

Hjaltland Housing Association Limited
REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2016

Registered Housing Association No Hal 127
Financial Conduct Authority No 1832R(S)
Scottish Charity No SC031954

Hjaltland Housing Association Limited

Management Committee, Executives and Advisers For the year ended 31 March 2016

Registration Particulars:

Financial Conduct Authority	Co-operative and Community Benefit Societies Act 2014 Registered Number 1832R(S)
Scottish Housing Regulator	Housing (Scotland) Act 2010 Registered Number 127
Charity Number	SC031954

Management Committee

R Hunter	Chair
P Coleman	Vice Chair
V Simpson	Vice Chair
A Tallack	Vice Chair
H Sutherland	Treasurer
J Anderson	Committee Member
Dr J Goddard	Committee Member
G Mitchell	Committee Member
T Smith	Committee Member
L Irvine	Committee Member
C Nicholson	Committee Member
D Leask	Committee Member

Executive Officers

Mr B Leask	Chief Executive/Secretary
Mrs S Gray	Head of Finance and Corporate Services
Mr P Leask	Head of Investment and Asset Management
Ms F A Robertson	Head of Housing and Customer Services

Registered Office

2 Harbour Street
Lerwick
Shetland
ZE1 0LR

Auditor

RSM UK Audit LLP
St Olaf's Hall
Church Road
Lerwick
Shetland
ZE1 0FD

Hjaltland Housing Association Limited

**Management Committee, Executives and Advisers
For the year ended 31 March 2016**

Bankers

Bank of Scotland
117 Commercial Street
Lerwick
Shetland
ZE1 0DN

Royal Bank of Scotland
81 Commercial Street
Lerwick
Shetland
ZE1 0AD

Solicitors

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

Hjaltland Housing Association Limited

Report of the Management Committee For the year ended 31 March 2016

The Management Committee presents their report and audited financial statements for the year ended 31 March 2016.

Principal Activities

The principal activities of the Association are the provision of rented accommodation at affordable rents, and the development of low cost home ownership schemes.

Hjaltland Housing Association Limited (Hjaltland) is registered with the Financial Conduct Authority as a Co-operative and Community Benefit Society, The Office of the Scottish Charities Regulator (OSCR) as a charity and the Scottish Housing Regulator as a Registered Social Landlord.

The table below shows the property we own:-

	2016	2015
Managed Property Numbers		
Tenanted Property	641	615
Managed on behalf of others	2	2
Shared Ownership Properties	50	52
Total	693	669

Accounting changes

The financial statements reflect the introduction of Financial Reporting Standard 102 ('FRS 102') and the Statement of Recommended Practice for Registered Social Landlords 2014 for the first time. Comparative figures have been updated accordingly. See note 26 to the financial statements for further detail.

Going Concern

The Management Committee has a reasonable expectation that the Association has adequate resources to continue in operational existence for the foreseeable future. Therefore, they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Related party transactions

The committee members are considered related parties, as is Hjaltland Trading Limited.

Financial Review

Hjaltland made a surplus of £675,218 (2015 £500,769) during the year. Planned and cyclical maintenance costs of £261,477 were incurred on cyclical painting, electrical survey checks, boiler & ventilation maintenance, whole house ventilation installation etc. This compares with £272,879 for similar expenditure in the previous year. This expenditure is written off in the year it is incurred and not capitalised.

In addition to the expenditure which is charged to the Statement of Comprehensive Income £338,510 of costs spent on existing properties have been capitalised. Of the amount capitalised £319,476 (2015 - £324,652) related to the replacement of components and £19,034 (2015 - £18,994) related to improvements.

In line with the Statement of Recommended Practice for social housing providers – Housing SORP 2014, the Association recognises that housing properties comprise a number of major components, these major components (as noted in the accounting policies) are identified and depreciated over specific economic life spans. Their replacement is then capitalised in fixed assets as they occur. The depreciation charge for the year is £928,118 compared to £1,003,015 for the previous year.

Hjaltland Housing Association Limited

Report of the Management Committee For the year ended 31 March 2016

Following the introduction of FRS102 and Housing SORP 2014 a number of prior period adjustments have been required to be made to the accounts. See note 26 for details. Taking these movements into account Hjaltland continues to be in a strong financial position with £4.97m in Capital & Reserves. Hjaltland continues to have a substantial major repair investment programme with further replacement kitchens and re-roofing works due over the next few years. Provision has been made in the projections to meet the commitments under the Energy Efficiency Standard for Social Housing. Cash surpluses will continue to be made, subject to the planned major repair programme over the next few years.

Surplus for the year

The financial results of Hjaltland are as follows: -

	2016	2015
	£000s	£000s
Surplus for the year	675	501
Transfer from/ (to) restricted reserves – Big Lottery restricted Fund	3	(11)
Revenue Reserves	4,923	4,245

Business Review

Our Aims

Hjaltland aims to deliver to Shetland a housing service that, as well as improving the quality of life for an individual through the provision of quality housing, offers them value for money. Hjaltland is committed through its housing service and wider action to playing its part in sustaining communities.

1. Hjaltland aims to deliver a high quality housing service to communities throughout Shetland and is committed to ensuring remote communities remain viable, through a culture of sustainability and continuous improvement.
 - 1.1. Hjaltland aims to assist people in need, including those with special requirements, through a range of tenures and services.
 - 1.2. We will provide good quality homes that offer value for money, and are affordable to households in communities throughout Shetland.
 - 1.3. Hjaltland is committed to working in partnership, with others, for the good of the Shetland community.

The Association also has a wholly owned subsidiary, Hjaltland Trading Ltd, whose main objective is to carry on business as a general commercial company, within the Shetland Isles.

Operational Review

1 Corporate Governance

Hjaltland has a Committee of Management which is elected by the members of the Association. (See below for details). It is the responsibility of the Committee to undertake the strategy, setting of policy and overall direction for the Association. They also monitor the operational activities of the Association. The members of the Committee of Management are unpaid.

The Executive Team of Hjaltland is responsible for achieving the strategy set, and undertaking the operational activities in line with the policies set.

The governing body is the Committee of Management, which is responsible to the wider membership. Committee Members serve in a voluntary capacity, and they recognise that this puts even more onus on them to ensure that they set and achieve high standards of professionalism in the Association's work. They take governance very seriously, and regularly review governance arrangements to ensure that the Committee and Association are fit for purpose. The internal auditors also review committee structure and governance as part of their remit.

Hjaltland Housing Association Limited

Report of the Management Committee For the year ended 31 March 2016

2 Corporate Issues

The Hjaltland group continued to promote the provision of a One Stop Shop agency on behalf of Shetland Island Council. This service provides local residents with advice, support and limited access to grant funding for property repairs and improvements. At 31st March 2016 there were 3 staff employed to ensure the successful running of this service. This includes a handyman employed to provide small and urgent repairs and adaptations.

During the year the Association continued to assist other organisations in community regeneration projects. The Association continued to develop the Housing HUB, which supports young adults in gaining the skills and expertise required to take on a tenancy in the future.

Hjaltland recently reviewed the Tenant Satisfaction Survey, in consultation with the tenants, to ensure it met the requirements of the ARC and Housing Charter. It intends to carry out a survey of 100% of tenants on a regular basis.

Hjaltland is committed to involving staff in decision making and policy making. It intends to continue an informal Office Bearers and Senior staff group, which meets four times a year.

Hjaltland Trading Ltd continued to carry out various commercial activities in the year to 31st March 2016. We continue to review various activities to make Hjaltland Trading Ltd have a long term sustainable future, to complement the charitable activities of the Association.

Performance Management

Service delivery is underpinned by staff performance. This continues to be a high priority for us and we help and encourage our staff to achieve appropriate Vocational Qualifications.

Best use of resources

We regularly conduct risk assessments, and take any action necessary to reduce or limit risk. We have a programme of major investment in our housing stock, which is by far our most costly asset, which includes carrying out major repairs. We have updated our stock condition information to ensure that our long-term financial planning reflects our future investment requirements.

Services

We aim to deliver high quality services, and we set ourselves the goal of achieving continuous improvement in what we do. In our housing stock, we moved ahead with some necessary major repairs, and brought new schemes into management.

We continued to deliver adaptations to existing properties to meet the specific needs of our tenants.

3 Developments

The year just completed has continued to be busy as Hjaltland progressed a number of projects that had received development funding from the Scottish Government. Significant staff resources have been applied to progressing current and future development opportunities this year. We have spent £4,282k (2015 - £5,116) during the year. Of this spending £2,655k (2015 - £3,093 k) is funded by grants received from the Scottish Government and £41k (2015 - £594k) is funded by grants received from other sources including ERDF funding for the NINES project, which has replaced space and water heating in a significant number of properties.

Subject to grant funding becoming available through the Affordable Housing Investment Programme, and the availability of other forms of subsidy, it is hoped to increase stock numbers through completion of new housing, which would consolidate the Association's asset base at around 717 by 2017 and 744 by 2018.

Hjaltland Housing Association Limited

Report of the Management Committee For the year ended 31 March 2016

4 Housing Issues

Hjaltland continues to work on minimising the period of time taken to re-let or let new properties to ensure that we maintain our effectiveness in housing people in need and reduce our costs. The rent loss due to empty properties decreased to £3,594 from £5,269 in the previous year. By offering a Choice Based Lettings system the average time taken to re-let a property is only 6.5 days. Net tenant arrears has fallen to 2.0%, (previous year 2.9%), however efforts continue to be made to reduce this figure.

5 Property Maintenance

The Association's repair service performance remained very strong with all emergency repairs (including Right to Repair 1) being completed in an average of 5.5 hours. On average the non-emergency repairs took 5.1 days to complete, well with the 10 day target.

6 Support Services Issues

The sheltered service continues to be regulated under the Care Inspectorate as a housing support service. The Association also provides support services via the Hub Project and the Housing Outreach worker, both of which are included in our registration with the Care Inspectorate.

7 Finance and IT Issues

During the year additional private finance arrangements were finalised with the Bank of Scotland to provide finance for one new development project which started on site before the year end.

8. Other Areas

Risk Events and Risk Management Policy

The Association re-visits its Business Continuity Plan annually and makes amendments based on any lessons learned during the course of the year. The Committee has continued to operate a formal risk management process to assess business risks and implement risk management strategies. This involves identifying the types of risks the Association faces, prioritising them in terms of potential impact and likelihood of occurrence, and identifying means of mitigating the risks. As part of this process the Committee have reviewed the adequacy of the Association's current internal controls and this continues to be kept under review.

Following changes to the grant regime within which the Association operates additional procedures were implemented, with a view to ensuring that financial covenants are kept under close review.

Credit Payment Policy

Hjaltland's policy concerning the payment of its trade creditors complies with the Confederation of British Industry guidelines. The average payment period is within thirty days.

Rental Income

The Association's Rent Policy is a points formula system based on the size, type and facilities of the accommodation. The policy ensures that the rent structure is easy to administer and covers the wide variations within the Association's properties. The point's value is reviewed annually to ensure that the rents cover costs. This policy follows the generally accepted practice/principles of the Housing Movement and was reviewed in consultation with the tenants through 2014/15.

Maintenance Policies

Hjaltland seeks to maintain its properties to the highest standard. To this end, programmes of cyclical repairs are carried out in the medium term to deal with the gradual and predictable deterioration of building components. It is expected that the cost of all these repairs will be charged to the Statement of Comprehensive Income.

In addition, Hjaltland has a long term programme of major repairs to cover work which has become necessary since the original development was completed, including works required for subsequent legislative changes. This includes replacement or repairs to features of the properties, which have come to the end of their economic lives. The costs of these repairs will be charged to the Statement of Comprehensive Income, unless it was agreed they could be capitalised within the terms outlined in the Statement of Recommended Practice for Registered Social Landlords 2014 (SORP).

Budgetary Process

Each year the Committee of Management approves the annual budget and rolling five-year strategic plan. Key risk areas are identified. Performance is monitored and relevant action taken throughout the year through quarterly reporting to the Committee of Management of variances from the budget, updated forecasts for the year together with information on the key risk areas. Approval procedures are in place in respect of major areas of risk such as major contract tenders, expenditure and treasury management.

Treasury Management

Hjaltland has an active treasury management function, which operates in accordance with the Treasury Policy approved by the Committee of Management. In this way Hjaltland manages its borrowing arrangements to ensure that it is always in a position to meet its financial obligations as they fall due, whilst minimising excess cash and liquid resources held. At 31 March 2016 Hjaltland had £2.35m in loan facilities agreed, but not yet drawn down.

Hjaltland as a matter of policy does not enter into transactions of a speculative nature. At 31 March 2016, Hjaltland had a mix of fixed and variable rate finance, which it considers appropriate at this time. During the year the proportion of fixed rates to variable continued to be reviewed to take advantage of the low interest rates prevailing.

Quality and Integrity of Personnel

The integrity and competence of personnel are ensured through high recruitment standards and subsequent training courses. High quality personnel are seen as an essential part of the control environment, and the ethical standards expected are communicated through the Chief Executive.

Sales of housing properties

First tranche Shared Ownership disposals are credited to turnover on completion, the cost of construction of these sales is taken to operating costs. Disposals of subsequent tranches are treated as fixed asset disposals with the gain or loss on disposal shown in the Statement of Comprehensive Income, in accordance with the Statement of Recommended Practice. Disposals under shared equity schemes are accounted for in the Statement of Comprehensive Income.

Employee Involvement and Health and Safety

Hjaltland takes seriously its responsibilities to employees and as a policy, provides employees with information on matters of concern to them. It is also the policy of the Association to consult where practical, employees or their representatives so that their views may be taken into account in making decisions likely to affect their interests.

Hjaltland Housing Association Limited

Report of the Management Committee For the year ended 31 March 2016

Equality & Diversity

There is an Equality & Diversity policy in place which is kept under review and has been amended to ensure compliance with recent legislative changes. All reasonable adjustments will be made to assist those with a disability through the application process and throughout the course of their employment.

It is the policy of the Association that training, career development and promotion opportunities should be available to all employees.

Committee and officers' Insurance

Hjaltland has purchased and maintains insurance to cover its Committee and officers against liabilities in relation to their duties on behalf of Hjaltland, as authorised by the Association's rules.

The Committee of Management of Hjaltland during the year to 31 March 2016 was as follows:

R Hunter	Chairperson		1
P Coleman	Vice-Chair Person		1
V Simpson	Vice-Chair Person		1
A Tallack	Vice-Chair Person		1
H Sutherland	Treasurer		1
J Anderson			1
J Dally		Resigned 20/08/2015	
J Goddard			1
J Handley		Resigned 20/08/2015	
L Irvine		Appointed 21/05/2015	
D Leask		Appointed 20/08/2015	
G Mitchell			1
C Nicholson		Appointed 21/05/2015	
T Smith			
A Sutherland		Appointed 21/05/2015 Resigned 28/04/2016	
D Wood		Appointed 21/05/2015 Resigned 28/04/2016	
Sub-committee membership	1	Finance Committee	

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

Auditors

The committee members who were in office on the date of approval of these financial statements have confirmed, as far as they are aware, that there is no relevant audit information of which the auditors are unaware. Each of the committee members have confirmed that they have taken all the steps that they ought to have taken as committee members in order to make themselves aware of any relevant audit information and to establish that it has been communicated to the auditor.

RSM have agreed to offer themselves for re-appointment as auditors of Hjaltland.

On behalf of the Committee of Management
Mr B Leask
Secretary
2 Harbour Street
Lerwick, Shetland

25 August 2016



Hjalmland Housing Association Limited

Statement of Management Committee's Responsibilities For the year ended 31 March 2016

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

- select suitable accounting policies and 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 being disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is not appropriate to presume that the Association will continue in business.

The Management Committee is responsible for the keeping of proper accounting records which disclose with reasonable accuracy, at any time, the financial position of the Association. The Management Committee must ensure that the financial statements comply with the Co-operative and Community Benefit Societies Act 2014, the Housing (Scotland) Act 2010 and the Registered Housing Associations Determination of Accounting Requirements 2014. It has general responsibility for taking reasonable steps to safeguard the assets of the Association and to prevent and detect fraud and other irregularities.

Hjalmland Housing Association Limited

Management Committee's Statement of Internal Financial Control For the year ended 31 March 2016

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

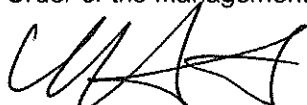
- the reliability of financial information used within the Association, or for publication;
- the maintenance of proper accounting records; and
- the safeguarding of assets against unauthorised use or disposition.

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

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

The effectiveness of the Association's system of internal financial control has been reviewed by the Management Committee for the year ended 31 March 2016. No weaknesses were found in internal financial controls which resulted in material losses, contingencies, or uncertainties which require disclosure in these financial statements or in the auditor's report on the financial statements.

By Order of the Management Committee



R Hunter

Chair

25 August 2016

Hjaltland Housing Association Limited

Independent Auditors' Report to the members of Hjaltland Housing Association Limited For the year ended 31 March 2016

We have audited the financial statements of Hjaltland Housing Association Limited for the year ended 31 March 2016 on pages 14 to 40. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

This report is made solely to the Association's members as a body, in accordance with Part 7 of the Co-operative and Community Benefit Societies Act 2014. Our audit work has been undertaken so that we might state to the Association's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Association and the Association's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Committee and auditor

As explained more fully in the Committee's Responsibilities Statement set out on page 10 the Committee are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at <http://www.frc.org.uk/auditscopeukprivate>

Opinion on financial statements

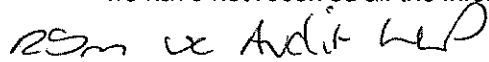
In our opinion the financial statements:

- give a true and fair view of the state of the Association's affairs as at 31 March 2016 and of its income and expenditure for the year then ended; and
- have been prepared in accordance with the requirements of the Co-operative and Community Benefit Societies Act 2014, Part 6 of the Housing (Scotland) Act 2010 and the Determination of Accounting Requirements – December 2014 .

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Co-operative and Community Benefit Societies Act 2014 requires us to report to you if, in our opinion:

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



RSM UK Audit LLP
Statutory Auditor
Chartered Accountants
St Olaf's Hall
Church Road
Lerwick
Shetland
ZE1 0FD
29 August 2016

Hjaltland Housing Association Limited

Report by the Auditors to the members of Hjaltland Housing Association Limited on Corporate Governance Matters For the year ended 31 March 2016

In addition to our audit of the Financial Statements, we have reviewed your statement on page 11 concerning the Association's compliance with the information required by the Regulatory Standards in respect of internal financial controls contained within the publication "Our Regulatory Framework" and associated Regulatory Advisory Notes which are issued by the Scottish Housing Regulator.

Basis of Opinion

We carried out our review having regard to the requirements to corporate governance matters within Bulletin 2006/5 issued by the Financial Reporting Council through enquiry of certain members of the Management Committee and Officers of the Association and examination of relevant documents. The Bulletin does not require us to review the effectiveness of the Association's procedures for ensuring compliance with the guidance notes, nor to investigate the appropriateness of the reason given for non-compliance.

Opinion

In our opinion the Statement on Internal Financial Control on page 11 has provided the disclosures required by the relevant Regulatory Standards within the publication "Our Regulatory Framework" and associated Regulatory Advisory Notes issued by the Scottish Housing Regulator in respect of internal financial controls and is consistent with the information which came to our attention as a result of our audit work on the Financial Statements.



RSM UK Audit LLP
Statutory Auditor
Chartered Accountants
St Olaf's Hall
Church Road
Lerwick
Shetland
ZE1 0FD
29 August 2016

Hjaltland Housing Association Limited

Statement of Comprehensive Income For the year ended 31 March 2016

	Notes	2016 £	2015 £
Turnover		3,852,526	5,034,939
Operating expenditure	2	<u>(2,706,533)</u>	<u>(4,061,830)</u>
Operating surplus		1,145,993	973,109
Gain on disposal of property, plant and equipment		27,919	69,134
Interest receivable		15,314	12,742
Interest and financing costs	6	(519,008)	(467,216)
Surplus before tax		<u>670,218</u>	<u>587,769</u>
Taxation		-	-
Surplus for the year		<u>670,218</u>	<u>587,769</u>
Actuarial gain / (loss) in respect of pension schemes	23	5,000	(87,000)
Total comprehensive income for the year		<u><u>675,218</u></u>	<u><u>500,769</u></u>

The results relate wholly to continuing activities.

The accompanying notes form part of these financial statements.

Hjalmland Housing Association Limited
Registered Housing Association No Hal 127
Financial Conduct Authority No 1832R(S)
Scottish Charity No SC031954

Statement of Financial Position
For the year ended 31 March 2016

	Notes	2016 £	2015 £
Fixed assets			
Housing properties	10.A	65,451,289	62,233,154
Other fixed assets	10.B	451,021	430,759
		<u>65,902,310</u>	<u>62,663,913</u>
Current assets			
Trade and other debtors	12	216,924	680,827
Cash and cash equivalents		2,459,866	1,337,602
		<u>2,676,790</u>	<u>2,018,429</u>
Current liabilities			
Creditors: amounts falling due within one year	13	(1,569,319)	(1,160,411)
		<u>1,107,471</u>	<u>858,018</u>
Net Current assets			
		<u>67,009,781</u>	<u>63,521,931</u>
Total assets less current liabilities			
		67,009,781	63,521,931
Creditors: Amounts falling due after more than one year	14	(60,890,704)	(58,004,079)
Provisions for liabilities			
Pension provision	18	(1,152,000)	(1,226,000)
		<u>4,967,077</u>	<u>4,291,852</u>
Total net assets			
		<u>4,967,077</u>	<u>4,291,852</u>
Reserves			
Share capital	19	86	79
Income and expenditure reserve	19	4,923,074	4,245,229
Restricted reserve	19	43,917	46,544
		<u>4,967,077</u>	<u>4,291,852</u>
Total reserves			
	19	<u>4,967,077</u>	<u>4,291,852</u>

The financial statements on pages 14 to 40 were approved by the Management Committee and authorised for issue on 25 August 2016 and are signed on its behalf by:

Vice Chair:
V Simpson



Secretary:
B Leask



Chair:
R Hunter



Hjaltland Housing Association Limited

Statement of Changes in Reserves
For the year ended 31 March 2016

	Income and expenditure reserve £	Restricted reserve £	Share Capital £	Total £
Balance at 1 April 2014	3,755,113	35,891	74	3,791,078
Surplus for the year	587,769	-	-	587,769
Other comprehensive income – actuarial pension loss	(87,000)	-	-	(87,000)
Shares issued	-	-	9	9
Shares cancelled	-	-	(4)	(4)
Transfer of restricted expenditure from unrestricted reserve	(10,653)	10,653	-	-
Balance as at 31 March 2015	4,245,229	46,544	79	4,291,852
Surplus for the year	670,218	-	-	670,218
Other comprehensive income – actuarial pension gain	5,000	-	-	5,000
Shares issued	-	-	10	10
Shares cancelled	-	-	(3)	(3)
Transfer of restricted expenditure from unrestricted reserve	2,627	(2,627)	-	-
Balance at 31 March 2016	4,923,074	43,917	86	4,967,077

Hjalitland Housing Association Limited

Statement of Cashflows
For the year ended 31 March 2016

	Notes	2016 £	2015 £
Net cash generated from operating activities	20	1,515,608	1,482,797
Cash flow from investing activities			
Purchase of tangible fixed assets		(4,011,838)	(6,715,020)
Proceeds from sale of tangible fixed assets		174,150	245,562
Grants received		2,999,465	3,630,564
Grants repaid		(77,953)	(189,766)
Interest received		15,314	12,742
Net cash used in investing activities		<u>(900,862)</u>	<u>(3,015,918)</u>
Cash flow from financing activities			
Interest paid		(560,442)	(442,373)
New secured loans		1,548,998	1,784,915
Repayments of borrowings		(481,048)	(1,098,869)
Issue of shares		10	9
Net cash from financing activities		<u>507,518</u>	<u>243,682</u>
Net increase/(decrease) in cash and cash equivalents		1,122,264	(1,289,439)
Cash and cash equivalents at beginning of year		1,337,602	2,627,041
Cash and cash equivalents at end of year	20	<u>2,459,866</u>	<u>1,337,602</u>

Hjaltland Housing Association Limited

Notes to the Financial Statements For the year ended 31 March 2016

1. ACCOUNTING POLICIES

LEGAL STATUS

The Association is registered under the Co-operative and Community Benefit Societies Act 2014 and is registered with the Scottish Housing Regulator under the Housing (Scotland) Act 2010.

The address of the Company's registered office and principal place of business is 2 Harbour Street, Lerwick, Shetland, ZE1 0LR.

The Association's principal activities are shown in the Report of the Committee of Management.

Hjaltland Housing Association Limited is a Public Benefit Entity.

BASIS OF ACCOUNTING

These financial statements have been prepared in accordance with UK Generally Accepted Accounting Practice (UK GAAP) including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102"), the Housing SORP 2014 "Statement of Recommended Practice for Registered Housing Providers" and they comply with the Determination of Accounting Requirements 2015, and under the historical cost convention.

Hjaltland Housing Association Limited and its subsidiary (Hjaltland Trading Limited) comprise a group. The Association has obtained exemption from the Financial Conduct Authority (formerly the Financial Services Authority) from producing Consolidated Financial Statements. The financial statements reflect only the transactions of Hjaltland Housing Association Limited and not of the group.

The financial statements are prepared in Sterling (£).

CRITICAL ACCOUNTING ESTIMATES AND AREAS OF JUDGEMENT

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

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

Critical accounting estimates

Useful lives of property – Management reviews its estimate of the useful lives of depreciable assets at each reporting date. Major components of housing properties are depreciated over specific economic lifespans. There have been no changes in the useful lives or economic lifespans of components in the year.

Components of housing properties – the cost of housing developments is allocated between major components using a model that provides a reasonable estimate of the actual cost of each component. Each component is then depreciated over its own specific economic lifespan as described above.

Obligations under a defined benefit pension scheme – The rate used to discount the past service deficit defined benefit obligations to their present value, is based upon market yields for high quality corporate bonds, with terms consistent with those of the benefit obligations. Our commitment to the SHAPS of £1,320,000 over the next 12 years has been discounted at a rate of 2.29% amounting to a net present value of £1,152,000 at 31 March 2016.

Critical areas of judgement

Categorisation of housing properties as investment property or property, plant and equipment – Properties held for social housing lets are considered to be property, plant and equipment. Other lets are assessed based on the characteristics of the lease and classified as property, plant and equipment or investment property as appropriate. At present management have classified all properties as property, plant and equipment.

CHANGE IN ACCOUNTING POLICY

These financial statements are the first financial statements of Hjaltland Housing Association Limited prepared in accordance with Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (FRS 102). The financial statements of Hjaltland Housing Association Limited for the year ended 31 March 2015 were prepared in accordance with previous UK GAAP. Some of the FRS 102 recognition, measurement, presentation and disclosure requirements and accounting policy choices differ from previous UK GAAP.

Consequently, the directors have amended certain accounting policies to comply with FRS 102. Comparative figures have been restated to reflect the adjustments made. Reconciliations and descriptions of the effect of the transition to FRS 102 on; (i) reserves at the date of transition to FRS 102; (ii) reserves at the end of the comparative period; and (iii) income or expenditure for the comparative period reported under previous UK GAAP are given in note 26.

GOING CONCERN

The Management Committee has a reasonable expectation that the Association has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

TURNOVER AND REVENUE RECOGNITION

Turnover comprises rental and service charge income receivable in the period, income from shared ownership first tranche sales, sale of properties built for sale, other services provided at the invoice value (excluding VAT) and revenue grants receivable in the period.

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

Income from first tranche sales and sales of properties built for sale is recognised at the point of legal completion of the transaction.

Revenue grants are receivable when the conditions for receipt of agreed grant funding have been met. Charges for support services funded under Supporting People are recognised as they fall due under the contractual arrangements with Administering Authorities.

GOVERNMENT GRANTS

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

Government grants received for housing properties are recognised in income over the useful economic life of the structure of the asset and, where applicable, the individual components of the structure (excluding land) under the accruals model.

Hjalmland Housing Association Limited

Notes to the Financial Statements For the year ended 31 March 2016

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

OTHER GRANTS

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

OTHER INCOME

Interest income

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

TANGIBLE FIXED ASSETS – HOUSING PROPERTIES

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

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

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

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

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

Shared ownership properties are split proportionally between fixed assets and current assets based on the element relating to expected first tranche sales. The first tranche proportion is classed as a current asset and related sales proceeds are included in turnover.

The remaining element is classed as a fixed asset and included in housing properties at cost, less any provisions needed for depreciation or impairment. Where the first tranche has been sold prior to the acquisition of the properties, these are included in fixed assets only.

DONATED LAND AND OTHER ASSETS

Land or other assets which have been donated by a government source is added to the cost of assets at the fair value of the land at the time of the donation. The difference between the fair value of the asset donated and the consideration paid is treated as a non-monetary government grant and included within the Statement of Financial Position as a liability. The terms of the donation are considered to be performance related conditions. Where the donation is not from a public source, the value of the donations less the consideration is included in income.

Hjaltland Housing Association Limited

Notes to the Financial Statements For the year ended 31 March 2016

DEPRECIATION OF HOUSING PROPERTIES

Freehold land or assets under construction are not depreciated.

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

Structure	100 years
Land	Nil
Assets under construction	Nil
Windows	30 years
External doors	30 years
Kitchens	15 years
Roof	45 years
Heating systems	20 years

IMPAIRMENTS OF FIXED ASSETS

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

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

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

OTHER TANGIBLE FIXED ASSETS

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

Premises	60 years
Furniture and equipment	Between 3 and 25 years

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

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

BORROWING COSTS

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

All other borrowing costs are expensed as incurred.

Hjaltland Housing Association Limited

Notes to the Financial Statements For the year ended 31 March 2016

STOCKS

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

TAXATION

Hjaltland Housing Association Limited has charitable status and is registered with the Office of Scottish Charities Regulator and is therefore exempt from paying Corporation Tax on charitable activities.

VAT

The Association is VAT registered, however a large proportion of income, namely rents, is exempt for VAT purposes therefore giving rise to a Partial Exemption calculation. Expenditure is shown inclusive of VAT.

DEPOSITS AND LIQUID RESOURCES

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

LEASES

Operating Leases

Operating leases are charged to income and expenditure on a straight line basis over the lease term.

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

EMPLOYEE BENEFITS

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

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

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

RETIREMENT BENEFITS

Defined contribution plans

For defined contribution schemes the amount charged to income and expenditure is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments.

Defined benefit plans

The Association participates in one funded multi-employer defined benefit scheme, the Scottish Housing Association Pension Scheme (SHAPS). The Association has now withdrawn from the Growth Plan pension scheme and has accrued for the final costs of withdrawal.

For the SHAPS, contributions are recognised in income and expenditure in the period to which they relate as there is insufficient information available to use defined benefit accounting. A liability is recognised for contributions arising from an agreement with the multi-employer plan that determines how the RSL will fund a deficit. Contributions are discounted when they are not expected to be settled wholly within 12 months of the period end.

Gains or losses recognised in other comprehensive income:

- Actuarial gains and losses.

FINANCIAL INSTRUMENTS

The Association has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102, in full, to all of its financial instruments.

Financial assets and financial liabilities are recognised when the Association becomes a party to the contractual provisions of the instrument, and are offset only when the Association currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Financial assets

Debtors

Debtors which are receivable within one year and which do not constitute a financing transaction are initially measured at the transaction price. Trade debtors are subsequently measured at amortised cost, being the transaction price less any amounts settled and any impairment losses.

Where the arrangement with a trade debtor constitutes a financing transaction, the debtor is initially and subsequently measured at the present value of future payments discounted at a market rate of interest for a similar debt instrument.

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

Financial liabilities

Trade creditors

Trade creditors payable within one year that do not constitute a financing transaction are initially measured at the transaction price and subsequently measured at amortised cost, being the transaction price less any amounts settled.

Where the arrangement with a trade creditor constitutes a financing transaction, the creditor is initially and subsequently measured at the present value of future payments discounted at a market rate of interest for a similar instrument.

Hjaltland Housing Association Limited

Notes to the Financial Statements For the year ended 31 March 2016

Borrowings

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

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

Derecognition of financial assets and liabilities

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

PROVISIONS

Provisions are recognised when the RSL has an obligation at the reporting date as a result of a past event which it is probable will result in the transfer of economic benefits and that obligation can be estimated reliably.

Provisions are measured at the best estimate of the amounts required to settle the obligation. Where the effect of the time value of money is material, the provision is based on the present value of those amounts, discounted at the pre-tax discount rate that reflects the risks specific to the liability. The unwinding of the discount is recognised within interest payable and similar charges.

RESERVES

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

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2016

	Notes	2. PARTICULARS OF TURNOVER, OPERATING COSTS AND OPERATING SURPLUS OR DEFICIT			
		2016	2016	2015	2015
		Turnover £	Operating costs £	Operating surplus/(deficit) £	Operating Surplus £
Affordable letting activities	3	3,583,896	2,412,602	1,171,294	970,875
Other activities	4	268,630	293,931	(25,301)	2,234
Total		3,852,526	2,706,533	1,145,993	973,109
Total for previous reporting period		5,034,939	4,061,830	973,109	

Turnover and operating costs for the year ended 31 March 2015 include £1.3m of shared equity income and expenditure. No such income or expense is in the year to 31 March 2016.

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 March 2016

3. PARTICULARS OF TURNOVER, OPERATING COSTS AND OPERATING SURPLUS OR DEFICIT FROM AFFORDABLE LETTING ACTIVITIES	General Needs Social		Supported Social Housing		Shared Ownership Housing		Total	
	Housing	Accommodation	Housing	Accommodation	Housing	Accommodation	2016	2015
	£	£	£	£	£	£	£	£
Rent receivable net of service charges	2,499,256	145,825	134,596	2,779,677			2,617,448	
Service charges	51,256	6,189	5,285	62,730			63,275	
Gross income from rents and service charges	2,550,512	152,014	139,881	2,842,407			2,680,723	
Less voids	(3,112)	(482)	-	(3,594)			(5,269)	
Net income from rents and service charges	2,547,400	151,532	139,881	2,838,813			2,675,454	
Grants released from deferred income	683,099	38,568	23,416	745,083			710,492	
Total turnover from affordable letting activities	3,230,499	190,100	163,297	3,583,896			3,385,946	
Management and maintenance administration costs	801,931	38,575	39,414	879,920			806,909	
Service costs	42,653	4,516	3,314	50,483			54,062	
Planned and cyclical maintenance including major repairs costs	259,158	2,319	-	261,477			272,879	
Reactive maintenance costs	241,703	24,310	-	266,013			239,843	
Bad debts - rents and service charges	13,585	13,006	-	26,591			38,363	
Depreciation of affordable let properties	859,707	43,755	24,656	928,118			1,003,015	
Operating Costs for affordable letting activities	2,218,737	126,481	67,384	2,412,602			2,415,071	
Operating surplus for affordable letting activities	1,011,762	63,619	95,913	1,171,294			970,875	
Operating surplus for affordable letting activities for previous reporting period	811,008	63,869	95,998	970,875				

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 March 2016

4. PARTICULARS OF TURNOVER, OPERATING COSTS AND OPERATING SURPLUS OR DEFICIT FROM OTHER ACTIVITIES	Grants	Other	Supporting	Other	Operating	Other	Operating	Operating	Operating
	From Scottish Ministers £	revenue grants £	people income £	income £	costs £	operating costs £	bad debts £	surplus or (deficit) £	surplus or (deficit) for previous reporting period £
Wider role activities undertaken to support the community, other than the provision, construction, improvement and management of housing	-	19,941	-	-	-	(27,718)	-	(7,777)	(4,767)
Factoring	-	-	-	8,152	-	(6,619)	-	1,533	688
Development and construction of property activity	-	-	-	-	-	(6,629)	-	(6,629)	(47,245)
Support activities	-	-	-	-	-	(14,298)	-	(14,298)	(12,591)
Developments and improvements for sale to non-registered landlords (shared equity)	-	-	-	-	-	-	-	-	2,117
Other activities:									
NINES Ex-gratia payment	-	-	-	-	-	-	-	-	46,800
Miscellaneous	-	-	-	6,452	-	(1,955)	-	4,497	6,681
Recharges	-	-	-	135,513	-	(135,513)	-	-	(102)
Big Lottery Funding (restricted)	-	98,572	-	-	-	(101,199)	-	(2,627)	10,653
Total from other activities	-	118,513	-	150,117	-	(293,931)	-	(25,301)	2,234
Total from other activities for the previous reporting period	391,246	144,400	-	1,113,348	-	(1,646,760)	-	2,234	

Hjaltland Housing Association Limited

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 March 2016

5.	ACCOMMODATION IN MANAGEMENT		
		2016	2015
		Units	Units
	General needs housing	612	586
	Shared ownership	50	52
	Supported housing	31	31
		<hr/>	<hr/>
	TOTAL UNITS IN MANAGEMENT	693	669
		<hr/>	<hr/>

6. INTEREST PAYABLE AND SIMILAR CHARGES

		2016	2015
		£	£
	Interest arising on:		
	Bank loans and overdrafts	478,836	444,099
	Other loans	55,697	-
	Defined benefit pension charge	26,000	39,000
		<hr/>	<hr/>
		560,533	483,099
	Less: Interest capitalised on housing properties under construction	(41,525)	(15,883)
		<hr/>	<hr/>
		519,008	467,216
		<hr/>	<hr/>

7. OPERATING SURPLUS OR DEFICIT

		2016	2015
		£	£
	Operating surplus is stated after charging/(crediting):		
	Depreciation of housing properties (note 10.A)	928,118	1,003,015
	Depreciation of other tangible fixed assets (note 10.B)	31,910	31,661
	(Surplus) on disposal of tangible fixed assets (note 8)	(27,919)	(69,134)
	Operating lease rentals (note 22)	4,539	4,451
		<hr/>	<hr/>

Fees payable to RSM UK Audit LLP and its associates in respect of both audit and non-audit services are as follows:

		2016	2015
		£	£
	Audit services - statutory audit of the Association	9,700	9,300
	<i>Other services:-</i>		
	Audit-related assurance services FRS102	2,700	-
		<hr/>	<hr/>
		12,400	9,300
		<hr/>	<hr/>

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 March 2016

8.	SURPLUS OR DEFICIT ON SALE OF FIXED ASSETS – HOUSING PROPERTIES	2016	2015
		£	£
	Disposal proceeds	174,149	245,562
	Carrying value of fixed assets	(135,287)	(154,521)
		<u>38,862</u>	<u>91,041</u>
	Capital grant repaid	(10,943)	(21,907)
		<u>27,919</u>	<u>69,134</u>

9.	EMPLOYEES	2016	2015
		No.	No.
	The average monthly number of full time equivalent persons (including key management personnel) employed by the Association during the year was:	<u>26</u>	<u>26</u>
		£	£
	Staff costs for the above persons:		
	Wages and salaries	868,076	830,855
	Social security costs	67,443	61,792
	Other pension costs	74,610	71,594
		<u>1,010,129</u>	<u>964,241</u>

Key management personnel are defined as the members of the management committee, the Chief Executive and any other person reporting directly to the management committee.

The number of key management personnel who received emoluments (excluding employers' pension contributions) in excess of £60,000 during the reporting period fell within the following bands:

	No.	No.
£60,000 - £70,000	<u>1</u>	<u>1</u>
	2016	2015
	£	£
Aggregate emoluments for the above key management personnel (excluding pension contributions)	<u>230,337</u>	<u>223,362</u>
The emoluments of the Chief Executive (excluding pension contributions)	<u>64,332</u>	<u>61,113</u>
Aggregate pension contributions in relation to the above key management personnel	<u>21,580</u>	<u>20,908</u>

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

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 March 2016

10.A TANGIBLE FIXED ASSETS – HOUSING PROPERTIES

	Social housing properties held for letting £	Housing properties for letting under construction £	Completed shared ownership housing properties £	Total housing properties £
Cost				
1 April 2015	60,284,505	4,894,419	3,396,518	68,575,442
Additions	389,245	3,892,296	-	4,281,541
Schemes completed	3,548,951	(3,548,951)	-	-
Disposals	(118,785)	-	(147,806)	(266,591)
31 March 2016	<u>64,103,916</u>	<u>5,237,764</u>	<u>3,248,712</u>	<u>72,590,392</u>
Depreciation and impairment				
1 April 2015	6,031,427	-	310,861	6,342,288
Depreciation charged in year	903,462	-	24,656	928,118
Released on disposal	(118,785)	-	(12,518)	(131,303)
31 March 2016	<u>6,816,104</u>	<u>-</u>	<u>322,999</u>	<u>7,139,103</u>
Net book value				
31 March 2016	<u>57,287,812</u>	<u>5,237,764</u>	<u>2,925,713</u>	<u>65,451,289</u>
31 March 2015	<u>54,253,078</u>	<u>4,894,419</u>	<u>3,085,657</u>	<u>62,233,154</u>

Land included under housing properties is all freehold.

EXPENDITURE ON WORKS TO EXISTING PROPERTIES

	2016 £	2015 £
Improvement work capitalised	19,034	18,994
Replacement component spend capitalised	319,476	324,653
Amounts charged to income and expenditure	261,477	272,879
Total major repairs spend	<u>599,987</u>	<u>616,526</u>

FINANCE COSTS

Aggregate amount of finance costs included in the cost of housing properties	<u>41,525</u>	<u>15,883</u>
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NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 March 2016

10.B TANGIBLE FIXED ASSETS – OTHER

	Office Accommodation £	Water Treatment Works £	Office Equipment £	Maintenance Equipment £	Total £
Cost					
1 April 2015	365,223	92,786	170,442	65,459	693,910
Additions	-	15,021	11,623	25,575	52,219
Disposals	(46)	-		(21,909)	(21,955)
31 March 2016	365,177	107,807	182,065	69,125	724,174
Depreciation and impairment					
1 April 2015	50,050	21,218	149,828	42,055	263,151
Depreciation charged in year	6,090	3,768	10,256	11,796	31,910
Released on disposal				(21,908)	(21,908)
31 March 2016	56,140	24,986	160,084	31,943	273,153
Net book value					
31 March 2016	309,037	82,821	21,981	37,182	451,021
31 March 2015	315,173	71,568	20,614	23,404	430,759

11. SUBSIDIARY UNDERTAKING

The RSL's subsidiary undertaking is:

<i>Name of undertaking</i>		<i>Nature of Business</i>
Hjaltland Trading Limited	Company limited by guarantee	Property Management Services

Hjaltland Housing Association Limited

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 March 2016

12.	DEBTORS	2016 £	2015 £
	Amounts falling due within one year:		
	Rent and service charges receivable	114,468	155,950
	Less: provision for bad and doubtful debts	<u>(56,549)</u>	<u>(77,623)</u>
		57,919	78,327
	Grant funding receivable	-	18,706
	Shared equity accrued income	-	121,920
	Other debtors	38,754	39,492
	Prepayments and accrued income	67,346	83,960
	 Development funding receivable	 10,980	 295,555
	 Amounts due from Group undertakings	 <u>41,925</u>	 <u>42,867</u>
		<u>216,924</u>	<u>680,827</u>
13.	CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	2016 £	2015 £
	Debt (note 16)	551,387	488,279
	Rent and service charges received in advance	29,767	21,047
	Trade creditors	850,805	454,916
	Other creditors	37,061	26,093
	Accruals and deferred income	<u>100,299</u>	<u>170,076</u>
		<u>1,569,319</u>	<u>1,160,411</u>
14.	CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR	2016 £	2015 £
	Debt (note 16)	15,867,721	14,862,879
	Deferred capital grant (note 15)	<u>45,022,983</u>	<u>43,141,200</u>
		<u>60,890,704</u>	<u>58,004,079</u>
		2016 £	2015 £
	Included in creditors are:		
	Amounts repayable by instalments falling due after more than five years	<u>13,558,432</u>	<u>12,758,104</u>
15.	DEFERRED CAPITAL GRANT	2016 £	2015 £
	As at 1 April	43,141,200	40,368,452
	Grant received in the year	2,696,184	3,686,371
	Capital grant amortisation	(745,083)	(710,492)
	Net book value of capital grants disposed	<u>(69,318)</u>	<u>(203,131)</u>
	As at 31 March	<u>45,022,983</u>	<u>43,141,200</u>

Hjaltland Housing Association Limited

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2016

16. DEBT ANALYSIS – BORROWINGS

	2016 £	2015 £
Creditors: amounts falling due within one year:		
Bank loans	520,924	488,279
Other loans	30,463	-
	<u>551,387</u>	<u>488,279</u>
Creditors: amounts falling due after more than one year:		
Bank loans	14,399,186	14,862,879
Other loans	1,468,535	-
	<u>15,867,721</u>	<u>14,862,879</u>
Total	<u>16,419,108</u>	<u>15,351,158</u>

Loans are secured by specific charges on the Association's properties and are repayable at rates of interest between 0.8% and 4.75% (2015 – 0.8% and 4.75%) in instalments as follows:

	2016 £	2015 £
Due within one year	551,387	488,279
Due between one and two years	551,387	488,279
Due between two and five years	1,757,903	1,616,496
Due more than five years	13,558,431	12,758,104
	<u>16,419,108</u>	<u>15,351,158</u>

The Nationwide Building Society holds a number of standard securities over various properties owned by the Association.

The Royal Bank of Scotland holds a number of standard securities over various properties owned by the Association.

The Bank of Scotland holds a number of standard securities over various properties owned by the Association.

The Bank of Scotland holds a letter of pledge by the Association for all sums and a negative pledge over 5 properties owned by the Association.

The Secretary of State for Defence Limited holds a standard security and a claw back security over 10 properties owned by the Association.

Shetland Islands Council holds a standard security over four plots of ground at Hoofields, Lerwick.

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 March 2016

17. FINANCIAL INSTRUMENTS

	2016 £	2015 £
<i>Financial assets:</i>		
Debt instruments measured at amortised cost :		
Debtors	145,133	591,097
Cash	2,459,866	1,337,602
Total	<u>2,604,999</u>	<u>1,928,699</u>
<i>Financial liabilities:</i>		
Measured at amortised cost		
Trade and other creditors	887,866	481,009
Accruals	77,912	155,060
Loans	16,419,108	15,351,158
Total	<u>17,384,886</u>	<u>15,987,227</u>

18. PROVISIONS

	SHAPS Pension £
1 April 2015	1,226,000
Utilised in the year	(95,000)
Additional provision in year	-
Unwinding of discount	26,000
Reversed in year	-
Decrease due to change in discount rate	(5,000)
31 March 2016	<u>1,152,000</u>

Pension

The SHAPS provision represents the net present value of the commitment to the multi-employer pension scheme in respect of past deficits.

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 March 2016

19. SHARE CAPITAL & RESERVES

	2016 Number	2015 Number
Number of members		
1 April 2015	79	74
Joined during the year	10	9
Left during year	(3)	(4)
31 March 2016	<u>86</u>	<u>79</u>

RESERVES

Reserves of the Association represent the following:

Restricted reserves

Restricted funds are funds which are to be used in accordance with specific restrictions imposed by funders or which have been raised by the charity for particular purposes. The costs of raising and administering such funds are charged against the specific fund.

The restricted reserve is held for the restricted income received from the Big Lottery Fund.

The Hub project is funded by the Big Lottery Fund and provides intensive support, accommodation and outreach to young care leavers to help them develop their skills to manage their own tenancy and support them to obtain employment, training or voluntary work. As well as Big Lottery funding, the Shetland Islands Council financially support this project. Information on the level of funding is contained in note 4.

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 March 2016

20.	RECONCILIATION OF TOTAL COMPREHENSIVE INCOME TO NET CASH GENERATED FROM OPERATIONS		
		2016	2015
		£	£
	Total comprehensive income for the year	675,218	500,769
	Adjustments for non-cash items:		
	Depreciation of tangible fixed assets	960,028	1,034,676
	Amortisation and abatement of capital grants	(747,391)	(710,491)
	(Decrease)/ increase in provisions	(74,000)	34,000
	Gain on disposal of shared ownership properties	(27,918)	(69,134)
	Gain on disposal other fixed assets	-	(3,367)
	Abortive development costs written off	-	47,676
	Interest receivable (investing not operating)	(15,314)	(12,742)
	Interest payable (financing not operating)	519,008	428,216
	Shares cancelled	(3)	(4)
	Operating cash flows before movements in working capital	1,289,628	1,249,599
	Decrease in stock	-	415,752
	Decrease/(increase) in trade and other debtors	160,622	(97,053)
	Increase/(decrease) in trade and other creditors	65,358	(85,501)
	Cash generated from operations	1,515,608	1,482,797

CASH AND CASH EQUIVALENTS

		2016	2015
		£	£
	Cash and cash equivalents represent:-		
	Cash at bank	2,159,866	1,087,602
	Short-term deposits	300,000	250,000
		2,459,866	1,337,602

21 CAPITAL COMMITMENTS AND OTHER CONTRACTUAL OBLIGATIONS

		2016	2015
		£	£
	Capital expenditure contracted for but not provided in the financial statements	3,802,306	4,316,630
	The above commitments will be funded through:		
	Capital grant receivable	1,502,522	2,199,699
	Loans	2,299,783	2,116,931
		3,802,306	4,316,630

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 March 2016

22. COMMITMENTS UNDER OPERATING LEASES

The total future minimum lease payments under non-cancellable operating leases are as follows:

	2016	2015
	£	£
Amounts due:		
Within one year	4,297	4,619
Between one and five years	2,498	6,795

23. RETIREMENT BENEFITS

SCHEME: The Pensions Trust – Scottish Housing Associations' Pension Scheme

The association participates in the above scheme, a multi-employer scheme which provides benefits to some 155 non-associated employers. The scheme is a defined benefit scheme in the UK.

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

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

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

A full actuarial valuation for the scheme was carried out at 30 September 2012. This valuation showed assets of £394m, liabilities of £698m and a deficit of £304m. To eliminate this funding shortfall, the Trustee has asked the participating employers to pay additional contributions to the scheme as follows:

Deficit contributions

	£26,304,000 per annum
From 1 April 2014 to 30 September 2027:	(payable monthly and increasing by 3% each on 1st April)

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

Where the scheme is in deficit and where the association has agreed to a deficit funding arrangement the association 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 of 2.29%. The unwinding of the discount rate is recognised as a finance cost.

Present value of provisions:

	£000's
31 March 2016	1,152
31 March 2015	1,226
31 March 2014	1,192

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 March 2016

RECONCILIATION OF OPENING AND CLOSING PROVISIONS

	2016 £000's	2015 £000's
Provision at start of period	1,226	1,192
Unwinding of the discount factor (interest expense)	26	39
Deficit contribution paid	(95)	(91)
Remeasurements - impact of any change in assumptions	(5)	87
Provision at end of period	1,152	1,226

INCOME AND EXPENDITURE IMPACT

	2016 £000's	2015 £000's
Interest expense	26	39
Remeasurements – impact of any change in assumptions	(5)	87

Assumptions:

	31 March 2016 % per annum	31 March 2015 % per annum	31 March 2014 % per annum
Rate of discount	2.29	2.22	3.42

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

Employees of the Association are members of an industry-wide retirement benefit scheme the Scottish Housing Association Pension Scheme ("SHAPS"). There is insufficient information to account for the scheme as a defined benefit plan so it is accounted for as a defined contribution plan.

The results of the actuarial valuation at 30 September 2015 were not finalised by the balance sheet date and so have not been incorporated into the provision calculation above as the amended deficit contribution schedule had not been formally notified.

As of the 1 April 2016, all employees have gone into a defined contribution scheme so no liabilities will accrue for future service under the SHAPS scheme.

SCHEME: The Pensions Trust – The Growth Plan

The company previously participated in the above scheme. They have now withdrawn from the scheme with the full debt on withdrawal of £13,171 recognised in this year's financial statements.

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 March 2016

24. RELATED PARTY TRANSACTIONS

One individual who resigned from the Management Committee in the year was also a tenant of the Association. Their tenancy was on standard terms, as applicable to all tenants. At the year-end there were no rent arrears due from tenant members.

One member of the Management Committee is a shared equity owner. Their service charges are on standard terms, as applicable to all shared equity owners.

One member of the Management Committee is a councillor with the Shetland Islands Council as well as a Committee member of the Association. Any transactions with the Shetland Islands Council are made at arm's length, on normal commercial terms and committee members cannot use their position to their advantage.

25. CONTINGENT LIABILITIES

Housing Association Grant received to fund developments may have to be repaid where the property has been disposed of.

Other grants may have to be repaid if conditions are breached or if too large a surplus is made on the particular activity.

26. FIRST TIME ADOPTION OF FRS102

The financial statements have been prepared in accordance with FRS102 for the year ended 31 March 2016. The transition to FRS102 has impacted on the following accounting policies adopted and as such the comparative figures have been restated accordingly.

A – Grant Accounting

Previously all capital grants received were netted off against the cost of housing properties. In line with FRS102 and SORP 2014 capital government grants are now treated under the accrual model and as such are shown as deferred income and amortised to income over the expected useful life of the housing property structure and its individual components (excluding land) on a pro-rata basis.

B – Depreciation of Housing Properties

Previously depreciation on housing properties was calculated on the net cost of properties after capital grant. In line with FRS102, and as noted above in A, grants are no longer netted off against the cost of housing properties and as such depreciation is now calculated on the gross cost of housing properties.

C – SHAPS Pension Scheme

The Association participates in the multi-employer defined benefit Scottish Housing Association Pension Scheme (SHAPS). Under FRS102 a contractual agreement under a multi-employer defined benefit pension scheme to fund a past deficit should be accrued for as a liability discounted to net present value. As at 31 March 2015 this liability was calculated as amounting to £1,226,000.

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2016

D – Holiday Pay Accrual

FRS102 requires the Association to recognise the cost of all employee benefits to which its employees have become entitled as a result of service rendered to the entity during the reporting period. Therefore at 31 March 2015 an accrual has been made of £15,016 reflecting the value of holiday pay entitlement which had not been taken as at that date by employees.

Under FRS 102, the Statement of Cash Flows presents changes in cash and cash equivalents (which include cash in hand, deposits repayable on demand and overdrafts and short-term, highly liquid investments), showing changes arising from operating activities, investing activities and financing activities separately. Under previous UK GAAP, the Cash Flow Statement presented changes in cash (which includes cash in hand, deposits repayable on demand and overdrafts) under the headings of operating activities, returns on investments and servicing of finance, taxation, capital expenditure and financial investment, acquisitions and disposals, equity dividends paid, management of liquid resources, and financing.

RECONCILIATION OF RESERVES	Notes	1 April 2014 £	31 March 2015 £
Reserves as previously reported under UK GAAP		3,845,319	4,341,900
Grant Accounting	A	5,433,851	5,616,032
Depreciation	B	(4,296,090)	(4,425,064)
SHAPS Pension	C	(1,192,000)	(1,226,000)
Holiday Pay Accrual	D	-	(15,016)
Reserves reported under FRS 102		3,791,080	4,291,852

RECONCILIATION OF SURPLUS OR DEFICIT	Notes	Year ended 31 March 2015 £
Surplus or deficit as previously reported under UK GAAP		496,576
Grant Accounting	A	182,181
Depreciation	B	(128,972)
SHAPS Pension	C	(34,000)
Holiday Pay Accrual	D	(15,016)
Surplus or deficit reported under FRS 102		500,769