfare reform continues to be closely monitored to ensure all tenants who are affected are supported. A strategy and action plan is in place to help address all the known current and future impacts of welfare reform which is helping to keep our rent arrears levels below target. Our income management & tenancy sustainment teams continue to work closely with tenants to ensure that they are fully aware of their responsibilities when in receipt of Universal Credit and the services we can offer to assist them with budgeting and financial management.

Tenant Involvement

Hillcrest Housing Association has a tenant involvement strategy and over 130 tenants on its Interested Tenant Register through which we actively encourage opportunities to get involved at a level and pace that suits them such as specific focus groups, surveys or our newsletter panel. Our resident group, HART (Hillcrest Action for Residents & Tenants), now concentrates on scrutiny to help monitor services and suggest improvements. We also formally consult annually on our annual rent increase and carry out an independent face to face survey annually to gather data on a range of measures including satisfaction with both housing and repair services, value for money & rent affordability. A self-service app is under development and following tenant consultation is scheduled for launch by the end of 2019 so tenants can easily the full range of services on-line 24/7 that can currently only do via the phone.

Financial Review

Turnover

Increased by £2.9M, (8.4%) to £36.7M for the Association and increased by £3.3M, (6.7%) to £53.3M for the Group. Additional information on the breakdown of turnover is provided in the Notes 2 and 3 of the Financial Statements. Turnover has continued to increase due to the current development programme. Rental income increased by 6.7% for the Association and will continue to increase as the development programme is rolled out. Void levels continue to remain low at 1.8%. Turnover for care activities within the group increased by 11.4%.

Overheads

Bad debts are an ongoing area of review and focus for the Association. With the assistance of an enhanced tenancy sustainment team, bad debts have been maintained at less than 1% of turnover. This area of focus will continue as external factors such as universal credit and welfare reform will be anticipated to have an adverse effect on the levels of rent collection. Other factors affecting companies within the group is the aspiration to provide living wage rates. This can only be achieved within the care sector if funding streams increase in line.

Hillcrest Housing Association Limited
Strategic Report
For the year ended 31st March 2019

Financial Review (continued)

Balance Sheet

Treasury management is an area of ongoing review. Funds held in bank are reviewed for maximum return. During the financial year further loan funding of £23.1M was drawn down from the existing loan facility. Additional funding of £55M was received in April 2019 which was used to repay the existing revolving credit facility shown within creditors falling due within one year at 31 March 2019. At the financial year end £11.7M was held in the bank by the Association.

Principal risks and uncertainties

The Committee of Management monitor the overall risk profile of the Company. In addition, the Committee of Management is responsible for determining clear policies as to what the Company considers to be acceptable levels of risk. These policies seek to enable people throughout the Company to use their expertise to identify risks that could undermine performance and to devise ways of bringing them to within acceptable levels. Where the Committee of Management identify risks that are not acceptable, they develop action plans to mitigate them with clear allocation of responsibilities and timescales for completion and ensure that progress towards implementing these plans is monitored and reported upon.

Financial loss from increased rent arrears

Risk

There is a risk of a number of leases being ended due to changes in Government policy around temporary homeless accommodation and the move towards providing more permanent tenancies with support provided separately.

Mitigation

An Action Plan will be prepared following a detailed review of all the accommodation identified as 'at risk'. Further reports to be considered by Committee of Management in due course. Ongoing meetings with local authority partners.

Service Delivery

Risk

Increasing costs and pressures, including the increased sleepover payments, may have a negative effect on Gowrie Care's ability to deliver services within budget.

Mitigation

Budgets have been revised to reflect actual spend on staffing rather than staffing need and monthly management accounts are prepared. Regular discourse is held with relevant local authorities.

By Order of the Committee

A. Russell
Chairperson
16th July 2019

Hillcrest Housing Association Limited
Statement of Committee's Responsibilities
for the year ended 31st March 2019

Housing Association legislation requires the Committee to prepare Financial Statements for each financial year which gives a true and fair view of the state of affairs of the Group and of the Income and Expenditure of the Group for the year ended on that date. In preparing those Financial Statements the Committee is required to:-

- Select suitable accounting policies and then apply them consistently;
- Make judgements and estimates that are reasonable and prudent;
- State whether applicable accounting standards have been followed subject to any material departures disclosed and explained in the Financial Statements;
- Prepare the Financial Statements on a going concern basis unless it is inappropriate to presume that the Group will continue in business.

The Committee is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Group and for maintaining a satisfactory system of control over the Group's accounting records and transactions. The Committee is also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In so far as the Committee of Management are aware, there is no relevant audit information (information needed by the Association's auditors, in connection with preparing the report) of which the Association's auditors are unaware.

The Committee of Management have taken all the steps that they ought to have taken to make themselves aware of that information.

Statement of Internal Financial Control

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

1. The reliability of financial information whether used within the Group or provided for external users;
2. The maintenance of proper accounting records; and
3. The safeguarding of assets against unauthorised use or disposition.

Such systems of internal financial control can only provide reasonable and not absolute assurance against material misstatement or loss.

Hillcrest Housing Association Limited
Statement of Committee's Responsibilities
for the year ended 31st March 2019 (continued)

Key procedures which the Committee has established and which are designed to provide effective financial control include the following:-

- (1) Formal policies and procedures are in place for the appointment of suitably qualified and experienced senior staff members and consultants. These policies and procedures also detail duties and levels of authority for Committee Members, staff and agents.
- (2) A system of budgetary control is implemented with investigation of variances and reporting to the Committee on a quarterly basis.
- (3) A strategic plan and medium-term projections have been prepared and approved by the Committee. These are reviewed annually.
- (4) The Committee reviews reports from Management Agents and from the auditors to provide reasonable assurance that control procedures are in place and are being followed.
- (5) All significant new initiatives, major commitments and investment projects are subject to formal authorisation procedure at full Committee level.
- (6) The internal auditor undertakes a rolling programme of internal audit assignments. The independent professional internal auditor has direct access to the Audit Committee which receives the reports and agrees the appropriate action plan.

The Committee has reviewed the effectiveness of the system of internal financial controls in existence for the year ended 31 March 2019 and until 16 July 2019. 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.

A. Russell
Chairperson
16th July 2019

Hillcrest Housing Association Limited
Independent Auditors report to the members of
Hillcrest Housing Association Limited

Opinion

We have audited the financial statements of Hillcrest Housing Association Limited (the 'association') for the year ended 31 March 2019 which comprise the Group and Association Statement of Comprehensive Income, the Group and Association Statement of Financial Position, the Group and Association Statement of Cash Flows, the Group and Association Statement of Changes in Reserves and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the association's members, as a body, in accordance with section 87 of the Co-operative and Community Benefit Societies Act 2014. Our audit work has been undertaken so that we might state to the association's members 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.

In our opinion the financial statements:

- give a true and fair view of the state of the association's affairs as at 31 March 2019 and of its income and expenditure for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Co-operative and Community Benefit Societies Act 2014, the Housing (Scotland) Act 2010 and the Scottish Housing Regulator's Determination of Accounting Requirements 2014.

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

Hillcrest Housing Association Limited
Independent Auditor's Report to the Members of
Hillcrest Housing Association Limited (continued)

Conclusions relating to going concern (continued)

- the Committee has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the association's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The Committee 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 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.

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:

- the association has not kept proper books of account, and not maintained a satisfactory system of control over its transactions, in accordance with the requirements of the legislation; or
- the revenue account, any other accounts to which our report relates, and the balance sheet are not in agreement with the association's books of account; or
- we have not obtained all the information and explanations necessary for the purposes of our audit.

Responsibilities of the Committee

As explained more fully in the Committee's responsibilities statement (set out on pages 13 and 14), the Committee is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Committee determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Hillcrest Housing Association Limited

Independent Auditor's Report to the Members of Hillcrest Housing Association Limited (continued)

Responsibilities of the Committee (continued)

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

Auditor's responsibilities for the audit of the financial statements

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

As part of an audit in accordance with ISAs (UK), we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but, except to the extent otherwise explicitly stated in our report, not for the purpose of expressing an opinion on the effectiveness of the association's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Committee.
- Conclude on the appropriateness of the Committee's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the association's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the association to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Hillcrest Housing Association Limited

**Independent Auditor's Report to the Members of
Hillcrest Housing Association Limited (continued)**

Auditor's responsibilities for the audit of the financial statements (continued)

- We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Joan Williamson, CA (Senior Statutory Auditor)
For and on behalf of Findlays
Chartered Accountants and Statutory Auditor
11 Dudhope Terrace
Dundee
DD3 6TS

16th July 2019

Hillcrest Housing Association Limited
Report of the Auditors
To Hillcrest Housing Association Limited
on Corporate Governance Matters

In addition to our audit of the financial statements, we have reviewed your statement on pages 13 and 14 concerning the Association's compliance with the information required by the Regulatory Standards for systemically important RSLs in respect of internal financial controls contained within the publication "Our Regulatory Framework" and associated Regulatory Advisory Notes issued by the Scottish Housing Regulator.

Basis of opinion

We carried out ou

r review having regard to the requirements 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 Association's procedures for ensuring compliance with the guidance notes, nor to investigate the appropriateness of the reason given for non-compliance.

Opinion

In our opinion the Statement on Internal Financial Control on pages 13 and 14 has provided the disclosures required by the relevant Regulatory Standards for systemically important RSLs within the publication "Our Regulatory Framework" and associated Regulatory Advisory Notes which are issued by the Scottish Housing Regulator in respect of internal financial controls and is consistent with the information which came to our attention as a result of our audit work on the Financial Statements.

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

Joan Williamson, CA (Senior Statutory Auditor)
For and on behalf of Findlays
Chartered Accountants and Statutory Auditor
11 Dudhope Terrace
Dundee
DD3 6TS

16th July 2019

Hillcrest Housing Association Limited
Consolidated Statement of Comprehensive Income
for the year ended 31st March 2019

	<u>Notes</u>	2019 £	Continuing Operations	Discontinued operations	2018 £
Turnover	2(a)	53,284,799	49,961,804	-	49,961,804
Operating expenditure	2(a)	(44,528,852)	(40,953,413)	484	(40,952,929)
Impairment on affordable let properties	2(a)	(9,679,348)	-	-	-
Operating surplus/(deficit)	10	(923,401)	9,008,391	484	9,008,875
Gain/(loss) on disposal of tangible fixed assets	4	1,396,047	422,615	-	422,615
Finance income	5	52,277	24,968	-	24,968
Finance costs	6	(5,831,375)	(5,541,933)	-	(5,541,933)
Pension remeasurement	7	(616)	6,040	-	6,040
Loss on reclassification of investment	10	-	(13,532)	-	(13,532)
Movement in fair value of financial instruments	24	175,639	2,469,042	-	2,469,042
Surplus/(deficit) before tax		£(5,131,429)	6,375,591	484	£6,376,075
Taxation	12	(46,488)	(13,441)	-	(13,441)
Surplus/(deficit) after tax		£(5,177,917)	£6,362,150	£484	£6,362,634
Business combination	34	-	184,247	-	184,247
Unrealised surplus on revaluation of housing properties	25	131,620	-	-	-
Initial recognition of multi-employer defined benefit scheme	22	(1,790,315)	-	-	-
Actuarial losses in respect of pension scheme	22	(1,632,468)	-	-	-
Total comprehensive income for the year		£(8,469,080) =====	£6,546,397 =====	£484 =====	£6,546,881 =====

Of the activities undertaken all (2018 - £6,546,397) related to continuing activities and nil (2018 - £484) were discontinued activities.

The notes on pages 29 to 77 form part of the Financial Statements

Hillcrest Housing Association Limited
Association Statement of Comprehensive Income
for the year ended 31st March 2019

	Notes	2019 £	2018 £
Turnover	2(a)	36,706,234	33,847,934
Operating expenditure	2(a)	(29,767,234)	(27,037,353)
Operating surplus/(deficit)	10	6,939,000	6,810,581
Gain/(loss) on disposal of tangible fixed assets	4	1,404,773	357,757
Finance income	5	143,800	131,896
Finance costs	6	(5,107,016)	(4,828,603)
Pension remeasurement	7	(616)	39,273
Movement in fair value of financial instruments	24	175,639	2,469,042
Surplus before and after taxation for the year		£3,555,580	£4,979,946
Initial recognition of multi-employer defined benefit scheme	22	(1,308,571)	-
Actuarial loss in respect of pension scheme	22	(1,335,102)	-
Total comprehensive income for the year		£911,907 =====	£4,979,946 =====

All income and expenditure derive from continuing activities.

The notes on pages 29 to 77 form part of the Financial Statements

Hillcrest Housing Association Limited

Consolidated Statement of Financial Position as at 31st March 2019

	Notes	2019 £	Restated 2018 £
Fixed assets			
Tangible fixed assets	15/16	483,236,013	438,094,638
Investments	17	871,385	871,385
		484,107,398	438,966,023
Current assets			
Stock	18	22,422,778	22,004,053
Trade and other debtors	19	14,365,616	13,032,335
Cash and cash equivalents		21,092,324	18,423,331
		57,880,718	53,459,719
Less: Creditors: amounts falling due within one year	20	(81,600,706)	(22,752,832)
Net current assets/liabilities		(23,719,988)	30,706,887
Total assets less current liabilities		460,387,410	469,672,910
Creditors: amounts falling due after more than one year	21	(386,410,495)	(390,801,667)
Pension – deficit funding liability	22	(112,530)	(4,200,789)
Pension – defined benefit liability	22	(7,663,014)	-
		(394,186,039)	(395,002,456)
Total net assets		£66,201,371	£74,670,454
Reserves			
Share capital		75	78
Income and expenditure reserve	25	65,183,262	73,911,168
Restricted reserve	25	203,971	69,080
Revaluation reserve	25	767,956	636,336
Negative goodwill	25	46,105	53,790
Non-controlling interest	25	2	2
Total reserves		£66,201,371	£74,670,454

The Financial statements on pages 20 to 77 were approved by the Committee of Management on 16th July 2019 and were signed on its behalf by:

Alan Russell	CHAIRPERSON
xxxxxxxxxxxxx	COMMITTEE MEMBER
Fiona Morrison	SECRETARY

The notes on pages 29 to 77 form part of these financial statements

Hillcrest Housing Association Limited
Association Statement of Financial Position as at 31st March 2019

	<u>Notes</u>	2019 £	2018 £
Fixed Assets			
Tangible fixed assets	15/16	458,362,157	403,760,509
Investments	17	3,388,751	3,388,751
		-----	-----
		461,750,908	407,149,260
Current Assets			
Stock	18	402,814	21,449
Trade and other debtors	19	13,974,471	12,323,845
Cash and cash equivalents		11,773,610	10,073,023
		-----	-----
		26,150,895	22,418,317
Less: Creditors: amounts falling due within one year	20	(77,165,897)	(18,980,468)
		-----	-----
Net current Assets / (liabilities)		(51,015,002)	3,437,849
Total Assets Less Current Liabilities		410,735,906	410,587,109
Creditors: amounts falling due after more than one year	21	(368,687,805)	(372,228,679)
Pension – deficit funding liability	22	(19,893)	(3,391,806)
Pension – defined benefit liability	22	(6,149,680)	-
		-----	-----
		(374,857,378)	(375,620,485)
		-----	-----
Total net assets		£35,878,528	£34,966,624
		=====	=====
Reserves			
Share capital		75	78
Income and expenditure reserve	25	35,878,453	34,966,546
		-----	-----
		£35,878,528	£34,966,624
		=====	=====

The Financial Statements on pages 20 to 77 were approved by the Committee of Management on 16th July 2019 and were signed on its behalf by:

Alan Russell	CHAIRPERSON
xxxxxxxxxx	COMMITTEE MEMBER
Fiona Morrison	SECRETARY

The notes on pages 29 to 76 form part of these financial statements

Hillcrest Housing Association Limited
Consolidated Statement of Changes in Reserves
for the year ended 31st March 2019

	Share Capital £	Income & Expenditure Reserve £	Restricted Reserve £	Revaluation Reserve £	Non- Controlling Interest £	Negative goodwill £	Total £
At 31 March 2018 and 1 April 2018 - Restated	78	73,911,168	69,080	636,336	2	53,790	74,670,454
Surplus/(deficit) for the year	-	(5,177,917)	-	-	-	-	(5,177,917)
Unrealised surplus on revaluation of housing properties	-	131,620	-	-	-	-	131,620
Initial recognition of multi-employer defined benefit scheme	-	(1,790,315)	-	-	-	-	(1,790,315)
Actuarial losses in respect of pension scheme	-	(1,632,468)	-	-	-	-	(1,632,468)
	-----	-----	-----	-----	-----	-----	-----
Total comprehensive income	-	(8,469,080)	-	-	-	-	(8,469,080)
Share capital issued/cancelled	(3)	-	-	-	-	-	(3)
Released to statement of comprehensive income	-	7,685	-	-	-	(7,685)	-
Transfer to/(from) revaluation reserve	-	(131,620)	-	131,620	-	-	-
Transfer to/(from) designated reserve	-	(134,891)	134,891	-	-	-	-
	-----	-----	-----	-----	-----	-----	-----
At 31 March 2019	£75	£65,183,262	£203,971	£767,956	£2	£46,105	£66,201,371
	=====	=====	=====	=====	=====	=====	=====

Hillcrest Housing Association Limited
Association Statement of Changes in Reserves
for the year ended 31st March 2019

	Share Capital £	Income & Expenditure Reserve £	Total £
At 31 March 2018 and 1 April 2018	78	34,966,546	34,966,624
Surplus/(deficit) for the year	-	3,555,580	3,555,580
Initial recognition of multi-employer defined benefit scheme	-	(1,308,571)	(1,308,571)
Actuarial losses in respect of pension scheme	-	(1,335,102)	(1,335,102)
	-----	-----	-----
Total comprehensive income	-	911,907	911,907
Share capital issued/cancelled	(3)	-	(3)
	-----	-----	-----
At 31 March 2019	£75	£35,878,453	£35,878,528
	=====	=====	=====

Hillcrest Housing Association Limited
Consolidated Statement of Cash Flows
for the year ended 31st March 2019

	Notes	2019 £	2018 £
Net cash generated from operating activities	(Note i)	11,659,406	15,240,777
		-----	-----
Cash flow from investing activities			
Purchase of tangible fixed assets		(62,296,852)	(39,729,064)
Proceeds from sale of tangible fixed assets		2,418,829	1,976,938
Grants received		35,464,781	18,212,517
Grants repaid		(280,097)	(501,054)
Interest receivable		52,277	24,968
		-----	-----
		(24,641,062)	(20,015,695)
		-----	-----
Cash flow from financing activities			
Issue of share capital		3	2
Interest payable		(5,583,183)	(5,496,012)
New secured loans		23,100,000	15,000,000
Repayment of borrowings		(1,866,173)	(362,851)
		-----	-----
		15,650,647	9,141,139
		-----	-----
Net change in cash and cash equivalents		2,668,991	4,366,221
Cash flow from increase in debt		(21,233,827)	(14,637,149)
Acquisitions and disposals		-	(536,324)
		-----	-----
Cash and cash equivalents at 1 April 2018		(133,992,965)	(123,185,713)
		-----	-----
Cash and cash equivalents at 31 March 2019		£(152,557,801)	£(133,992,965)
		=====	=====

Hillcrest Housing Association Limited
Association Statement of Cash Flows
for the year ended 31st March 2019

	Notes	2019 £	2018 £
Net cash generated from operating activities	(Note i)	8,467,098	12,695,318
		-----	-----
Cash flow from investing activities			
Purchase of tangible fixed assets		(61,518,956)	(39,255,519)
Proceeds from sale of tangible fixed assets		2,319,947	1,693,879
Grants received		35,282,569	18,394,732
Grants repaid		(233,931)	(572,986)
Interest receivable		143,800	131,896
		-----	-----
		(24,006,571)	(19,607,998)
		-----	-----
Cash flow from financing activities			
Issue of share capital		3	2
Interest payable		(4,859,943)	(4,780,080)
New secured loans		23,100,000	14,500,000
Repayment of borrowings		(1,000,000)	-
		-----	-----
		17,240,060	9,719,922
		-----	-----
Net change in cash and cash equivalents		1,700,587	2,807,242
Cash flow from increase in debt		(22,100,000)	(14,500,000)
		-----	-----
Cash and cash equivalents at 1 April 2018		(125,167,295)	(113,474,537)
		-----	-----
Cash and cash equivalents at 31 March 2019		£(145,566,708)	£(125,167,295)
		=====	=====

Hillcrest Housing Association Limited
Notes to the Consolidated Association Statement of Cash Flows
for the year ended 31st March 2019

Consolidated
Note i

Cash flow from operating activities	2019	2018
	£	£
Surplus for year	(2,682,297)	11,887,294
Adjustments for non-cash items:		
Depreciation of tangible fixed assets	4,753,041	4,472,479
Decrease/(increase) in stock	(453,293)	(24,635)
Decrease/(increase) in trade and other debtors	(508,253)	485,153
Increase/(decrease) in trade and other creditors	3,048,462	1,435,810
Shares cancelled	(6)	(10)
Release of goodwill	(7,685)	(7,685)
Decrease / (increase) in loan fair value	(644,842)	(115,972)
Increase (decrease) in financial instruments	(175,639)	(2,469,042)
Gain on disposal of tangible fixed assets	(1,396,047)	(422,615)
Abortive costs	46,617	-
Impairment of tangible fixed assets	9,679,348	-
	-----	-----
	11,659,406	15,240,777
	=====	=====

Association
Note i

Cash flow from operating activities	2019	2018
	£	£
Surplus for the year	5,875,123	9,676,653
Adjustments for non-cash items:		
Depreciation of tangible fixed assets	4,228,495	4,003,458
Decrease/(increase) in stock	(415,934)	-
Decrease/(Increase) in trade and other debtors	(643,386)	750,485
Increase/(decrease) in trade and other creditors	1,489,837	1,206,792
Shares cancelled	(6)	(10)
Decrease / (increase) in loan fair value	(644,842)	(115,972)
Increase (decrease) in financial instruments	(175,639)	(2,469,042)
Gain on disposal of tangible fixed assets	(1,404,773)	(357,046)
Abortive costs	46,617	-
Impairment of tangible fixed assets	111,606	-
	-----	-----
Net cash generated from operating activities	8,467,098	12,695,318
	=====	=====

Hillcrest Housing Association Limited
Notes to the Consolidated Financial Statements (continued)
for the year ended 31st March 2019

(1) (a) Principal Accounting Policies

The financial statements have been prepared in accordance with applicable accounting standards including Financial Reporting Standard 102 *The Financial Reporting Standard Applicable in the UK and Republic of Ireland (FRS 102)* and the Statement of Recommended Practice for Registered Social Landlords 2014 (SORP 2014) and comply with the Registered Social Landlords Determination of Accounting Requirements 2014.

For consolidation, the charitable subsidiaries have been prepared in accordance with applicable accounting standards, the Companies Act 2006 and the Charities Accounts (Scotland) Regulations. They also follow the recommendations in the Statement of Recommended Practice: Accounting and Reporting by Charities and Statement of Recommended Practice: Accounting by Limited Liability Partnerships. Other subsidiaries have been prepared in accordance with Financial Reporting Standard 102.

A summary of the more important accounting policies which have been applied consistently is set out below.

(b) Basis of Accounting

Hillcrest Housing Association Limited meets the definition of a public benefit entity under FRS 102. Assets and liabilities are initially recognised at historical cost or transaction value unless otherwise stated in the relevant accounting policy notes(s).

The financial statements have been prepared on a going concern basis after consideration of the future prospects for the Group and the preparation of long term financial forecasts and plans which include an assessment of the availability of funding and the certainty of cash flow from rental of social housing stock.

(c) Basis of Consolidation

The Group accounts consolidate the accounts of Hillcrest Housing Association Limited and its subsidiary companies. Profits or losses on intra-group transactions are eliminated in full and all inter company debts are eliminated in full.

(d) Turnover and other income

Turnover is measured at the fair value of the consideration received or receivable net of VAT and trade discounts. The policies adopted for the recognition of turnover are as follows:

Turnover represents rental and service charges income receivable in the year net of rent and service charge losses from voids, revenue grants from the government (local authorities) and other sources.

The disposal proceeds from the first tranche of shared ownership properties are included in turnover at the point to legal completion. The second and subsequent tranches are accounting for in administrative expenditure/operating income in the period in which the disposal occurs being the difference between the net sale proceeds and the net carrying value.

Hillcrest Housing Association Limited
Notes to the Consolidated Financial Statements (continued)
for the year ended 31st March 2019

(1) (d) Turnover and other income (continued)

(i) Rendering of services

When the outcome of a transaction can be measure reliably, turnover is recognised by reference to the stage of completion at the balance sheet date. Stage of completion is measured by reference to the period of the contract.

Where the outcome cannot be measure reliably, turnover is recognised only to the extent of the expenses that are recoverable.

(ii) Construction contracts

When the outcome of a construction contract can be estimated reliably, contract costs and turnover are recognised by reference to the stage of completion at the balance sheet date. Stage of completion is measured by reference to the period of the contact.

Where the outcome cannot be measure reliably, contract costs are recognised as an expense in the period in which they are incurred and contract turnover is recognised to the extent of costs incurred that it is probable will be recoverable.

When it is probable that contract costs will exceed the total contact turnover, the expected loss is recognised as an expense immediately, with a corresponding provision.

(iii) Interest and dividends receivable

Interest income is recognised using the effective interest method and dividend is recognised as the Association's right to receive payment is established.

(e) Grant income

Where a grant is paid as a contribution towards revenue expenditure, it is included in turnover. Where a grant is received from government and other bodies as a contribution towards a capital cost, it is recognised as income using the performance model in accordance with the SORP 2014. Prior to satisfying the performance conditions such grants are held as deferred income on the Statement of Financial Position.

(f) Tangible Fixed Assets - Housing Properties

(i) Housing Properties

Housing properties including developments in progress, with the exception of mid-market properties which are held at valuation, are stated at cost less aggregate depreciation. Mid-market properties are stated at a subject to tenancy market value, and a formal valuation undertaken a minimum once every 5 years. The Statement of Comprehensive Income includes the net gains and losses arising on revaluation and disposals throughout the period.

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

Hillcrest Housing Association Limited
Notes to the Consolidated Financial Statements (continued)
for the year ended 31st March 2019

(1) (f) Tangible Fixed Assets - Housing Properties (continued)

(ii) Depreciation

For most categories of housing property, there is a commitment to a long-term programme of planned maintenance. This commitment has been made in the belief that the expected useful economic life of these properties will be substantially extended as a result. The amount of depreciation required to write off the cost of the buildings to their estimated residual values is therefore considered to be as follows:-

New build properties	– 90 years straight line
Tenement properties	– 100 years straight line

Where properties are deemed to be less structurally sound or are unpopular with potential tenants due to age, condition or type, they are subject to a less rigorous planned maintenance programme. Depreciation is provided on this category of property in order to write off the cost to their residual value over their expected useful economic life as follows:

“Difficult to let” properties	- 20 years straight line
-------------------------------	--------------------------

Housing properties are split between land, structure and major components which require periodic replacement. Where major components are replaced, they are capitalised, depreciated over their estimated useful life and the previously capitalised component disposed of. Any gain or loss on the disposal of the individual components of a property will be reflected through the depreciation charge for the year.

Each major property component is treated as separate asset and depreciated over its expected useful economic life on a straight line basis at the following annual rates:

Structure	- 20, 90 or 100 years as noted above
Kitchens	- 15 years
Bathrooms	- 30 years
Rewiring	- 45 years
Windows	- 30 or 50 years
Heating systems	- 20 years
Gas boilers	- 15 years

Land is not depreciated.

(iii) Impairment

Assets not measured at fair value are reviewed for any indication that the asset may be impaired at each balance sheet date. The level at which an impairment is assessed is at the scheme of properties (e.g. the cash generating unit (CGU)).

The following key judgement has been made in defining the CGU's for housing properties (including shared ownership properties): where schemes have been developed together and are managed together, they are deemed to be a single CGU.

Hillcrest Housing Association Limited
Notes to the Consolidated Financial Statements (continued)
for the year ended 31st March 2019

(1) (f) Tangible Fixed Assets - Housing Properties (continued)

(iii) Impairment

The key indicators considered in reviewing impairment are: changes in demand, changes in use, economic performance worse than expected, significant decline in market value, reduction in market value were intend to sell, plans to regenerate, demolish or replace existing components, on completion of new developments were costs are higher than anticipated, and other changes in technology, market, economy and legislation.

If such indication exists, the recoverable amount is estimated and compared to the carrying amount. Where the carrying amount exceeds its recoverable amount, an impairment loss is recognised in expenditure through the Statement of Comprehensive Income.

(iv) Works to Existing Housing Properties

Works to existing properties which replace a component that has been treated separately for depreciation purposes, along with those works that are of such a substantial nature that they will increase the expected useful life of the properties, are capitalised as improvements. The cost of all other works to existing housing properties is written off to the Statement of Comprehensive Income in the year in which it is incurred.

(v) Capitalisation of Development Overheads

Costs which are directly attributable to bringing housing properties into working condition are included in housing properties costs. Directly attributable costs include direct labour costs of the Association and the incremental costs which would have been avoided only if the property had not been constructed or acquired. All other development overheads are written off to the Statement of Comprehensive Income. Overheads are not capitalised on component replacements.

(vi) Development Interest

Interest on borrowings specifically financing a development programme is capitalised to the extent that it accrues in respect of the period during which development activities are in progress. All other interest is written off to the Statement of Comprehensive Income in the period in which it accrues.

(vii) Sales of Housing Properties

The surplus or deficit is accounted for in the period the disposal occurs and represents the difference between the net sale proceeds and the net carrying value. The surplus/deficit amount arising from the sale of housing properties is disclosed separately in the Statement of Comprehensive Income.

Hillcrest Housing Association Limited
Notes to the Consolidated Financial Statements (continued)
for the year ended 31st March 2019

(1) (f) Tangible Fixed Assets - Housing Properties (continued)

(viii) Shared Ownership

In accordance with the SORP 2014, shared ownership properties are reflected within Fixed Assets. Proceeds from first tranche disposals are allocated to Turnover. Costs relating to expected first tranche sales are reflected in current assets and released to the Statement of Comprehensive Income on sale.

The surplus or deficit on the disposal of second and subsequent tranches of shared ownership properties are accounted for in the Statement of Comprehensive Income within the Gain/ (loss) on sale of Tangible Fixed Assets.

(g) Tangible Fixed Assets – Other Fixed Assets

Depreciation is provided on all other tangible fixed assets at rates calculated to write off the cost less residual value of such assets over their expected useful life as follows:-

Commercial properties – modernised	-	20 to 30 years straight line
Commercial properties – new build	-	20 to 50 years straight line
Office premises	-	50 years straight line
Tenant's improvements	-	3 or 10 years straight line
Housing furniture & fittings	-	20% reducing balance
Office furniture & fittings	-	3 to 20 years straight line
	-	20% reducing balance
Computer Equipment	-	3 or 5 years straight line
Computer Software	-	10 years straight line
Motor Vehicles	-	4 years straight line
Other	-	non-depreciating asset

(h) Investments

(i) Investments – Subsidiaries

Investments are recognised initially at fair value which is normally the transaction price excluding transaction costs. Subsequently, they are measured at fair value through the Statement of Comprehensive Income if shares are publically traded or if their fair value can otherwise be measured reliably. Other investments are measured at cost less impairment.

(ii) Investments - Homestake

During the financial year ending 31 March 2008, Grants were received from the Scottish Ministers for the construction of properties under the Homestake scheme. The costs during the construction of the properties and up to the point of sale are reflected as work in progress within the Current Assets and the grants in Other Creditors. Upon sale of the Homestake properties to eligible beneficiaries the cost and grants relating to such properties are accounted for in the Statement of Comprehensive Income within Other Income and Other Operating Expenditure respectively.

Hillcrest Housing Association Limited
Notes to the Consolidated Financial Statements (continued)
for the year ended 31st March 2019

(1) (h) Investments (continued)

(ii) Investments - Homestake

The Association upon sale of the Homestake Properties retains an equity stake of the property. As full title of the property passes to the Homestake owner upon sale, the equity stake is accounted for as a Fixed Asset Investment on the historical cost basis reflecting receipts potentially receivable from sales of subsequent residual stakes. The cost is offset by a grant of the same amount, included as a liability within deferred income, reflecting monies repayable by the Association to the Scottish Ministers on sale of subsequent residual stakes.

For all sales made from 1 April 2008, the Scottish Ministers upon sale of the Homestake retains an equity stake of the property and therefore no disclosure of investments will be required. Closing stock is valued at lower than cost and net realisable value. Net realisable values are based on the market values on the completed schemes as at the financial year end.

(iii) Investments – Investment Property

Investment property is carried at fair value determined annually by external valuers and derived from the current market rents and investment property yields for comparable real estate, adjusted if necessary for any difference in the nature, location or condition of the specific asset. No depreciation is provided. Changes in fair value are recognised in the Statement of Comprehensive Income.

(i) Stock

Stock and work in progress is valued at the lower of cost and net realisable value.

(j) Loans and borrowings

Loans and borrowings are initially recognised at the transaction price including transaction costs. Subsequently, they are measured at amortised cost using the effective interest rate method, less impairment. If an arrangement constitutes a financing transaction it is measured at present value.

(k) Housing Association Grant (HAG) and other capital grants

HAG is received from central government and local authorities and is utilised to subsidise the costs of housing property.

HAG is recognised as income in the Statement of Comprehensive Income under the performance model. In the case of new build this will be when the properties are completed. HAG due or received is held as deferred income in the Statement of Comprehensive Income within Turnover. Grant received in respect of revenue expenditure is recognised as income in the same period to which it relates.

HAG is repayable under certain circumstances, primarily following the sale of a property but will normally be restricted to the net proceeds of sale.

(l) Debtors and creditors

Debtors and creditors with no stated interest rate and receivable or payable within one year are recorded at transaction price.

Hillcrest Housing Association Limited
Notes to the Consolidated Financial Statements (continued)
for the year ended 31st March 2019

(1) (m) Cash at bank

Cash at bank and in hand includes cash that is instantly accessible. Cash can also be invested into short term deposits with a minimum maturity date of 30 days to a maximum of 1 year.

(n) Derivatives

Derivative financial instruments are initially measured at fair value at the date on which a derivative contract is entered into and are subsequently measured at fair value through the Statement of Comprehensive Income. The Association uses derivative financial instruments to manage its exposure to fluctuations in interest rates. The fair value of derivatives is determined by their mark to market valuation at each reporting date.

(o) Employee benefits

All staff is entitled to access a company health insurance policy. This policy enables staff to access funding to reimburse them for certain expenses incurred, together with getting access to various support mechanisms for example, counselling.

In line with FRS 102 accounting requirements, any unused holidays accrued to 31 March 2019 are accounted for as an expense within the Statement of Comprehensive Income and respective creditor included within Note 20.

The Association and other Group companies operate a defined contribution Pension Scheme, the cost of which is written off on an accruals basis with contributions recognised in the Statement of Comprehensive Income when payable.

Pre-April 2014 the Association and Gowrie Care Limited operated a defined benefit scheme, the assets of this Scheme are held separately from those of the companies in an independently administered fund (see Note 26). Determining the value of the Association's and Gowrie Care's share of the defined benefit scheme includes estimates of life expectancy, salary growth, inflation and the discount rate on corporate bonds. Allocation of share of assets and liabilities for multi-employer pension schemes are based on source information provided by the administrators of the scheme and estimations performed by actuarial advisers.

(p) Other provisions

The Association only provides for contractual liabilities that exist at the balance sheet date.

(q) Restricted reserve

Restricted reserves are those reserves which are subject to external restrictions governing their use.

(r) Taxation

The Association has charitable status which affects its liability to tax. Activities of the Group falling outwith the scope of charitable purposes are conducted by Hillcrest Enterprises (2019) Limited and Hillcrest Maintenance Services Limited, subsidiary companies that do not have charitable status. Northern Housing Company Limited does have charitable status however its trading activities are deemed to be taxable and are subject to corporation tax.

Gift Aid has been in existence in previous years, whereby taxable profits of the subsidiary company are covenanted to the Charitable Association thus reducing the charge to Corporation

Hillcrest Housing Association Limited
Notes to the Consolidated Financial Statements (continued)
for the year ended 31st March 2019

(1) (r) Taxation (continued)

Tax. In 2019/20 Hillcrest Maintenance Services Limited will gift aid £200,000 (2018 - £50,338) and Hillcrest Enterprises (2019) Limited £35,000 (2018 – £35,000) to Hillcrest Housing Association Limited. Both amounts have been provided for.

For non-charitable companies, the charge for taxation is based on the results for the period and takes into account the taxation deferred because of timing differences between the treatment of certain items for accounting and taxation purposes. Provision for deferred taxation is made under the liability method only to the extent that it is probable that the liability will become payable in the foreseeable future.

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 have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more tax, with the following exceptions:

Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

(s) Service Equalisation

Surpluses of service revenue over service costs have been equalised in the Statement of Comprehensive Income and have been set aside as a debtor or creditor for expected future increases in service costs.

(t) Financial instruments

Loans provided to subsidiaries are classed as basic under the requirements of FRS 102 and are measured at amortised cost. In the case of payment arrangements that exist with tenants and owners, these are deemed to constitute financing transactions and under FRS 102 should be measured at the present value of future payments discounted at a market rate of interest applicable to similar debt instruments. Due to the immaterial nature of these transactions they have instead been included at amortised cost.

(u) Goodwill

Goodwill arising from the merger on 1 April 2015 of Hillcrest Maintenance Services Limited and Clean Close Company Limited is written off to the Statement of Comprehensive Income over a period of ten years. The company continues to benefit from contracts secured under the name of Clean Close Company Limited and it is anticipated future works will also result during this time.

Hillcrest Housing Association Limited
Notes to the Consolidated Financial Statements (continued)
for the year ended 31st March 2019

(1) (v) Significant Estimates

The preparation of financial statements requires the use of certain accounting judgements and estimates. It also requires the Committee of Management exercise judgement in applying the Association's accounting policies. The areas requiring the use of significant estimates are disclosed below.

(i) Rent Arrears – Bad Debt Provision

The Association assumes the recoverability of rent arrears through a detailed process that considers tenant payment history and recovery arrangements in place.

(ii) Useful Life of Properties, Plant and Equipment

The Association estimates the useful life of properties, plant and equipment, as well as components thereof, and estimates an annual charge to be depreciated.

(iii) Defined Pension Liability

In determining the value of the Association's share of defined benefit pension scheme assets and liabilities, the valuation prepared by the Scheme actuary includes estimates of life expectancy, salary growth, inflation and the discount rate on corporate bonds.

Hillcrest Housing Association Limited
Notes to the Consolidated Financial Statements (continued)
for the year ended 31st March 2019

2 (a) Consolidated Particulars of Turnover, Operating Costs and Operating Surplus or Deficit

	Turnover £	Operating Costs £	2019 Operating Surplus £	2018 Operating Surplus £
Continuing operations				
Affordable letting activities (Note 2b)	36,903,803	19,969,732	16,934,071	16,716,317
Impairment on affordable let properties (Note 2b)	-	9,679,348	(9,679,348)	-
Other activities (Note 3)	16,380,996	24,559,120	(8,178,124)	(7,707,926)
	-----	-----	-----	-----
	53,284,799	54,208,200	(923,401)	9,008,391
Discontinued operations				
Other activities (Note 3)	-	-	-	484
	-----	-----	-----	-----
2019 - Total	£53,284,799	£54,208,200	£923,401	£9,008,875
	=====	=====	=====	=====
Continuing operations	49,961,804	40,953,413		
Discontinued operations	-	(484)		
	-----	-----		
2018 - Total	£49,961,804	£40,952,929		
	=====	=====		

2 (a) Association Particulars of Turnover, Operating Costs and Operating Surplus or Deficit

	Turnover £	Operating Costs £	2019 Operating Surplus £	2018 Operating Surplus £
Affordable letting activities (Note 2b)	32,860,908	25,630,503	7,230,405	7,133,054
Other activities (Note 3)	3,845,326	4,136,731	(291,405)	(322,473)
	-----	-----	-----	-----
2019 - Total	£36,706,234	£29,767,234	£6,939,000	£6,810,581
	=====	=====	=====	=====
2018 – Total	£33,847,934	£27,037,353		
	=====	=====		

Hillcrest Housing Association Limited
Notes to the Consolidated Financial Statements (continued)
for the year ended 31st March 2019

2 (b) Consolidated Particulars of Turnover, Operating Costs and Operating Surplus or Deficit from Affordable Letting Activities

	General Needs Housing £	Supported Housing Accomm. £	Shared Ownership £	Held for Lease £	Mid-market £	2019 Total £	2018 Total £
Income from lettings							
Rent receivable net of service charges	23,297,849	103,791	559,235	698,914	5,605,534	30,265,323	28,500,062
Service charges	3,404,678	14,380	38,768	99,537	374,533	3,931,896	3,546,471
	-----	-----	-----	-----	-----	-----	-----
Gross income from rents and service charges	26,702,527	118,171	598,003	798,451	5,980,067	34,197,219	32,046,533
Less voids	(494,507)	-	(4,112)	(14,825)	(117,456)	(630,900)	(528,899)
	-----	-----	-----	-----	-----	-----	-----
Net income from rents and service charges	26,208,020	118,171	593,891	783,626	5,862,611	33,566,319	31,517,634
Grants released from deferred income	2,602,839	-	72,411	344,063	-	3,019,313	2,528,275
Revenue grants from the Scottish Ministers	317,679	257	234	-	-	318,170	319,996
Other revenue grants	-	-	-	-	-	-	-
	-----	-----	-----	-----	-----	-----	-----
Total turnover	29,128,538	118,428	666,536	1,127,689	5,862,611	36,903,802	34,365,905
Expenditure on lettings							
Management & maintenance administration costs	7,238,738	75,286	146,916	161,662	414,954	8,037,556	7,083,159
Service costs	2,276,502	16,667	38,768	132,477	331,559	2,795,973	2,424,046
Reactive & void maintenance costs	900,788	571	3,847	48,616	76,422	1,030,244	475,709
Planned, cyclical & major repairs costs	513,362	367	-	251,835	75,700	841,264	954,085
Bad debts – rents and service charges	282,763	-	-	5,173	44,109	332,045	292,572
Depreciation of affordable let properties	5,783,368	-	129,343	810,259	209,680	6,932,650	6,420,017
Impairment of affordable let properties	-	-	-	111,606	9,567,742	9,679,348	-
	-----	-----	-----	-----	-----	-----	-----
Operating costs	16,995,521	92,891	318,874	1,521,628	10,720,166	29,649,080	17,649,588
	-----	-----	-----	-----	-----	-----	-----
Operating surplus / (deficit) 2019	£12,133,017	£25,537	£347,662	£(393,939)	£(4,857,555)	£7,254,723	£16,716,317
	=====	=====	=====	=====	=====	=====	=====
Operating surplus / (deficit) 2018	£12,225,018	£(64,437)	£369,446	£(450,289)	£4,636,579		
	=====	=====	=====	=====	=====		

Hillcrest Housing Association Limited
Notes to the Consolidated Financial Statements (continued)
for the year ended 31st March 2019

2 (b) Association Particulars of Turnover, Operating Costs and Operating Surplus or Deficit from Affordable Letting Activities

	General Needs Housing £	Supported Housing Accomm. £	Shared Ownership £	Held for Lease £	Mid- Market £	2019 Total £	2018 Total £
Income from lettings							
Rent receivable net of service charges	23,297,849	248,058	559,235	2,463,283	-	26,568,425	24,695,110
Service charges	3,404,678	14,380	38,768	78,744	-	3,536,570	3,224,400
	-----	-----	-----	-----	-----	-----	-----
Gross income from rents and service charges	26,702,527	262,438	598,003	2,542,027		30,104,995	27,919,510
LESS: Rent losses from voids	(494,507)		(4,112)	-	-	(498,619)	(359,836)
	-----	-----	-----	-----	-----	-----	-----
Net income from rents and service charges	26,208,020	262,438	593,891	2,542,027	-	29,606,376	27,559,674
Grants released from deferred income	2,602,839	-	72,411	261,112	-	2,936,362	2,511,646
Revenue grants from Scottish Ministers	317,679	257	234	-	-	318,170	319,996
Other revenue grants	-	-	-	-	-	-	-
	-----	-----	-----	-----	-----	-----	-----
Total turnover	29,128,538	262,695	666,536	2,803,139	-	32,860,908	30,391,316
Expenditure on lettings							
Management & maintenance administration costs	7,323,785	200,436	146,916	141,973	-	7,813,110	6,812,433
Service costs	3,414,094	16,667	38,768	113,802	-	3,583,331	3,214,321
Reactive & Void maintenance costs	4,010,854	571	3,847	43,789	-	4,059,061	3,726,156
Planned, cyclical & major repairs costs	2,907,598	367	-	200,006	-	3,107,971	3,142,398
Bad debts – rents and service charges	282,763	-	-	-	-	282,763	188,765
Depreciation of affordable let properties	5,783,368	-	129,343	759,950	-	6,672,661	6,174,189
Impairment of affordable let properties	-	-	-	111,606	-	111,606	-
	-----	-----	-----	-----	-----	-----	-----
Operating costs	23,722,462	218,041	318,874	1,371,126	-	25,630,503	23,258,262
	-----	-----	-----	-----	-----	-----	-----
Operating surplus / (deficit) 2019	£5,406,076	£44,654	£347,662	£1,432,013	£ -	£7,230,405	£7,133,054
	=====	=====	=====	=====	=====	=====	=====
Operating surplus / (deficit) 2018	£5,446,185	£138,309	£369,446	£1,179,114	£ -		
	=====	=====	=====	=====	=====		

Hillcrest Housing Association Limited
Notes to the Consolidated Financial Statements (continued)
for the year ended 31st March 2019

(3) Consolidated Particulars of Turnover, Operating Costs and Operating Surplus or Deficit from Other Activities

	Grants From Scottish Ministers £	Other Revenue Grants £	Supporting People Income £	Other Income £	Total Turnover £	Bad Debts £	Other Operating Costs £	Operating Surplus/ (deficit) 2019 £	Operating Surplus/ (deficit) 2018 £
Continuing activities									
Wider role	-	475	-	-	475	-	-	475	475
Factoring	-	-	-	95,451	95,451	26,350	48,854	20,247	37,685
Uncapitalised development administration costs	795,053	-	-	-	795,053	-	834,151	(39,098)	(216,621)
Support activities	-	-	362,869	324,201	687,070	-	709,355	(22,285)	(73,671)
Care activities	-	-	13,277,137	5,385	13,282,522	-	13,075,969	206,553	(163,771)
Contracted out services undertaken for other organisations	-	-	-	122,213	122,213	-	103,228	18,985	73,940
Commercials	-	-	-	546,031	546,031	2,963	249,135	293,933	590,323
Central charges	-	-	-	-	-	-	1,473,271	(1,473,271)	(1,300,162)
Other activities	-	64,892	-	787,289	852,181	-	8,035,844	(7,183,663)	(6,656,124)
	795,053	65,367	13,640,006	1,880,570	16,380,996	29,313	24,529,807	(8,178,124)	(7,707,926)
Discontinued activities									
Other activities	-	-	-	-	-	-	-	-	484
2019 Total	£795,053	£65,367	£13,640,006	£1,880,570	£16,380,996	£29,313	£24,529,807	(£8,178,124)	(£7,707,442)
	=====	=====	=====	=====	=====	=====	=====	=====	=====
Continuing activities	464,742	860,963	12,205,354	2,064,840	15,595,899	(2,338)	23,306,163		
Discontinued activities	-	-	-	-	-	(484)	-		
2018 Total	£464,742	£860,963	£12,205,354	£2,064,840	£15,595,899	£(2,822)	£23,306,163		
	=====	=====	=====	=====	=====	=====	=====		

Hillcrest Housing Association Limited
Notes to the Consolidated Financial Statements (continued)
For the year ended 31st March 2019

(3) Association particulars of Turnover, Operating Costs and Operating Surplus or Deficit from Other Activities

	Grants From Scottish Ministers £	Other Revenue /Grants £	Supporting People Income £	Other Income £	Total Turnover £	Bad Debts £	Other Operating Costs £	Operating Surplus/ (deficit) 2019 £	Operating Surplus/ (deficit) 2018 £
Wider role	-	475	-	-	475	-	-	475	475
Factoring	-	-	-	95,451	95,451	26,350	48,854	20,247	37,685
Uncapitalised development administration costs	795,053	-	-	-	795,053	-	834,151	(39,098)	(216,621)
Support activities	-	-	362,869	324,201	687,070	-	709,355	(22,285)	(73,671)
Commercials	-	-	-	490,627	490,627	2,963	236,163	251,501	527,940
Central charges	-	-	-	1,410,005	1,410,005	-	1,410,005	-	-
Other activities	-	-	-	366,645	366,645	-	868,890	(502,245)	(598,281)
2019 Total	£795,053	£475	£362,869	£2,686,929	£3,845,326	£29,313	£4,107,418	£(291,405)	£(322,473)
2018 Total	£464,742	£475	£360,739	£2,630,662	£3,456,618	£(2,338)	£3,781,429		

Hillcrest Housing Association Limited
Notes to the Consolidated Financial Statements (continued)
for the year ended 31st March 2019

(4) Consolidated and Association Gain/(loss) on disposal of Tangible Fixed Assets

	Proceeds from sales £	Cost of Sales £	2019 Profit / (Loss) on Sales £	Proceeds from sales £	2018 Profit / (Loss) on Sales £
Association					
Housing Association – Right to purchase	-	-	-	147,960	54,168
One off Sales	178,986	204,942	(25,956)	92,108	39,020
Shared Ownership	651,344	354,471	296,873	1,073,750	280,375
Sale of Investment	-	-	-	-	-
Sale of other fixed assets	1,506,000	372,144	1,133,856	-	(15,806)
	-----	-----	-----	-----	-----
	2,336,330	931,557	1,404,773	1,313,818	357,757
Consolidated					
One off Sales	185,799	202,902	(17,103)	-	-
Sale of other fixed assets	8,542	165	8,377	269,471	64,858
	-----	-----	-----	-----	-----
	£2,530,671	£1,134,624	£1,396,047	£1,583,289	£422,615
	=====	=====	=====	=====	=====

(5) Finance Income

	Consolidated		Association	
	2019	2018	2019	2018
	£	£	£	£
Interest receivable	52,277	24,968	143,800	131,896
	-----	-----	-----	-----
	£52,277	£24,968	£143,800	£131,896
	=====	=====	=====	=====

(6) Finance Costs

	Consolidated		Association	
	2019	Restated 2018	2019	Restated 2018
	£	£	£	£
Interest payable	5,627,006	5,513,131	4,936,305	4,810,796
Other financing costs – income	(38,782)	(36,951)	(38,782)	(36,951)
Other financing costs – cost	74,801	1,473	74,801	1,473
Pension interest expense	168,350	64,280	134,692	53,285
	-----	-----	-----	-----
	£5,831,375	£5,541,933	£5,107,016	£4,828,603
	=====	=====	=====	=====

Other financing costs include the amortisation of transaction costs on funding arrangements.

Hillcrest Housing Association Limited
Notes to the Consolidated Financial Statements (continued)
for the year ended 31st March 2019

(7) Pension Remeasurement

	Consolidated		Association	
	2019	2018	2019	2018
	£	£	£	£
Impact of changes in assumptions (Note 22)	218	6,040	218	39,273
Amendments to the contribution schedule (Note 22)	398	-	398	-
	-----	-----	-----	-----
	£616	£6,040	£616	£39,273
	=====	=====	=====	=====

(8) Key Management Personnel Emoluments

Under the Registered Social Landlords Determination of Accounting Requirements 2014, disclosure of key management personnel's emoluments exceeding £60,000 is disclosed below.

	Consolidated		Association	
	2019	Revised 2018	2019	Revised 2018
	£	£	£	£
The emoluments payable to key management personnel and former key management personnel amount to:-				
Emoluments excluding employers pension	648,337	592,571	575,769	532,278
Employers pension contributions	50,862	39,690	48,693	38,205
	-----	-----	-----	-----
Total emoluments payable	£699,199	£632,261	£624,462	£570,483
	=====	=====	=====	=====

The emoluments payable to, or received by, the Group Chief Executive amount to:-

Emoluments excluding employers pension	129,460	125,215	129,460	125,215
Employers pension contributions	10,920	10,602	10,920	10,602
	-----	-----	-----	-----
Total emoluments payable	£140,380	£135,817	£140,380	£135,817
	=====	=====	=====	=====

The emolument of the key management personnel and former key management personnel (excluding pension contributions) were within the following ranges:-

£60,001 - £70,000	2	2	2	1
£70,001 - £80,000	4	4	3	4
£80,001 - £90,000	-	-	-	-
£90,001 - £100,000	1	1	1	1
£100,001 - £110,000	-	-	-	-
£110,001 - £120,000	-	-	-	-
£120,001 - £130,000	1	1	1	1

No emoluments were paid to any member of the Committee of Management

Hillcrest Housing Association Limited
Notes to the Consolidated Financial Statements (continued)
for the year ended 31st March 2019

(9) Employee Information

The average number of persons employed during the year was:-

	Consolidated		Association	
	2019	2018	2019	2018
Office Staff	217	187	184	160
Wardens, Caretakers & Cleaners	39	41	39	41
Support Staff	781	769	-	-
Maintenance	147	156	11	17
	-----	-----	----	----
	1,184	1,153	234	218
	=====	=====	===	===
The average number of full time equivalent	797	793	210	191
	===	===	===	===

Staff Costs (including Key Management Personnel Emoluments):

	Consolidated		Association	
	2019	2018	2019	2018
	£	£	£	£
Wages and Salaries	21,619,703	19,959,659	6,316,525	5,746,454
Social Security Costs	1,823,112	1,654,243	632,675	562,224
Pension Costs	688,173	528,774	380,759	324,711
	-----	-----	-----	-----
	£24,130,988	£22,142,676	£7,329,959	£6,633,389
	=====	=====	=====	=====
Redundancy/termination payments included in above	£12,289	£31,000	£12,289	£14,000

(10) Investment Property

	2019	2018
	£	£
Valuation At 1 April 2018	45,000	-
Additions at cost	-	58,532
Loss on revaluation	-	(13,532)
	-----	-----
At 31 March 2019	£45,000	£45,000
	=====	=====

The 2018 valuations were made by Graham & Sibbald on an open market value for existing use basis.

If the Investment properties had been accounted for under the historic cost accounting rules, the property would have been measured as follows:

	2019	2018
	£	£
Historic cost	£61,250	£61,250
	=====	=====

Hillcrest Housing Association Limited
Notes to the Consolidated Financial Statements (continued)
for the year ended 31st March 2019

(11) Operating Surplus

	Consolidated		Association	
Operating surplus is stated after charging:	2019	2018	2019	2018
	£	£	£	£
Depreciation – Housing property	6,714,925	6,261,222	6,492,813	6,020,498
Depreciation – Disposals	217,725	158,795	179,848	153,691
Depreciation – Other fixed assets	889,150	802,172	548,443	560,766
Amortisation of grant	2,851,033	2,579,294	2,812,761	2,577,803
Impairment of affordable let properties	9,679,348	-	111,606	-
Operating lease – plant & Machinery	14,709	19,108	-	-
- other	10,218	29,028	135,368	29,028
- motor vehicles	3,746	3,384	3,746	3,384
External auditor's remuneration for all group companies (including VAT):-				
- In their capacity as auditors	59,035	55,423	27,458	15,920
- In respect of other services	47,520	5,040	47,520	-

(12) Tax on Profit On Ordinary Activities – Consolidated

	2019	2018
	£	£
Corporation tax at 19% (2018 – 19%)	23,477	7,260
Terminal loss provisions	(670)	-
Under-provision	-	3,429
Deferred tax	23,681	2,752
	-----	-----
	£46,488	£13,441
	=====	=====

(13) Service Charge Equalisation Account

	Consolidated		Association	
	2019	2018	2019	2018
	£	£	£	£
Balance at beginning of Year	(463,691)	(468,275)	(463,691)	(468,275)
Transfer of Property Revenue to account	(63,096)	4,584	(63,096)	4,584
	-----	-----	-----	-----
Balance at End of Year	(526,787)	(463,961)	(526,787)	(463,961)
	=====	=====	=====	=====
Being:- Debtor Balance (see Note 19)	(1,317,755)	(1,177,689)	(1,317,755)	(1,177,689)
Creditors Balance (see Note 20)	790,968	713,998	790,968	713,998
	-----	-----	-----	-----
Balance at End of Year	£(526,787)	£(463,961)	£(526,787)	£(463,961)
	=====	=====	=====	=====

Hillcrest Housing Association Limited
Notes to the Consolidated Financial Statements (continued)
for the year ended 31st March 2019

(14) Housing Stock Analysis

	Consolidated		Association	
	2019	2018	2019	2018
General Housing Needs	6,519	6,250	6,483	6,212
Supported Housing Accommodation	213	229	209	225
Shared Ownership	219	228	219	228
Mid-Market	573	574	-	-
	-----	-----	-----	-----
	7,524	7,281	6,911	6,665
	-----	-----	-----	-----
Other Units				
Factored	492	493	492	481
Feu Superior for Landscaping	851	860	851	860
	-----	-----	-----	-----
	1,343	1,353	1,343	1,341
	-----	-----	-----	-----
Total Units	8,867	8,634	8,254	8,006
	=====	=====	=====	=====

Hillcrest Housing Association Limited
Notes to the Consolidated Financial Statements (continued) for the year ended 31st March 2019

(15) Consolidated Tangible Fixed Assets – Housing Properties

	Housing Properties Held for Letting £	Housing Properties Under Construction £	Shared Ownership Held for Letting £	Shared Ownership Under Construction £	Held for Letting Supported £	Held for Letting For Lease £	Held for Lease under Construction £	Mid-Market Held for Letting £	Total £
Cost or valuation									
At 1 April 2018	356,625,477	40,606,115	14,297,252	-	1,802,462	56,567,759	4,137,500	33,302,260	507,338,825
Schemes completed	34,495,345	(34,495,345)	-	-	-	1,534,046	(1,534,046)	-	-
Transfer to current assets	(809,634)	-	-	-	-	-	-	-	(809,634)
Reclassification	93,932	(302,136)	(100,000)	-	-	-	302,136	6,068	-
Additions	4,240,009	48,691,147	25,000	-	-	3,213	9,874,559	232,367	63,066,295
Disposals	(1,633,318)	(40,887)	(350,428)	-	-	-	(6,330)	(10,792,221)	(12,823,184)
At 31 March 2019	393,011,811	54,458,894	13,871,824	-	1,802,462	58,105,018	12,773,819	22,748,474	556,772,302
Depreciation									
At 1 April 2018	72,737,273	-	1,616,705	-	316,550	3,393,036	-	3,939,327	82,002,891
Charge for the year	5,634,439	-	129,343	-	22,603	756,737	-	171,803	6,714,925
Transfer to current assets	(133,035)	-	-	-	-	-	-	-	(133,035)
Disposals	(1,160,935)	-	(17,990)	-	-	-	-	(1,417,241)	(2,596,166)
At 31 March 2019	77,077,742	-	1,728,058	-	339,153	4,149,773	-	2,693,889	85,988,615
Net Book Value At 31 March 2019	£315,934,069	£54,458,894	£12,143,766	£ -	£1,463,309	£53,955,245	£12,773,819	£20,054,585	£470,783,687
Net Book Value At 31 March 2018	£283,888,204	£40,606,115	£12,680,547	£ -	£1,485,912	£53,174,723	£4,137,500	£29,362,933	£425,335,934

Total expenditure on works to existing properties amounted to £6,269,048, for which no Social Housing Grants were received during the year. Of this, £3,409,151 was capitalised for the replacement of components, £1,066,439 capitalised for properties and infrastructure costs and £1,793,458 charged to the Statement of Comprehensive Income in the year. During the year £755,257 of development administration costs and interest of £407,964 were capitalised.

Hillcrest Housing Association Limited
Notes to the Consolidated Financial Statements (continued) for the year ended 31st March 2019

(15) Association Tangible Fixed Assets – Housing Properties

	Housing Properties Held for letting £	Housing Properties Under construction £	Shared Ownership Held for letting £	Shared Ownership Under Construction £	Held for Letting Supported £	Held for Letting for lease £	Held for Lease under construction £	Mid- market held for letting £	Total £
Cost									
At 1 April 2018	354,550,370	40,606,115	14,297,252	-	-	56,567,759	4,137,500	-	470,158,996
Schemes completed	34,495,345	(34,495,345)	-	-	-	1,534,046	(1,534,046)	-	-
Transfer to stock	(809,634)	-	-	-	-	-	-	-	(809,634)
Reclassification	100,000	(302,136)	(100,000)	-	-	-	302,136	-	-
Additions	4,231,140	48,691,147	25,000	-	-	3,213	9,874,559	-	62,825,059
Disposals	(1,489,278)	(40,887)	(350,428)	-	-	-	(6,330)	-	(1,886,923)
At 31 March 2019	391,077,943	54,458,894	13,871,824	-	-	58,105,018	12,773,819	-	530,287,498
Depreciation									
At 1 April 2018	72,324,320	-	1,616,705	-	-	3,393,036	-	-	77,334,061
Charge for the year	5,606,733	-	129,343	-	-	756,737	-	-	6,492,813
Transfer to stock	(133,035)	-	-	-	-	-	-	-	(133,035)
Disposals	(1,137,100)	-	(17,990)	-	-	-	-	-	(1,155,090)
At 31 March 2019	76,660,918	-	1,728,058	-	-	4,149,773	-	-	82,538,749
Net Book Value at 31 March 2019	£314,417,025	£54,458,894	£12,143,766	£ -	£ -	£53,955,245	£12,773,819	£ -	£447,748,749
Net Book Value at 31 March 2018	£282,226,050	£40,606,115	£12,680,547	£ -	£ -	£53,174,723	£4,137,500	£ -	£392,824,935

Total expenditure on works to existing properties amounted to £10,614,349, for which no Social Housing Grants were received during the year. Of this, £3,169,413 was capitalised for the replacement of components, £1,064,940 capitalised for properties, and infrastructure costs and £6,379,996 charged to the statement of comprehensive income in the year. During the year £755,257 of development administration costs and interest of £407,964 were capitalised.

Hillcrest Housing Association Limited
Notes to the Consolidated Financial Statements (continued) for the year ended 31st March 2019

(16) Consolidated Tangible Fixed Assets - Other Fixed Assets

	Commercial Property £	Office Property £	Housing Furniture Equipment £	Supported Furniture Equipment £	Office Furniture Equipment £	Motor Vehicles £	Plant and Machinery £	Other £	Total 2019 £	Total 2018 £
Cost or valuation										
At 1 April 2018	5,209,520	9,331,008	460,265	54,574	3,572,532	1,380,458	109,296	-	20,117,653	18,987,730
Additions in Year	5,137	179,100	10,657	-	539,123	358,500	11,984	-	1,104,501	854,176
Transfer	-	-	-	-	(10,000)	-	-	10,000	-	-
Transfer on engagements	-	-	-	-	-	-	-	-	-	957,833
Revaluation	-	-	-	-	-	-	-	-	-	-
Disposal	(340,000)	(559,180)	-	-	(173,500)	(110,416)	-	-	(1,183,096)	(682,086)
At 31 March 2019	4,874,657	8,950,928	470,922	54,574	3,928,155	1,628,542	121,280	10,000	20,039,058	20,117,653
Depreciation										
At 1 April 2018	1,307,739	1,843,210	394,325	50,659	2,740,062	930,744	92,210	-	7,358,949	6,727,024
Charge for Year	90,526	177,143	14,782	783	353,716	243,974	8,226	-	889,150	803,558
Transfer	-	-	-	-	-	-	-	-	-	-
Transfer on engagements	-	-	-	-	-	-	-	-	-	237,262
Disposal	(160,000)	(221,399)	-	-	(169,552)	(110,416)	-	-	(661,367)	(408,895)
At 31 March 2019	1,238,265	1,798,954	409,107	51,442	2,924,226	1,064,302	100,436	-	7,586,732	7,358,949
Net Book Value										
At 31 March 2019	£3,636,392	£7,151,974	£61,815	£3,132	£1,003,929	£564,240	£20,844	£10,000	£12,452,326	
Net Book Value										
At 31 March 2018	£3,901,781	£7,487,798	£65,940	£3,915	£832,470	£449,714	£17,086	£ -	£12,758,704	

Hillcrest Housing Association Limited
Notes to the Consolidated Financial Statements (continued) for the year ended 31st March 2019

(16) Association Tangible Fixed Assets - Other Fixed Assets

	Commercial Property £	Office Property £	Housing Furniture Equipment £	Supported Furniture Equipment £	Office Furniture Equipment £	Motor Vehicles £	Other £	Total 2019 £	Total 2018 £
Cost									
At 1 April 2018	4,067,521	8,732,433	435,059	54,574	3,276,252	28,054	-	16,593,893	16,351,376
Additions in Year	5,137	160,984	10,657	-	391,063	-	-	567,841	519,491
Transfer	-	-	-	-	(10,000)	-	10,000	-	-
Disposal	-	(559,180)	-	-	(163,611)	-	-	(722,791)	(276,974)
At 31 March 2019	4,072,658	8,334,237	445,716	54,574	3,493,704	28,054	10,000	16,438,943	16,593,893
Depreciation									
At 1 April 2018	950,737	1,734,333	369,114	50,659	2,532,434	21,042	-	5,658,319	5,358,721
Charge for Year	71,846	158,502	14,782	783	300,777	1,753	-	548,443	560,766
Transfer	-	-	-	-	-	-	-	-	-
Disposal	-	(221,399)	-	-	(159,828)	-	-	(381,227)	(261,168)
At 31 March 2019	1,022,583	1,671,436	383,896	51,442	2,673,383	22,795	-	5,825,535	5,658,319
Net Book Value									
At 31 March 2019	£3,050,075	£6,662,801	£61,820	£3,132	£820,321	£5,259	£10,000	£10,613,408	
Net Book Value									
At 31 March 2018	£3,116,784	£6,998,100	£65,945	£3,915	£743,818	£7,012	£ -	£10,935,574	

Hillcrest Housing Association Limited
Notes to the Consolidated Financial Statements (continued)
for the year ended 31st March 2019

(17) Investments

	Consolidated		Association	
	2019	Restated 2018	2019	2018
	£	£	£	£
Investments - Subsidiaries				
At 1 April 2018	-	-	2,562,366	2,562,366
Additions in year	-	-	-	-
Disposals in year	-	-	-	-
	-----	-----	-----	-----
At 31 March 2019	£ -	£ -	£2,562,366	£2,562,366
	=====	=====	=====	=====
Investments - Subsidiaries	£ -	£ -	£2,562,366	£2,562,366
	=====	=====	=====	=====
Investments – Homestake	£826,385	£826,385	£826,385	£826,385
	=====	=====	=====	=====
Investments – Investment property	£45,000	£45,000	£ -	£ -
	=====	=====	=====	=====

(18) Stock

	Consolidated		Association	
	2019	2018	2019	2018
	£	£	£	£
Housing properties - completed	21,845,946	21,815,790	-	-
Stock	576,832	188,263	402,814	21,449
	-----	-----	-----	-----
	£22,422,778	£22,004,053	£402,814	£21,449
	=====	=====	=====	=====

(19) Debtors

	Consolidated		Association	
	2019	Restated 2018	2019	2018
	£	£	£	£
Rental Debtors	1,951,223	1,980,461	1,814,536	1,782,497
Provision for Bad Debts	(822,399)	(777,282)	(735,114)	(667,591)
	-----	-----	-----	-----
	1,128,824	1,203,179	1,079,422	1,114,906
Other Grants & HAG Receivable	9,389,928	8,564,900	9,389,928	8,382,688
Car Loans to Employees	-	904	-	904
Other Loan to Employee	5,875	4,757	5,875	4,757
VAT receivable	-	12,722	-	12,722
Other Debtors	2,523,234	2,068,184	1,599,241	1,491,878
Amounts due from Subsidiaries	-	-	582,250	138,301
Service Charge Equalisation Account (See Note 13)	1,317,755	1,177,689	1,317,755	1,177,689
	-----	-----	-----	-----
	£14,365,616	£13,032,335	£13,974,471	£12,323,845
	=====	=====	=====	=====

Hillcrest Housing Association Limited
Notes to the Consolidated Financial Statements (continued)
for the year ended 31st March 2019

(19) Debtors (continued)

Car Purchase Loans to Employees

A total of nil (2018 - £904) is outstanding in respect of loans to employees for car purchase. There are no loans outstanding in respect of any director. All such loans were individually approved in accordance with Policies adopted by the Committee of Management, terms, rates of interest and payment provision conform to conditions applied in Employee's Contract of Employment. All are repayable by installment.

(20) Creditors: amounts falling due within one year

	Consolidated		Association	
	2019	2018	2019	2018
	£	£	£	£
Prepaid Rents & Service Charges	629,460	615,687	584,585	606,999
Loan interest and Principal	706,971	458,779	705,852	458,779
Contracts for Capital Works	5,248,641	3,374,697	5,248,641	3,374,697
Service Charge Equalisation Account (See Note 13)	790,968	713,998	790,968	713,998
Other Taxation & Social Security	543,846	481,361	168,147	145,908
VAT Payable	3,819	-	3,819	-
Other Creditors	7,157,845	7,057,203	4,339,252	4,694,531
Due to Subsidiary	-	-	511,156	785,006
Homestake	217,555	217,555	217,555	217,555
Deferred Income	2,814,249	2,580,354	2,812,761	2,580,354
Other provisions	5,308,152	4,705,584	3,679,203	3,266,876
Pension Provision	20,304	1,386,919	3,958	1,135,765
Housing Loans (see Note 35)	58,158,896	1,056,764	58,100,000	1,000,000
Non Housing Loans	-	103,931	-	-
	-----	-----	-----	-----
	£81,600,706	£22,752,832	£77,165,897	£18,980,468
	=====	=====	=====	=====

Hillcrest Housing Association Limited
Notes to the Consolidated Financial Statements (continued)
for the year ended 31st March 2019

(21) Creditor: amounts falling due after more than one year

	Consolidated		Association	
	2019	2018	2019	2018
	£	£	£	£
Housing Loans	113,893,901	150,089,702	97,643,007	133,287,850
Non Housing Loans	461,233	674,648	461,233	461,233
Deferred Income	263,877,641	231,664,023	262,405,845	230,106,302
Derivative Financial Instruments	8,177,720	8,353,359	8,177,720	8,353,359
Other creditors	-	19,935	-	19,935
	-----	-----	-----	-----
Total	£386,410,495	£390,801,667	£368,687,805	£372,228,679
	=====	=====	=====	=====

Borrowings are repayable as follows:

	Consolidated		Association	
	2019	2018	2019	2018
	£	£	£	£
Housing Loans				
Within 1 Year	58,158,896	1,112,678	58,100,000	1,000,000
Between 1 & 2 Years	1,054,255	1,111,643	1,000,000	1,000,000
Between 2 & 5 Years	19,601,429	45,419,059	3,875,000	29,496,429
More than 5 Years	92,238,217	103,559,000	92,768,007	102,791,421
	-----	-----	-----	-----
	£172,052,797	£151,202,380	£155,743,007	£134,287,850
	=====	=====	=====	=====
Non Housing Loans				
Within 1 Year	-	26,438	-	-
Between 1 & 2 Years	-	168,254	-	-
Between 2 & 5 Years	-	34,147	-	-
More than 5 Years	461,233	472,247	461,233	461,233
	-----	-----	-----	-----
	£461,233	£701,086	£461,233	£461,233
	=====	=====	=====	=====

Hillcrest Housing Association Limited
Notes to the Consolidated Financial Statements (continued)
for the year ended 31st March 2019

(21) Creditor: amounts falling due after more than one year (continued)

Loans are secured by specific charges on the Association and Group properties. The terms of repayment and interest rates are noted below.

Interest	Maturity	Repayment terms	Consolidated Carrying value	Association Carrying value
Libor + 0.24%	01/10/2028	Fully amortising	3,290,912	3,290,912
Libor + 0.24%	01/10/2033	Interest only then capital & interest	3,442,406	3,442,406
Libor + 1.25%	17/08/2020	Interest only then bullet repayment	70,224,826	70,224,826
Libor + 0.24%	02/10/2037	Interest only then capital & interest	20,978,110	20,978,110
Fixed 5.193%	22/04/2038	Interest only then bullet repayment	34,644,223	34,644,223
Fixed 5.23% + 0.24%	01/10/2038	Interest only then bullet repayment	6,992,608	6,992,608
Fixed 3.87% + 0.24%	01/10/2042	Interest only then capital & interest	4,994,994	4,994,994
Fixed 3.97% + 0.24%	01/10/2042	Interest only then capital & interest	4,994,975	4,994,975
Fixed 3.86%	25/01/2025	Interest only then bullet repayment	6,930,188	6,930,188
Fixed 3.33%	04/04/2034	Interest only then bullet repayment	(41,286)	(41,286)
Fixed 3.69%	04/04/2044	Interest only then bullet repayment	(144,501)	(144,501)
Fixed 3.76%	05/04/2049	Interest only then bullet repayment	(41,286)	(41,286)
Fixed 3.79%	04/10/2049	Interest only then bullet repayment	(61,929)	(61,929)
Fixed 5.89%	29/10/2021	Fully amortising	234,113	-
Fixed 5.88%	26/06/2030	Fully amortising	156,999	-
Libor + 1.75%	11/05/2032	Fully amortising	180,109	-
Libor + 1.0%	06/07/2024	Fully amortising	23,705	-
Libor + 0.7%	01/12/2026	Fully amortising	38,052	-
Libor + 0.7%	15/12/2030	Fully amortising	119,291	-
-	-	No fixed repayment	6,600	-
Fixed 4.0%	30/06/2020	Interest only then capital & interest	15,550,920	-
			£172,514,029	£156,204,240
			=====	=====

Hillcrest Housing Association Limited
Notes to the Consolidated Financial Statements (continued)
for the year ended 31st March 2019

(21) Creditor: amounts falling due after more than one year (continued)

The deferred income balance is made up as follows:

	Housing Association Grants £	Other Housing Grants £	Homestake £	Other Grants £	Total £
Consolidated					
Deferred income as at 1 April 2018	222,947,466	9,535,646	826,385	934,880	234,244,377
Additional income received	36,167,589	-	-	122,220	36,289,809
Transfer to stock	(711,167)	-	-	-	(711,167)
Disposals	(280,097)	-	-	-	(280,097)
Released to Statement of Comprehensive Income	(2,688,626)	(115,376)	-	(47,032)	(2,851,034)
	-----	-----	-----	-----	-----
Deferred income as at 31 March 2019	£255,435,165	£9,420,270	£826,385	£1,010,068	£266,691,888
	=====	=====	=====	=====	=====
Association					
Deferred income as at 1 April 2018	221,976,749	9,005,423	826,385	878,099	232,686,656
Additional income received	36,167,589	-	-	122,220	36,289,809
Disposals	(233,931)	-	-	-	(233,931)
Transfer to stock	(711,167)	-	-	-	(711,167)
Released to Statement of Comprehensive Income	(2,664,655)	(102,562)	-	(45,544)	(2,812,761)
	-----	-----	-----	-----	-----
Deferred income as at 31 March 2019	£254,534,585	£8,902,861	£826,385	£954,775	£265,218,606
	=====	=====	=====	=====	=====

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

	Consolidated		Association	
	2019	2018	2019	2018
	£	£	£	£
Due within 1 year	2,814,249	2,580,354	2,812,761	2,580,354
Due in 1 year or more	263,877,641	231,664,023	262,405,845	230,106,302
	-----	-----	-----	-----
	£266,691,890	£234,244,377	£265,218,606	£232,686,656
	=====	=====	=====	=====

Hillcrest Housing Association Limited
Notes to the Consolidated Financial Statements (continued)
for the year ended 31st March 2019

(22) Provisions for liabilities – Pension Provision

SFHA Pension	Consolidated		Association	
	2019	Restated 2018	2019	2018
	£	£	£	£
Provision at 1 April 2018	5,436,663	6,747,560	4,501,380	5,586,760
Initial recognition of multi-employer defined benefit scheme	1,790,315	-	1,308,571	-
Unwinding of the discount factor (interest expense)	167,931	63,913	134,273	52,918
Deficit contribution paid	(1,364,363)	(1,327,840)	(1,129,646)	(1,099,408)
Remeasurements – impact of any change in assumptions	1,632,468	(46,970)	1,335,102	(38,890)
Net Pension Deficit at 31 March 2019	£7,663,014	£5,436,663	£6,149,680	£4,501,380
	=====	=====	=====	=====
Due within 1 year	-	1,367,674	-	1,132,390
Due in more than 1 year	7,663,014	4,068,989	6,149,680	3,368,990
	£7,663,014	£5,436,663	£6,149,680	£4,501,380
	=====	=====	=====	=====
Pension Trust's Growth Plan	Consolidated		Association	
	2019	2018	2019	2018
	£	£	£	£
Provision at 1 April 2018	26,191	29,484	26,191	29,484
Unwinding of the discount factor (interest expense)	419	367	419	367
Deficit contribution paid	(3,375)	(3,277)	(3,375)	(3,277)
Remeasurements – impact of any change in assumptions	218	(383)	218	(383)
Remeasurements – amendments to the contribution schedule	398	-	398	-
Provision as 31 March 2019	£23,851	£26,191	£23,851	£26,191
	=====	=====	=====	=====
Due within 1 year	3,958	3,375	3,958	3,375
Due in more than 1 year	19,893	22,816	19,893	22,816
	£23,851	£26,191	£23,851	£26,191
	=====	=====	=====	=====

Hillcrest Housing Association Limited
Notes to the Consolidated Financial Statements (continued)
for the year ended 31st March 2019

(22) Provisions for liabilities – Pension Provision (continued)

YMCA	Consolidated		Association	
	2019	Restated 2018	2019	2018
	£	£	£	£
Provision at 1 April 2018	124,854	-	-	-
Transfer on business combination	-	94,481	-	-
Deficit contribution paid	(15,871)	(10,940)	-	-
Remeasurements – impact of any change in assumptions	-	41,313	-	-
	-----	-----	-----	-----
Provision as 31 March 2019	£108,983	£124,854	£ -	£ -
	=====	=====	=====	=====
Due within 1 year	16,346	15,870	-	-
Due in more than 1 year	92,637	108,984	-	-
	-----	-----	-----	-----
	£108,983	£124,854	£ -	£ -
	=====	=====	=====	=====

(23) Provision for Deferred Taxation – Consolidated

	2019	Restated 2018
	£	£
Accelerated Capital Allowances	83,164	59,483
Tax losses carried forward	-	-
	-----	-----
Provision for deferred tax	£83,164	£59,483
	=====	=====
Provision at 1 April 2018	59,483	53,302
Underprovision from previous year	-	3,429
Deferred tax charge in profit & loss account	23,681	2,752
	-----	-----
Provision at 31 March 2019	£83,164	£59,483
	=====	=====

Hillcrest Housing Association Limited
Notes to the Consolidated Financial Statements (continued)
for the year ended 31st March 2019

(24) Financial Instruments

The carrying amounts of financial instruments are as follows:

	Consolidated		Association	
	2019	2018	2019	2018
Financial Liabilities				
Measured at fair value through the Statement of Comprehensive Income				
- Derivative financial instruments (Note 21)	8,177,720	8,353,359	8,177,720	8,353,359
	-----	-----	-----	-----
	8,177,720	8,353,359	8,177,720	8,353,359
Measured at amortised cost				
- Bank loans (Note 21)	172,514,030	151,903,466	156,204,240	134,749,083
	-----	-----	-----	-----
	180,691,750	160,256,825	164,381,960	143,102,442

The income, expenses, net gains and net losses attributable to financial instruments are summarised as follows:

	Consolidated		Association	
	2019	Restated 2018	2019	Restated 2018
Income and expense				
Financial liabilities measured at amortised cost	(£36,019)	£35,478	(£36,019)	£35,478
Net gains and losses (including changes in fair value)				
Financial liabilities measured at fair value through the Statement of Comprehensive income	£175,639	£2,469,042	£175,639	£2,469,042

The total interest income and interest expense for financial assets and financial liabilities that are not measured at fair value through the Statement of Financial Activities was:

	Consolidated		Association	
	2019	2018	2019	2018
Interest income	£52,277	£24,968	£143,800	£131,896
Interest expense	£5,663,025	£5,477,653	£4,972,324	£4,775,318

The Association uses derivative financial instruments to manage its exposure to fluctuations in interest rates. The fair value of derivatives is determined by their mark to market valuation at each reporting date.

Hillcrest Housing Association Limited
Notes to the Consolidated Financial Statements (continued)
for the year ended 31st March 2019

(25) Reserves

Income and Expenditure Reserve

The income and expenditure reserve represents cumulative surpluses and deficits net of other adjustments.

Restricted Reserve

Restricted reserves are those reserves which are subject to external restrictions governing their use.

Revaluation Reserve

The revaluation reserve represents the net gain on revaluation of assets held at fair value.

Non-controlling Interest

The portion of equity in a subsidiary that is not attributable to the parent, Hillcrest Housing Association Limited.

Negative Goodwill

Goodwill arising from the merger with Clean Close Company Limited is written off to the Statement of Comprehensive Income over a period of ten years. The company continues to benefit from contracts secured under the name of Clean Close Company Limited and it is anticipated future works will also result during this time.

(26) Pensions

Retirement Benefits

(a) Pension Obligations - SFHA Pension Scheme

Hillcrest Housing Association Limited and its subsidiary Gowrie Care Limited participates in the Scottish Housing Associations' Pension Scheme ("the scheme"), a multi-employer scheme which provides benefits to some 150 non-associated employers. The scheme is a defined benefit scheme in the UK.

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

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

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

Hillcrest Housing Association Limited
Notes to the Consolidated Financial Statements (continued)
for the year ended 31st March 2019

(26) Pensions (continued)

Retirement Benefits

(a) Pension Obligations - SFHA Pension Scheme

For financial years ending on or before 28 February 2019, it has not been possible for the company to obtain sufficient information to enable it to account for the Scheme as a defined benefit scheme, therefore the company has accounted for the Scheme as a defined contribution scheme.

For financial years ending on or after 31 March 2019, it is possible to obtain sufficient information to enable the company to account for the Scheme as a defined benefit scheme.

For accounting purposes, two actuarial valuations for the scheme were carried out with effective dates of 31 March 2018 and 30 September 2018. The liability figures from each valuation are rolled forward to the relevant accounting dates, if applicable, and are used in conjunction with the company's fair share of the Scheme's total assets to calculate the company's net deficit or surplus at the accounting period start and end dates.

Defined Benefits assets and obligations

The assumptions that have the most significant effect on the valuation of the Association' and Gowrie Care's defined benefit pension arrangement are those relating to the rate of return on investments and the rates of increases in salaries and pensions. The key actuarial assumptions at the 31 March 2019 were as follows:

	Gowrie Care Limited	Hillcrest Housing Association Limited
	% per annum	% per annum
Discount Rate	2.33%	2.30%
Inflation (RPI)	3.28%	3.30%
Inflation (CPI)	2.28%	2.30%
Salary Growth	3.28%	3.30%
Allowance for commutation of pension for cash at retirement	75% of maximum allowance	75% of maximum allowance

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

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

Hillcrest Housing Association Limited
Notes to the Consolidated Financial Statements (continued)
for the year ended 31st March 2019

(26) Pensions (continued)

Retirement Benefits

(a) Pension Obligations - SFHA Pension Scheme

Present Values of Defined Benefit Obligation, Fair Value of Assets and Defined Benefit Liability

	Consolidation		Association	
	2019	2018	2019	2018
	£	£	£	£
Fair value of plan assets	41,687,963	40,791,506	34,448,389	33,802,332
Present Value of defined benefit obligation	49,350,977	48,018,484	40,598,069	39,612,283
Deficit in plan	(7,663,014)	(7,226,978)	(6,149,680)	(5,809,951)
Unrecognised Surplus	-	-	-	-
Defined Benefit Liability to be recognised	(7,663,014)	(7,226,978)	(6,149,680)	(5,809,951)

Reconciliation of the Opening and Closing Balances of the Defined Benefit Obligation

	Consolidation	Association
	2019	2019
	£	£
Defined benefit obligation at start of period	48,018,484	39,612,283
Expenses	42,317	35,037
Interest Expense	1,196,920	982,318
Actuarial gains due to scheme experience	(373,455)	(125,373)
Actuarial losses due to changes in demographic assumptions	135,688	113,514
Actuarial losses due to changes in financial assumptions	3,047,328	2,458,482
Benefits paid and expenses	(2,716,305)	(2,478,192)
	-----	-----
Defined benefit obligation at end of period	49,350,977	40,598,069
	=====	=====

Reconciliation of Opening and Closing Balances of the Fair Value of Plan Assets

	Consolidation	Association
	2019	2019
	£	£
Fair value of plan assets at start of period	40,791,506	33,802,332
Interest income	1,028,989	848,045
Experience on plan assets (excluding amounts included in interest income) - gain	1,177,093	1,111,521
Contributions by the employer	1,406,680	1,164,683
Benefits paid and expenses	(2,716,305)	(2,478,192)
	-----	-----
Fair value of plan assets at end of period	41,687,963	34,448,389
	=====	=====

Hillcrest Housing Association Limited
Notes to the Consolidated Financial Statements (continued)
for the year ended 31st March 2019

(26) Pensions (continued)

Retirement Benefits

(a) Pension Obligations - SFHA Pension Scheme

The actual return on the plan assets (including any changes in share of assets) over the period ended 31 March 2019 for the Association and Gowrie Care was £1,959,566 and £246,516 respectively.

Defined Benefit Costs Recognised in Statement of Comprehensive Income

	Consolidation 2019 £	Association 2019 £
Expenses	42,317	35,037
Net interest expense	167,931	134,273
	-----	-----
Defined benefit costs recognised in statement of comprehensive income	210,248	169,310
	=====	=====

Defined Benefit Costs Recognised in Other Comprehensive Income

	Consolidation 2019 £	Association 2019 £
Experience on plan assets (excluding amounts included in interest income) - gain	1,177,093	1,111,521
Experience gains and losses arising on the plan liabilities – gain	373,455	125,373
Effects of changes in the demographic assumptions underlying the present value of the defined benefit obligation – loss	(135,688)	(113,514)
Effects of changes in the financial assumptions underlying the present value of the defined benefit obligation – loss	(3,047,328)	(2,458,482)
	-----	-----
Total actuarial gains and losses (before restriction due to some of the surplus not being recognisable) – loss	(1,632,468)	(1,335,102)
	=====	=====
Total amount recognised in other comprehensive income – (loss)	(1,632,468)	(1,335,102)
	=====	=====

Hillcrest Housing Association Limited
Notes to the Consolidated Financial Statements (continued)
for the year ended 31st March 2019

(26) Pensions (continued)

Retirement Benefits

(a) Pension Obligations - SFHA Pension Scheme

Assets

	Consolidation		Association	
	2019	2018	2019	2018
	£	£	£	£
Global Equity	6,706,699	7,338,800	5,542,007	6,081,378
Absolute Return	3,530,868	4,840,592	2,917,694	4,011,210
Distressed Opportunities	711,386	185,027	587,846	153,325
Credit Relative Value	723,846	-	598,142	-
Alternative Risk Premia	2,328,450	1,543,898	1,924,089	1,279,368
Fund of Hedge Funds	115,729	1,171,841	95,631	971,059
Emerging Market Debts	1,336,294	1,395,860	1,104,232	1,156,695
Risk Sharing	1,208,429	371,730	998,572	308,038
Insurance-Linked Securities	1,081,490	1,116,063	893,677	924,838
Property	827,923	1,611,681	684,145	1,335,537
Infrastructure	1,747,185	743,695	1,443,767	616,271
Private Debt	537,929	378,447	444,512	313,604
Corporate Bond Fund	2,923,246	2,847,572	2,415,592	2,359,672
Long Lease Property	505,941	-	418,079	-
Secure Income	1,454,373	1,493,970	1,201,805	1,237,995
Over 15 Years Gilts	1,070,897	1,317,959	884,924	1,092,141
Liability Driven Investment	14,834,021	14,358,388	12,257,930	11,898,237
Net Current Assets	43,257	75,983	35,745	62,964
	-----	-----	-----	-----
Total Assets	41,687,963	40,791,506	34,448,389	33,802,332
	=====	=====	=====	=====

None of the fair values of the assets shown above include any direct investments in the employers own financial instruments or any property occupied by, or other assets used by, the employer.

(b) Pensions Trust's Growth Plan

The Association participates in the scheme, a multi-employer scheme which provides benefits to some 950 non-associated participating employers. The scheme is a defined benefit scheme in the UK. It is not possible for the company to obtain sufficient information to enable it to account for the scheme as a defined benefit scheme. Therefore it accounts for the scheme as a defined contribution scheme.

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

Hillcrest Housing Association Limited
Notes to the Consolidated Financial Statements (continued)
for the year ended 31st March 2019

(26) Pensions (continued)

Retirement Benefits

(b) Pensions Trust's Growth Plan

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

A full actuarial valuation for the scheme was carried out at 30 September 2017. This valuation showed assets of £794.9M, liabilities of £926.4M and a deficit of £131.5M. To eliminate this funding shortfall, the trustees and the participating employers have agreed that additional contributions will be paid to the scheme as follows:

Deficit contributions

From 1 April 2019 to 31 January 2025: £11,243,000 per annum
 (payable monthly and increasing by 3% each on 1st April)

Unless a concession has been agreed with the Trustee the term to 31 January 2025 applies.

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

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

Reconciliation of the Associations opening and closing provisions is provided in Note 22.

	2019	2018
Assumption - the rate of discount - % per annum	1.39%	1.71%

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

Hillcrest Housing Association Limited
Notes to the Consolidated Financial Statements (continued)
for the year ended 31st March 2019

(26) Pensions (continued)

Retirement Benefits

(c) Cair Scotland – YMCA pension

The charity operates a defined contribution pension plan for its employees. The amount recognised as an expense in the year was £1,449 (2018 - £11,706).

Cair Scotland participated in a multi-employer defined benefit pension plan for employees of YMCAs in England, Scotland and Wales, which was closed to new members and accruals on 30 April 2007. Due to insufficient information, the plan's actuary has advised that it is not possible to separately identify the assets and liabilities relating to Cair Scotland.

Cair Scotland has a contractual obligation to make pension deficit payments of £16,386 per annum over the period to April 2027, accordingly this is shown as a liability in note 22 to these accounts. In addition, Cair Scotland is required to contribute £2,761 per annum to the operating expenses of the pension plan and these costs are charged to the Statement of Financial Activities as made.

Cair Scotland participated in a contributory pension plan providing defined benefits based on final pensionable pay for employees of YMCAs in England, Scotland and Wales. The assets of the YMCA pension plan are held separately from those of Cair Scotland and at the year-end these were invested in the Mercer Dynamic De-risking Solution, 40% matching portfolio and 60% in the growth portfolio and Schroder (property units only).

The most recent completed three year valuation was as at 1 May 2017. The assumptions used which have the most significant effect on the results of the valuation are those relating to the assumed rates of return on assets held before and after retirement of 3.75% and 2.25% respectively, the increase in pensions in payment of 3.35% (for RPI capped at 5% p.a.), and the average life expectancy from normal retirement age (of 65) for a current male pensioner of 22.2 years, female 24.1 years to 24.0 years for a male pensioner and female 26.0 years, retiring in 20 years time. The result of the valuation showed that the actuarial value of the assets was £141.2m. This represented 81% of the benefits that had accrued to members.

The pension plan was closed to new members and future service accrual with effect from 30 April 2007. With removal of the salary linkage for benefits, all employed deferred members became deferred members as from 1 May 2011.

The valuation prepared as at 1 May 2017 showed that the YMCA pension plan had a deficit of £33.6 million. Cair Scotland has been advised that it will need to make monthly contributions of £1,366 from 1 May 2019. This amount is based on the current actuarial assumptions (as outlined above) and may vary in the future as a result of actual performance of the pension plan. The current recover period is now 7 years commencing 1 May 2019.

As a direct result of review undertaken, the pension liability has increased in value. The re-measurement charge for the financial year amounted to nil (2018 - £41,313).

Hillcrest Housing Association Limited
Notes to the Consolidated Financial Statements (continued)
for the year ended 31st March 2019

(27) Legislative Provisions

The Association is incorporated under the Co-operative and Community Benefit Societies Act 2014 and Co-operative and Community Benefit Societies (Group Accounts) Regulation of 2014.

(28) Related Parties

During the year two members of the Committee of Management were also tenants of the Association. The tenancies are on the same terms as for other tenants and no advantage can be gained from the position. During the financial year, Committee members were charged rent totalling £10,268 (2018 - £8,480). As at 31 March 2019 no amount (2018 – nil) was due to the Association.

Where members of the Committee of Management are also councilors or employees of related local authorities, there are no transactions to disclose that were not made at arm's length or not made under the normal commercial terms.

Northern Housing Company Limited

The following members of the Committee of Management of Hillcrest Housing Association Limited are also Directors of Northern Housing Company Limited:

Mr. D. Boyle

During the financial year, various trading & inter- company transactions occurred between Northern Housing Company Limited with the parent company Hillcrest Housing Association Limited and another member of the group Hillcrest Maintenance Services Limited, a company incorporated in the United Kingdom and wholly owned by Hillcrest Housing Association Limited.

An overview of the transactions and balances are as follows:-

	Closing creditors due from NHCL	Closing debtors due to NHCL	Net Balance due to/ (from) NHCL
	£	£	£
HHA (2019)	(6,116)	54,038	47,922
HHA (2018)	-	76,151	76,151
HMS (2019)	(104,215)	-	(104,215)
HMS (2018)	(148,112)	7,322	(140,790)
HEL 2019 (2019)	(34,347)	-	(34,347)
HEL 2019 (2018)	-	-	-
LL (2019)	-	55,476	55,476
LL (2018)	-	-	-

Other related transactions:-

	HHA 2019	HHA 2018	HMS 2019	HMS 2018
	£	£	£	£
Maintenance services to NHCL	-	-	1,299,908	870,997
Central charges to NHCL	383,868	361,508	-	-
Lease charges to NHCL	1,947,806	1,707,080	-	-

Hillcrest Housing Association Limited
Notes to the Consolidated Financial Statements (continued)
for the year ended 31st March 2019

(28) Related Parties (continued)

Northern Housing Company Limited (continued)

Northern Housing Company Limited provided management, administrative and insurance services to Leith Links NHC 2011 LLP, a Limited Liability Partnership of which Hillcrest Housing Association is the controlling member, during the period at a total cost of £190,321 (2018 - £184,423). During the year, major repairs were recharged by Northern Housing Company Limited to Leith Links NHT 2011 LLP at a total cost of £30,156 (2018 – nil).

Hillcrest Enterprises (2019) Limited recharged Northern Housing Company Limited the amount of £63,266 (2018 – nil) in respect of administration expenses.

Gowrie Care Limited

During the financial year, various trading & inter company transactions occurred between Gowrie Care Limited with the parent company Hillcrest Housing Association Limited and another member of the group Hillcrest Maintenance Services Limited.

An overview of the transactions and balances are as follows:-

	Closing creditors due from GC	Closing debtors due to GC	Net Balance due to/ (from) GC
	£	£	£
HHA (2019)	(101,080)	5,820	(95,260)
HHA (2018)	(40,845)	57,450	16,605
HMS (2019)	(3,547)	380,435	376,888
HMS (2018)	(170)	423,913	423,743
CS (2019)	(1,919)	233,680	231,761
CS (2018)	-	-	-

Other related transactions:-

	HHA 2019	HHA 2018	HMS 2019	HMS 2018
	£	£	£	£
Central charges to GC	588,175	494,488	-	-
Lease costs charged to GC	144,267	143,924	-	-
Admin expenses to GC	369,427	192,005	1,485	-
Donation to GC (less unused donation returned to HHA)	55,916	55,821	-	-
Salaries recharged from GC	6,700	21,946	-	-
Provision of maintenance services to GC	-	-	25,917	6,079
Concierge costs from GC	652,722	651,430	-	-
Admin expenses from GC	14,967	9,135	-	-
Interest charged from GC	5,833	-	15,870	17,609

Hillcrest Housing Association Limited
Notes to the Consolidated Financial Statements (continued)
for the year ended 31st March 2019

(28) Related Parties (continued)

Gowrie Care Limited (continued)

A loan of £500,000 was provided by Gowrie Care Limited to Hillcrest Maintenance Services Limited on 31 March 2016. This loan is repayable over 11.5 years with interest charged at 4%. It has been agreed to reassess the interest charge when the Bank of England base rate increases to 2%. Hillcrest Maintenance Services Limited repaid £43,478 of this loan in the current year.

Additionally, Gowrie Care Limited provided a short-term loan to Hillcrest Housing Association Limited of £2,000,000 on 18 September 2018. This loan was repaid in full by Hillcrest Housing Association Limited on 8 October.

Cair Scotland Limited, a company incorporated in the United Kingdom, wholly owned by Gowrie Care Limited and ultimately wholly owned by Hillcrest Housing Association Limited, recharged Gowrie Care Limited administrative and overhead expenses of £4,944 (2018 – nil). Gowrie Care Limited recharged Cair Scotland Limited administrative and overhead expenses of £2,201 (2018 – nil) and salaries of £4,923 (2018 – nil).

Additionally, Gowrie Care Limited repaid loans belonging to Cair Scotland Limited amounting to £232,221 (2018 – nil). This debt is due to be repaid by Cair Scotland Limited as the cash reserves of Cair Scotland Limited allow.

During the financial year, Gowrie Care Limited recharged Hillcrest Enterprises (2019) Limited, a company incorporated in the United Kingdom and wholly owned by Hillcrest Housing Association Limited, administrative and overhead expenses amounting to £7 (2018 – nil).

Hillcrest Enterprises (2019) Limited

During the financial year, various trading & inter-company transactions occurred between Hillcrest Enterprises (2019) Limited with the parent company Hillcrest Housing Association Limited and another member of the group Hillcrest Maintenance Services Limited.

Hillcrest Enterprises (2019) Limited recharged Northern Housing Company Limited, a company incorporated in the United Kingdom and wholly owned by Hillcrest Housing Association, the amount of £63,266 (2018 – nil) in respect of administration expenses.

An overview of the transactions and balances are as follows:-

	Closing creditors due from HEL 2019	Closing debtors due to HEL 2019	Net Balance due to/ (from) HEL 2019
	£	£	£
HHA (2019)	-	9,388	9,388
HHA (2018)	(44,046)	-	(44,046)
HMS (2019)	(5,771)	-	(5,771)
HMS (2018)	(6,292)	-	(6,292)
CS (2019)	-	1,367	1,367
CS (2018)	-	1,566	1,566
NHCL (2019)	-	34,347	34,347
NHCL (2018)	-	346	346

Hillcrest Housing Association Limited
Notes to the Consolidated Financial Statements (continued)
for the year ended 31st March 2019

(28) Related Parties (continued)

Hillcrest Enterprises (2019) Limited (continued)

Other related transactions:-

	HHA 2019	HHA 2018	HMS 2019	HMS 2018
	£	£	£	£
Provision of maintenance services to HEL	-	-	101,146	87,348
Gift Aid donation to HHA	35,000	35,000	-	-
Direct costs recharged to HHA	1,298	12,742	-	-
Direct costs recharged from HHA	54,720	46,343		
Lease charges from HEL 2019	125,150	38,536		
Central charge to HEL 2019	67,408	69,117	-	-

Hillcrest Enterprises (2019) Limited recharged Child Cair @ Limited, a company incorporated in the United Kingdom, wholly owned by Cair Scotland Limited and ultimately wholly owned by Hillcrest Housing Association Limited, the amount of nil (2018 – £5,329) in respect to admin costs for the financial year.

Gowrie Care Limited recharged Hillcrest Enterprises (2019) Limited £7 (2018 – nil) in respect of administration expense.

Hillcrest Maintenance Services Limited

The following members of the Committee of Management of Hillcrest Housing Association Limited are also directors of Hillcrest Maintenance Services Limited:-

Mr. T. Kirby
Mr D. Boyle

During the financial year, various trading & inter-company transactions occurred between Hillcrest Maintenance Services Limited with the parent company Hillcrest Housing Association Limited and another member of the group Hillcrest Enterprises (2019) Limited.

Hillcrest Maintenance Services Limited provided maintenance services to Gowrie Care Limited, a company incorporated in the United Kingdom and wholly owned by Hillcrest Housing Association Limited, totalling £25,917 (2018 – £6,079) and recharged expenses of £1,485 (2018 – £ Nil).

A loan of £500,000 was provided by Gowrie Care Limited to Hillcrest Maintenance Services Limited on 31 March 2016. This loan is repayable over 11.5 years with interest charged at 4%. It has been agreed to reassess the interest charge when the Bank of England base rate increases to 2%. Interest of £15,870 (2018 – £17,609) was charged in the year.

Maintenance services were provided in the year to Northern Housing Company Limited to the value of £1,296,790 (2018 – £868,539). Expenses were also recharged amounting to £3,118 (2018 – £2,458).

Maintenance services were provided in the year to Cair Scotland Limited of £5,115 (2018 – £14,491).

Hillcrest Housing Association Limited
Notes to the Consolidated Financial Statements (continued)
for the year ended 31st March 2019

(28) Related Parties (continued)

Hillcrest Maintenance Services Limited (continued)

An overview of the transactions and balances are as follows:-

	Closing creditors due from HMS	Closing debtors due to HMS	Net Balance due to/ (from) HMS
	£	£	£
HHA (2019)	(284,447)	310,504	26,057
HHA (2018)	(114,990)	729,010	614,020
HEL 2019 (2019)	(598)	6,369	5,771
HEL 2019 (2018)	(130)	6,423	6,293
GC (2019)	(380,435)	3,547	(376,888)
GC (2018)	(423,913)	170	(423,743)
NHCL (2019)	(3,125)	107,339	104,214
NHCL (2018)	(7,322)	148,112	140,790
CS (2019)	-	-	-
CS (2018)	-	3,254	3,254

Other related transactions:-

	HHA 2019	HHA 2018	HEL 2019 2019	HEL 2019 2018
	£	£	£	£
Provision of maintenance services – within turnover	10,343,643	8,426,078	101,146	87,386
Salaries charged to HHA	111,427	96,616	-	-
Administrative expenses to HHA	82	2,045	-	-
Cost of sales and administrative expenses recharged to HMS	315,839	180,711	-	-
Central charges to HMS	362,709	319,582	-	-
Rent charged to HMS	19,500	18,500	-	-
Gift Aid donation to HHA	200,000	50,338	-	-

Leith Links NHT 2011 LLP

On 14 November 2014 Hillcrest Housing Association, who are members of Leith Links NHT 2011 LLP, obtained a loan note for the amount of £1,089,000 which is repayable by Leith Links NHT 2011 LLP when the properties begin to be sold. It pays interest at 11% per annum and at 31 March 2019 interest payable stood at £119,790 (2018 – £119,790).

Hillcrest Housing Association Limited
Notes to the Consolidated Financial Statements (continued)
for the year ended 31st March 2019

(28) Related Parties (continued)

Leith Links NHT 2011 LLP (continued)

Northern Housing Company Limited provided management, administrative and insurance services to Leith Links NHT 2011 LLP during the period at a total cost of £190,321 (2018 - £184,423). During the year, major repairs to the units were carried out by Northern Housing Company Limited at a total cost of £30,156 (2018 - nil). £54,342 (2018 - £17,975) was due to Northern Housing Company Limited as at 31 March 2019.

Included within debtors for Leith Links is £738 (2018 - £964) due from Hillcrest Housing Association Limited.

Cair Scotland Limited

The following Executive staff member of Hillcrest Housing Association Limited is also a director of Cair Scotland Limited:-

Ms F. Morrison

An overview of the transactions and balances are as follows:-

	Closing creditors due from CS	Closing debtors due to CS	Net Balance due to/ (from) CS
	£	£	£
HHA (2019)	(44)	-	(44)
HHA (2018)	(1,552)	694	(858)
HEL 2019 (2019)	(1,367)	-	(1,367)
HEL 2019 (2018)	-	6,011	6,011
CC@ (2019)	-	-	-
CC@ (2018)	(11,927)	-	(11,927)
GC (2019)	(233,680)	1,919	(231,761)
GC (2018)	-	-	-
HMS (2019)	-	-	-
HMS (2018)	(3,254)	-	(3,254)

Cair Scotland Limited recharged to Child Cair @ Limited the amount of nil (2018 - £12,578) in respect to salary recharges and administration costs.

Hillcrest Housing Association Limited recharged Cair Scotland Limited the amount of £5,758 (2018 – £46,677) in respect to administration costs.

Hillcrest Maintenance Services Limited provided maintenance and repair services to the value of £5,115 (2018 - £8,948).

Gowrie Care Limited provided an interest free loan to Cair Scotland Limited to repay the bank loan during the financial year amounting to £232,221 (2018 – nil). Gowrie Care Limited recharged Cair Scotland Limited administrative and overhead expenses of £2,201 (2018 – nil) and salaries of £4,923 (2018 – nil). Cair Scotland Limited recharged Gowrie are Limited administrative expenses of £4,944 (2018 – nil).

Hillcrest Housing Association Limited
Notes to the Consolidated Financial Statements (continued)
for the year ended 31st March 2019

(28) Related Parties (continued)

Child Cair @ Limited

The following Executive staff member of Hillcrest Housing Association Limited is also a director of Child Cair @ Limited:-

Ms F. Morrison

Cair Scotland Limited recharged to Child Cair @ Limited nil (2018 - £12,578) in respect to salary recharges and administration costs.

Hillcrest Housing Association Limited recharged Child Cair @ Limited nil (2018 – £17,619) in respect to administration costs.

Hillcrest Enterprises (2019) Limited recharged Child Cair @ Limited nil (2018 – £5,329) in respect to administration costs.

Upper Dens Landscaping Limited

There were no material transactions between Hillcrest Housing Association Limited and its associated company Upper Dens Landscaping Limited.

Explorer Heat Limited

The following members of the Committee of management of Hillcrest Housing Association Limited are also directors of Explorer Heat Limited:-

Ms. M. Dwarshuis (resigned 14 November 2018)
Ms. V. Howard
Mr. A. Russell

The company remained dormant throughout the financial year.

The Hillcrest Group Limited

The following members of the Committee of Management of Hillcrest Housing Association Limited are also directors of The Hillcrest Group Limited:-

Mr. A. Russell
Ms. V. Howard

The company remained dormant throughout the financial year.

Hillcrest Housing Association Limited
Notes to the Consolidated Financial Statements (continued)
for the year ended 31st March 2019

(29) Subsidiaries Information

Details of the investments in which the Group or the company holds more than 10% of the nominal value of any class of share capital are as follows:

	Country of registration or incorporation	Holding	Proportion of voting rights	Nature of Business
Gowrie Care Limited	Scotland	See Note 28 (a)	100%	Provides care & Support services
Hillcrest Maintenance Services Limited	Scotland	See Note 28 (a)	100%	Provision of maintenance services
Hillcrest Enterprises (2019) Limited	Scotland	See Note 28 (a)	100%	Provision of nursery services for children aged 0 – 5 years old
Northern Housing Company Limited	Scotland	See Note 28 (a)	100%	Provision of mid-market rented accommodation
Hillcrest Enterprises Limited	Scotland	See Note 28 (a)	100%	Provision of mid-market rented accommodation and rented accommodation for people with special needs
Cair Scotland	Scotland	See Note 28 (g)	100%	Provides services and support to services users with drug addictions
Child Cair @ Limited	Scotland	See Note 28 (g)	100%	Provision of nursery services to children aged 0 - 5 years Dissolved 25 June 2019
Leith Links NHT 2011 LLP	Scotland	See Note 28 (f)	50%	Provision of mid-market rented accommodation
Upper Dens Landscaping Limited	Scotland	See Note 28 (a) and Note 28 (e)	50%	Manages common ground
Explorer Heat Limited	Scotland	See Note 28 (a)	100%	Dormant since incorporation
The Hillcrest Group Limited	Scotland	See Note 28 (a)	100%	Dormant since Incorporation

- a) These subsidiaries and related undertakings are companies Limited by guarantee and do not have a share capital.
- b) No company is unincorporated.
- c) Employees within the Hillcrest Group have joint contracts of employment. Any time spent by an employee is recharged to the relevant group company.
- d) Hillcrest Housing Association Limited is the ultimate parent company of the group.

Hillcrest Housing Association Limited
Notes to the Consolidated Financial Statements (continued)
for the year ended 31st March 2019

(29) Subsidiaries Information (continued)

- e) Hillcrest Housing Association Limited is required by statute to prepare group accounts. Upper Dens Landscaping Limited due to the immaterial nature is unconsolidated. The aggregate amount of capital and reserves and the results of this undertaking for the last relevant financial year were as follows:

	Capital and Reserves	Profit for the year
Upper Dens Landscaping Limited	£277	£Nil

- f) Leith Links NHT 2011 LLP is a Limited Liability Partnership and is controlled by its member Hillcrest Housing Association Limited.
- g) Cair Scotland Limited and Child Cair @ Limited are 100% owned subsidiaries of Gowrie Care Limited. Child Cair @ Limited merged with Cair Scotland Limited with effect from 31 March 2018.

(30) Capital Commitments

	2019 £	2018 £
Housing Properties –Consolidated & Association		
Capital expenditure that has been contracted for but has not been provided for in the Financial Statements	£60,710,367 =====	£36,295,665 =====

Capital expenditure for contracted costs will continue to March 2021.

Association

The estimated amount of contracts for capital expenditure authorised by Committee of Management which has not been contracted for	£44,329,584 =====	£55,088,289 =====
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Consolidated

The estimated amount of contracts for capital expenditure authorised by Committee of Management which has not been contracted for	£44,329,584 =====	£64,189,098 =====
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Capital expenditure for authorised developments will continue to October 2024.

The amounts contracted for at 31st March 2019 will be funded by Scottish Ministers, financed from private loans or met from the Association's reserves.

Other Assets – Consolidated

Capital expenditure that has been contracted for but has not been provided for in the Financial Statements	£ - =====	£ - =====
The estimated amount of contracts for capital expenditure authorised by directors which has not been contracted for	£ - =====	£ - =====

Hillcrest Housing Association Limited
Notes to the Consolidated Financial Statements (continued)
for the year ended 31st March 2019

(31) Contingent Liability

Hillcrest Housing Association Limited

Should the Association decide to end participation in the SFHA Pension Scheme there would be a potential liability of £25,313,601, of which £6,149,680 relates to the scheme deficit contributions and has been included as a liability as at 31 March 2019. Should the Association decide to end participation in the SFHA Pension Trust Growth Plan there would be a potential liability of £43,754, of which £23,851 relates to the scheme deficit contributions and has been included as a liability as at 31 March 2019. There is no intention at present to cease membership of either pension scheme.

Gowrie Care Limited

Should the Company decide to end participation in the SFHA Pension Scheme there would be a potential liability of £5,508,180 payable, of which £1,513,334 relates to the scheme deficit contributions and has been included as a liability as at 31 March 2019. There is no intention at present to cease membership of the Pension scheme.

(32) Financial Commitments

The total commitments under non-cancelable operating leases as follows:

	Consolidated		Association	
	2019	2018	2019	2018
	£	£	£	£
Property				
Less than one year	18,917	7,568	-	26,561
Between 1 – 5 years	110,083	44,712	88,602	84,598
Plant & Machinery				
Less than one year	-	13,178	-	-
Between 1 – 5 years	7,282	7,282	-	-
Motor Vehicles				
Between 1 – 5 years	-	1,424	-	1,424

(33) Goodwill

	Restated 2019	Restated 2018
	£	£
Consolidated		
As at 1 April 2018	53,790	61,475
Released to Statement of Comprehensive Income	(7,685)	(7,685)
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As at 31 March 2019	£46,105	£53,790
	=====	=====

Hillcrest Housing Association Limited
Notes to the Consolidated Financial Statements (continued)
for the year ended 31st March 2019

(34) Business Acquisitions

Gowrie Care Limited, a wholly owned subsidiary of Hillcrest Housing Association Limited, acquired the Cair Scotland Group on 1 July 2017. The fair value of the Cair Scotland Group's assets and liabilities at that date was £184,247 for which no consideration was paid. The Statement of Recommended Practice: Accounting for Registered Social Landlords 2014 requires the fair value of assets and liabilities on acquisition to be recognised as a gain in the Statement of Comprehensive Income of the Group.

(35) Events after the end of the period

On 1 April 2019 the assets and liabilities of Hillcrest Enterprises (2019) Limited excluding the nursery were transferred to Hillcrest Enterprises Limited, a company limited by shares and wholly owned by Hillcrest Housing Association Limited.

On 1 April 2019 all of the original housing stock owned by Northern Housing Company Limited and all assets and liabilities was transferred to the parent company Hillcrest Housing Association Limited at nil consideration. All trading activities within Northern Housing Company Limited ceased from 1 April 2019 at which date they were transferred to Hillcrest Enterprises Limited.

On 4 April 2019 Hillcrest Housing Association Limited received £55M as part of a private placement deal. These funds were used to repay the Association's existing revolving credit facility, £57.1M of which is included in creditors falling due within one year as at 31 March 2019. Prior to 31 March 2019 the Association incurred transaction costs in relation to the new funding of £289,002.

Following a rebranding exercise to align all the subsidiaries within the Hillcrest Group and make ourselves identifiable as one organisation the names of the following companies were changed on 1 July 2019.

Formerly known as:	Known as from 1 July 2019:
Hillcrest Housing Association Limited	Hillcrest Homes (Scotland) Limited
Hillcrest Maintenance Services Limited	Hillcrest Maintenance Limited
Gowrie Care Limited	Hillcrest Futures Limited