

Hjaltland Housing Association Limited
REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2021

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 2021

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

| | |
|------------------------------|---------------------------|
| A Tallack | Chairperson |
| C Nicholson | Vice Chairperson |
| J Goddard | Treasurer |
| J Anderson | Committee Member |
| P Coleman | Committee Member |
| Ka Eunson | Committee Member |
| Ke Eunson | Committee Member |
| L Irvine | Committee Member |
| L Lawson | Committee Member |
| A Lyall | Committee Member |
| N Manson | Committee Member |
| T Smith | Committee Member |
| L Willis (Co-opted 17.12.20) | Co-opted Committee Member |

Executive Officers

| | |
|---------|---|
| B Leask | Chief Executive/Secretary |
| S Gray | Head of Finance and Corporate Services |
| P Leask | Head of Investment and Asset Management |
| I Bray | Head of Housing and Customer Services |

Registered Office

6 North Ness Business Park
Lerwick
Shetland
ZE1 0LZ

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 2021

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

Internal Auditor

Quinn Internal Audit and Business Support Services
55 Lady Place
Livingston
EH54 6TB

Hjaltland Housing Association Limited

Report of the Management Committee For the year ended 31 March 2021

The Management Committee presents their report and the audited financial statements for the year ended 31 March 2021.

Mission, Vision & Values

Our Vision:

Providing homes, supporting communities.

Our Mission

We will provide high quality affordable homes and services in communities where people are proud to live and work.

Our mission explains in more detail how we are going to try to achieve our vision. It sets out what we are going to do, for whom, and how we'll go about it. We have five key strategic objectives that underpin our mission and articulate exactly how we will achieve it.

1. To provide good quality, affordable homes that offer value for money.
2. To assist people in need through a range of services.
3. To provide opportunities for people to participate and influence decisions.
4. To support communities throughout Shetland.
5. To maintain financial strength and grow the business sustainably.

Our values

Our values are integral to our success. They help us by shaping our behaviour and are integrated into our appraisal and recruitment practices.

- **Teamwork** – Working together as one team to the benefit of our customers. To demonstrate and extend trust in each other.
- **Openness** – We offer a people focused service that is centred in fairness and integrity. We believe in being open, honest and respectful in everything we do.
- **Ownership** – We expect our staff to take responsibility for their actions and give them the freedom to do their job in a positive working environment.
- **Quality** – We value quality in everything we do from the standard of our product to the level of service we provide. We take pride in making a difference in communities and providing continuous improvement.
- **Innovation** – We seek new ways of working to ensure our services and assets are fit for the future.

Legal Status

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.

Hjaltland Housing Association Limited

Report of the Management Committee For the year ended 31 March 2021

Principal Activities

Hjaltland's objective is to provide good quality, affordable homes that offer value for money. We will look to increase access to housing across Shetland, within funding constraints.

The table below shows the property we own:-

| | | 2021 | 2020 |
|-----------------------------|--|------|------|
| Managed Property Numbers | | | |
| Tenanted Property | | 771 | 744 |
| Managed on behalf of others | | 2 | 2 |
| Shared Ownership Properties | | 43 | 46 |
| Total | | 816 | 792 |
| | | | |

Financial Review

Hjaltland made a surplus of £1,080,732 (2020 £873,943) during the year. Planned and cyclical maintenance costs of £654,824 were incurred in the year which includes significant costs associated with the installation of new smoke detectors required to comply with new legislation. Also included are costs for replacing roof coverings, replacing bathrooms, driveway resurfacing, cyclical painting, electrical survey checks, boiler & ventilation maintenance, replacing heat pumps etc. This compares with £536,007 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 £46,876 of costs spent on existing properties have been capitalised. Of the amount capitalised £7,862 (2020 - £18,236) related to the replacement of components and £39,014 (2020 - £7,573) related to improvements. The housing property depreciation charge for the year is £1,166,122 compared to £1,122,414.

Hjaltland continues to have a substantial major repair investment programme including further replacement kitchens due over the next few years.

The Statement of Financial Position includes a provision for the net defined benefit liability representing the Association's share of the SHAPS assets and liabilities. The liability at 31 March 2020 was £nil. In the year to 31 March 2021, due to actuarial losses of £560,000 (2020 gain £792,000), employer contributions of £131,000 and expenses of £2,000 this liability is now £431,000. See note 23 for details.

Surplus for the year

The financial results of Hjaltland are as follows: -

| | | 2021 | 2020 |
|--|--|-------|-------|
| | | £000s | £000s |
| Unrestricted surplus for the year before pension remeasurement | | 1,080 | 874 |
| Other comprehensive (expense) /income | | (560) | 752 |
| Revenue Reserves | | 9,255 | 8,735 |

Having a strong financial position with Capital and Reserves of £9.3m allows Hjaltland to continue to deliver its planned programme.

Operational Review

1 Corporate Governance

Hjaltland has a Committee of Management who are 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.

2 Corporate Issues

Hjaltland's customers deserve excellent service and support to help them protect their health and wellbeing. Our priorities are to deliver services that are responsive to customers' needs, whilst ensuring that they are treated with respect and encouraged to be independent. Practical steps that will be taken include meeting and aiming to exceed the expectations of the Scottish Social Housing Charter and the Care Inspectorate, maintaining the One Stop Shop service and continuing our pursuit of delivering excellent customer service.

Hjaltland shall seek to provide opportunities for people to participate and influence decisions. A tenant satisfaction survey is carried out on a regular basis with the purpose to find out from our customers what they want from us and use these comments to drive service improvement. The Tenant Focus Group will also be supported to provide scrutiny on the Associations activity.

Hjaltland is also committed to involving staff in decision making and policy making and is proud to have achieved the Investors in People Gold award and have held continuous Investors in People accreditation for over 20 years.

Due to the ongoing economic uncertainty as a result of the Covid 19 crisis and Brexit it is essential that the Association continues to review its stress testing techniques to ensure financial strength and viability. Hjaltland is in a strong financial position and is well placed to meet its lender covenants and withstand periods of adverse economic conditions.

Hjaltland must continue to ensure long-term economic strength through careful financial management and robust scenario planning.

3 Development

Hjaltland remains committed to maintaining its track record of developing high quality affordable homes for those most in need. We continue to be very successful in securing grant funding for new projects and, with the benefit of improved benchmark funding levels, social rented housing remains the mainstay of the programme. Effective private finance is also an essential element of the development programme and we will secure the most cost effective short and long term funding to support it.

Building on our success of previous years, we remain determined in our efforts to continue developing affordable homes to help meet the increasing levels of need. The Association has set an ambitious strategic target of completing 157 new homes by March 2026. In the year 2020/21 the Association completed 27 new homes at King Harald Street, Lerwick.

The development spend for 2020/21 was £4,660k (2020 - £5,089k), of this spending £3,850k (2020–£2,784k) was funded by grants received from the Scottish Government and £156k (2020 - £14k) was funded by grants received from other sources.

4 Housing Issues

The Association 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 increased to £14,766 from £11,758 in the previous year and the average length of time taken to re-let a property has increased to 22.1 days from 11.26 days in the previous year. This is directly linked to Covid 19 restrictions. Net rent arrears have increased slightly to 1.7%, (previous year 1.6%), however given the unusual circumstances of the year it is an excellent performance to have kept this figure so low.

5 Property Maintenance

The performance of the Association's repair service remains very strong with all emergency repairs being completed in an average of 2.19 hours. On average the non-emergency repairs took 9.49 days to complete, which remains within the 10 day target despite the restrictions in place for much of the year.

6 Support Services

The sheltered service continues to be regulated under the Care Inspectorate as a housing support service. The Association also provides support services via the Financial inclusion Officer.

7 Finance and IT

During the year additional private finance arrangements were finalised with the Bank of Scotland to provide finance for new development projects. This includes the scheme at Upper Scalloway which started on site during 2020/21. Funding was also drawn down during the year to purchase new office premises at 6 North Ness.

8 Policies and Procedures and Risk Management

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 Business Continuity Plan was tested during a staff away day in February 2020 and was put into operation at the start of the Covid 19 lockdown. 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.

Financial covenants are kept under close scrutiny with regular reporting on actual and forecast levels considered by the Committee.

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 30 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.

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.

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.

Hjaltland Housing Association Limited

Report of the Management Committee For the year ended 31 March 2021

Treasury Management

Hjaltland has an active treasury management function, which operates in accordance with the Treasury Policy approved by the Committee of Management. 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 2021 Hjaltland had £3.1m 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 2021, Hjaltland has 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 prevailing low interest rates.

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.

Equality & Diversity

There is an Equality & Diversity policy in place which is kept under review and has been amended to ensure compliance with 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.

Hjaltland Housing Association Limited

Report of the Management Committee For the year ended 31 March 2021

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 2021 was as follows:

| | | | |
|-------------------------|-------------|-------------------|---|
| A Tallack | Chairperson | | 1 |
| C Nicholson | Vice-Chair | | |
| J Goddard | Treasurer | | 1 |
| J Anderson | | | 1 |
| L Anderson | Resigned | 18/03/2021 | |
| P Coleman | | | |
| Ke Eunson | | | 1 |
| Ka Eunson | | | |
| R Hunter | Resigned | 20/08/2020 | 1 |
| L Irvine | | | |
| L Lawson | | | 1 |
| A Lyall | | | |
| N Manson | | | 1 |
| G Mitchell | Resigned | 20/08/2020 | |
| T Smith | | | |
| L Willis | Co-opted | 17/12/2020 | |
| | | | |
| Subcommittee 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

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

Statement of disclosure to auditor

The directors 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 directors have confirmed that they have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that it has been communicated to the auditor.

On behalf of the Committee of Management
Mr B Leask
Secretary
6 North Ness Business Park
Lerwick, Shetland

19 August 2021

Hjaltland Housing Association Limited

Statement of Management Committee's Responsibilities For the year ended 31 March 2021

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 keeping 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 2019. It has general responsibility for taking reasonable steps to safeguard the assets of the Association and to prevent and detect fraud and other irregularities.

The Management Committee is responsible for the maintenance and integrity of the corporate and financial information included on the Association's website.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Hjaltland Housing Association Limited

Management Committee's Statement of Internal Financial Control For the year ended 31 March 2021

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 2021. 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

A Tallack

Chairperson

19 August 2021

Opinion

We have audited the financial statements of Hjaltland Housing Association Limited (the 'Association') for the year ended 31 March 2021 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity, the Statement of Cashflows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the Association's affairs as at 31 March 2021 and of its income and expenditure for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- have been prepared in accordance with the requirements of the Co-operative and Community Benefit Societies Act 2014, Part 6 of the Housing (Scotland) Act 2010 and the Determination of Accounting Requirements – February 2019.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the 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

In auditing the financial statements, we have concluded that the Committee's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt about the Association's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Management Committee with respect of going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The Committee is responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, we do not express any form of assurance conclusion thereon.

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 course of 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 this gives rise to a material misstatement in the financial statements themselves. 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:

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

Responsibilities of the Committee

As explained more fully in the Committee's responsibilities statement set out on page 11, 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 determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the 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.

The extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities are instances of non-compliance with laws and regulations. The objectives of our audit are to obtain sufficient appropriate audit evidence regarding compliance with laws and regulations that have a direct effect on the determination of material amounts and disclosures in the financial statements, to perform audit procedures to help identify instances of non-compliance with other laws and regulations that may have a material effect on the financial statements, and to respond appropriately to identified or suspected non-compliance with laws and regulations identified during the audit.

In relation to fraud, the objectives of our audit are to identify and assess the risk of material misstatement of the financial statements due to fraud, to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud through designing and implementing appropriate responses and to respond appropriately to fraud or suspected fraud identified during the audit.

However, it is the primary responsibility of management, with the oversight of those charged with governance, to ensure that the entity's operations are conducted in accordance with the provisions of laws and regulations and for the prevention and detection of fraud.

**Independent Auditors' Report to the members of Hjaltland Housing Association Limited
For the year ended 31 March 2021**

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud, the audit engagement team:

- obtained an understanding of the nature of the sector, including the legal and regulatory frameworks that the Association operates in and how the Association is complying with the legal and regulatory frameworks;
- inquired of management, and those charged with governance, about their own identification and assessment of the risks of irregularities, including any known actual, suspected or alleged instances of fraud;
- discussed matters about non-compliance with laws and regulations and how fraud might occur including assessment of how and where the financial statements may be susceptible to fraud.

As a result of these procedures we consider the most significant laws and regulations that have a direct impact on the financial statements are FRS 102, Housing SORP 2018, the Scottish Housing Regulator's Determination of Accounting Requirements – February 2019 and the Housing (Scotland) Act 2010. We performed audit procedures to detect non-compliances which may have a material impact on the financial statements which included, reviewing financial statement disclosures.

The most significant laws and regulations that have an indirect impact on the financial statements are the Housing (Scotland) Acts 2006 and 2014, the Scottish Housing Regulator's Regulatory Framework (published 2019) and the Data Protection Act 2018. We performed audit procedures to inquire of management and those charged with governance whether the Association is in compliance with these laws and regulations, inspected correspondence with licensing or regulatory authorities, reviewed minutes of meetings of the Management Committee and relevant sub-committees, and reviewed available online information with the Information Commissioner's Office.

The audit engagement team identified the risk of management override of controls as the area where the financial statements were most susceptible to material misstatement due to fraud. Audit procedures performed included but were not limited to testing manual journal entries and other adjustments, evaluating the business rationale in relation to significant, unusual transactions and transactions entered into outside the normal course of business.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Use of our report

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

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

Date: 27 August 2021

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 2021

In addition to our audit of the Financial Statements, we have reviewed your statement on page 12 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 12 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

Date: 27 August 2021

Hjaltland Housing Association Limited**Statement of Comprehensive Income
For the year ended 31 March 2021**

| | Notes | 2021 £ | 2020 £ |
|---|--------------|------------------|------------------|
| Turnover | 2 | 4,980,098 | 5,698,553 |
| Operating expenditure | 2 | (3,467,769) | (4,285,631) |
| | | <hr/> | <hr/> |
| Operating surplus | 7 | 1,512,329 | 1,412,922 |
| Gain on disposal of property, plant and equipment | 8 | 60,015 | - |
| Interest receivable | | 3,787 | 8,321 |
| Interest and financing costs | 6 | (495,399) | (547,300) |
| | | <hr/> | <hr/> |
| Surplus before tax | | 1,080,732 | 873,943 |
| Taxation | | - | - |
| | | <hr/> | <hr/> |
| Surplus for the year | | 1,080,732 | 873,943 |
| Other comprehensive income | | | |
| Actuarial gains/(losses) in respect of pension scheme | 23 | (560,000) | 752,000 |
| | | <hr/> | <hr/> |
| Total comprehensive income | | 520,732 | 1,625,943 |
| | | ===== | ===== |

The results relate wholly to continuing activities.

The accompanying notes form part of these financial statements.

Statement of Financial Position
For the year ended 31 March 2021

| | Notes | 2021 £ | 2020 £ |
|--|-------|-------------------|-------------------|
| Fixed assets | | | |
| Housing properties | 10.A | 84,206,133 | 81,010,512 |
| Other fixed assets | 10.B | 1,507,350 | 406,503 |
| | | <u>85,713,483</u> | <u>81,417,015</u> |
| Current assets | | | |
| Stock | 11 | 4,720 | 1,550 |
| Work in progress | 11 | 119,601 | - |
| Trade and other debtors | 13 | 649,655 | 485,966 |
| Cash and cash equivalents | | 2,953,601 | 1,935,336 |
| | | <u>3,727,577</u> | <u>2,422,852</u> |
| Current liabilities | | | |
| Creditors: amounts falling due within one year | 14 | (2,480,664) | (1,488,515) |
| | | <u>1,246,913</u> | <u>934,337</u> |
| Net current assets | | | |
| | | <u>86,960,396</u> | <u>82,351,352</u> |
| Total assets less current liabilities | | | |
| | | <u>86,960,396</u> | <u>82,351,352</u> |
| Creditors: Amounts falling due after more than one year | 15 | (77,273,947) | (73,616,639) |
| | | <u>9,686,449</u> | <u>8,734,713</u> |
| Total net assets excluding pension liability | | | |
| | | <u>9,686,449</u> | <u>8,734,713</u> |
| Provisions for liabilities | | | |
| Pension defined benefit net liability | 23 | (431,000) | - |
| | | <u>9,255,449</u> | <u>8,734,713</u> |
| Total net assets | | | |
| | | <u>9,255,449</u> | <u>8,734,713</u> |
| Reserves | | | |
| Share capital | 18 | 86 | 82 |
| Income and expenditure reserve | | 9,255,363 | 8,734,438 |
| Restricted reserve | 19 | - | 193 |
| | | <u>9,255,449</u> | <u>8,734,713</u> |
| Total reserves | | | |
| | | <u>9,255,449</u> | <u>8,734,713</u> |

The financial statements on pages 17 to 43 were approved by the Management Committee and Authorised for issue on 19 August 2021 and are signed on its behalf by:

Vice Chairperson:
C Nicholson

Secretary:
B Leask

Chairperson:
A Tallack

Hjaltland Housing Association Limited

Statement of Changes in Equity
For the year ended 31 March 2021

| | Income and Expenditure reserve £ | Restricted reserve £ | Share Capital £ | Total £ |
|---------------------------------|---|----------------------------|--------------------|---------------------------|
| Balance at 1 April 2019 | 7,108,688 | - | 84 | 7,108,772 |
| Surplus/(deficit) for the year | 873,750 | 193 | - | 873,943 |
| Other comprehensive income | 752,000 | - | - | 752,000 |
| Shares issued | - | - | - | - |
| Shares cancelled | - | - | (2) | (2) |
| Balance at 31 March 2020 | <u>8,734,438</u> | <u>193</u> | <u>82</u> | <u>8,734,713</u> |
| Surplus/(deficit) for the year | 1,080,957 | (225) | - | 1,080,732 |
| Other comprehensive income | (560,000) | - | - | (560,000) |
| Shares issued | - | - | 11 | 11 |
| Shares cancelled | - | - | (7) | (7) |
| Transfers | (32) | 32 | - | - |
| Balance at 31 March 2021 | <u>9,255,363</u> ===== | <u>-</u> ===== | <u>86</u> ===== | <u>9,255,449</u> ===== |

Hjaltland Housing Association Limited**Statement of Cashflows
For the year ended 31 March 2021**

| | Notes | 2021 | 2020 |
|---|--------------|--------------------|--------------------|
| | | £ | £ |
| Net cash generated from operating activities | 20 | 1,664,805 | 1,780,893 |
| Cash flow from investing activities | | | |
| Purchase of tangible fixed assets | | (5,125,961) | (5,084,598) |
| Proceeds from sale of tangible fixed assets | | 384,750 | - |
| Grants received | | 3,801,324 | 2,599,157 |
| Grants repaid | | (198,722) | (4,282) |
| Interest received | | 3,787 | 8,321 |
| | | ----- | ----- |
| Net cash used in investing activities | | (1,134,822) | (2,481,402) |
| Cash flow from financing activities | | | |
| Interest paid | | (442,385) | (521,403) |
| New secured loans | | 1,550,000 | 2,450,000 |
| Repayments of borrowings | | (619,344) | (600,054) |
| Issue of shares | | 11 | - |
| | | ----- | ----- |
| Net cash from / (used in) financing activities | | 488,282 | 1,328,543 |
| Net increase/(decrease) in cash and cash equivalents | | 1,018,265 | 628,034 |
| Cash and cash equivalents at beginning of year | | 1,935,336 | 1,307,302 |
| | | ===== | ===== |
| Cash and cash equivalents at end of year | 20 | 2,953,601 | 1,935,336 |
| | | ===== | ===== |

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2021

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 6 North Ness Business Park, Lerwick, Shetland, ZE1 0LZ.

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 2018 "Statement of Recommended Practice for Registered Social Housing Providers" and they comply with the Determination of Accounting Requirements 2019, 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. Monetary amounts in these financial statements are rounded to the nearest £.

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 – Management's estimate of the defined benefit obligation is based on a number of critical underlying assumptions such as standard rates of inflation, mortality, discount rate and anticipation of future salary increases. Variation in these assumptions may significantly impact the liability and the annual defined benefit expenses (as analysed in Note 23). The net defined benefit pension liability at 31 March 2021 was £431,000 (2020 £nil).

1. ACCOUNTING POLICIES (CONTINUED)

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.

GOING CONCERN

The Management Committee has a reasonable expectation that the Association has adequate resources to continue in operational existence for the foreseeable future, based upon consideration of long term financial plans and the availability of loan finance at affordable rates of interest and repayment periods that are appropriate for Hjaltland's business. As such, 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.

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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 March 2021

1. ACCOUNTING POLICIES (CONTINUED)

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. Retentions are excluded from the cost and are only recognised when they fall due for payment. These retentions are included in capital commitments.

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.

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:

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 March 2021

1. ACCOUNTING POLICIES (CONTINUED)

| | |
|---------------------------|-----------|
| 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 |

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

IMPAIRMENT 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, at rates calculated to write off the cost 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.

STOCKS

Stocks are valued at the lower of cost and net realisable value. Materials for repairs with a cost of below £300 are expensed as incurred.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 March 2021

1. ACCOUNTING POLICIES (CONTINUED)

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

The Association as lessee – 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 10 days of any unused holiday entitlement as at 31 March 2021. 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 paid are shown as either accruals or prepayments.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2021

1. ACCOUNTING POLICIES (CONTINUED)

Defined benefit plans

The Association is able to identify its share of the scheme assets and scheme liabilities and therefore has applied defined benefit accounting. For accounting purposes, the relevant date for accounting for this change from defined contribution to defined benefit accounting is 1 April 2019. The scheme assets are measured at fair value. Scheme liabilities are measured on an actuarial basis using the projected unit credit method and are discounted at appropriate high quality corporate bond rates.

The resulting net difference of £560,000 (2020 £752,000) was recognised in other comprehensive income. The Statement of Financial Position includes a provision for the net defined benefit liability representing the Association's share of the SHAPS assets and liabilities. The liability at 31 March 2020 was £nil. In the year to 31 March 2021, due to actuarial losses of £560,000 (2020 gain £792,000), employer contributions of £131,000 and expenses of £2,000 this liability is now £431,000. See note 23 for details.

In the year ended 31 March 2021, the current service cost and costs from settlements and curtailments are charged against operating surplus. Past service costs are recognised in the current reporting period within the income and expenditure account. Interest is calculated on the net defined benefit liability. Remeasurements are reported in other comprehensive income. Refer to Note 23 for more details.

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.

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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 March 2021

1. ACCOUNTING POLICIES (CONTINUED)

Borrowings

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

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 (CONTINUED)
For the year ended 31 March 2021

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

| | | Turnover | Operating costs | 2021 Operating (surplus/(deficit) | 2020 Operating (surplus/(deficit) |
|--|-------|------------------|------------------|---|---|
| | Notes | £ | £ | £ | £ |
| Affordable letting activities | 3 | 4,816,818 | 3,293,761 | 1,523,057 | 1,457,964 |
| Other activities | 4 | 163,280 | 174,008 | (10,728) | (45,042) |
| Total | | <u>4,980,098</u> | <u>3,467,769</u> | <u>1,512,329</u> | <u>1,412,922</u> |
| Total for previous reporting period | | <u>5,698,553</u> | <u>4,285,631</u> | <u>1,412,922</u> | |
| | | ===== | ===== | ===== | |

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 March 2021

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

| | General Needs Social Housing £ | Supported Social Housing Accommodation £ | Shared Ownership Housing £ | Total 2021 £ | Total 2020 £ |
|--|---|---|-------------------------------------|--------------------|--------------------|
| Rent receivable net of service charges | 3,441,936 | 167,127 | 138,156 | 3,747,219 | 3,569,665 |
| Service charges | 60,353 | 6,013 | 4,681 | 71,047 | 68,743 |
| Gross income from rents and service charges | 3,502,289 | 173,140 | 142,837 | 3,818,266 | 3,638,408 |
| Less voids | (14,766) | - | - | (14,766) | (11,758) |
| Net income from rents and service charges | 3,487,523 | 173,140 | 142,837 | 3,803,500 | 3,626,650 |
| Grants released from deferred income | 913,088 | 35,826 | 19,699 | 968,613 | 917,334 |
| Other revenue grants – CJRS | 40,651 | 1,698 | 2,356 | 44,705 | - |
| Total turnover from affordable letting activities | 4,441,262 | 210,664 | 164,892 | 4,816,818 | 4,543,984 |
| Management and maintenance administration costs | 1,020,743 | 42,705 | 40,764 | 1,104,212 | 1,033,382 |
| Service costs | 65,849 | 6,554 | 4,291 | 76,694 | 64,707 |
| Planned and cyclical maintenance including major repairs costs | 644,686 | 10,138 | - | 654,824 | 536,007 |
| Reactive maintenance costs | 260,866 | 19,379 | - | 280,245 | 305,923 |
| Bad debts - rents and service charges | 11,664 | - | - | 11,664 | 23,587 |
| Depreciation of affordable let properties | 1,104,079 | 41,386 | 20,657 | 1,166,122 | 1,122,414 |
| Operating Costs for affordable letting activities | 3,107,887 | 120,162 | 65,712 | 3,293,761 | 3,086,020 |
| Operating surplus for affordable letting activities | 1,333,375 | 90,502 | 99,180 | 1,523,057 | 1,457,964 |
| Operating surplus for affordable letting activities for previous reporting period | 1,280,365 | 82,946 | 94,653 | 1,457,964 | |

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2021

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

| | Grant Scottish Ministers £ | Other revenue grants £ | Other Income £ | Total Turnover £ | Other operating costs £ | Operating (deficit) or surplus £ | Operating (deficit) or surplus for previous reporting period £ |
|--|-------------------------------------|---------------------------------|----------------------|------------------------|----------------------------------|---|--|
| Wider role activities undertaken to support the community, other than the provision, construction, improvement and management of housing | - | - | - | - | (12,840) | (12,840) | (13,254) |
| Factoring | - | - | 9,457 | 9,457 | (9,095) | 362 | 932 |
| Support activities | - | - | - | - | (13,245) | (13,245) | (13,050) |
| Development for sale to non-registered landlords (shared equity) | - | - | - | - | (601) | (601) | (34,458) |
| Other activities: | | | | | | | |
| Miscellaneous | - | - | 16,288 | 16,288 | (467) | 15,821 | 14,595 |
| Recharges | - | - | 137,535 | 137,535 | (137,535) | - | - |
| Cycling Scotland Funding (restricted) | - | - | - | - | (225) | (225) | 193 |
| Total from other activities | - | - | 163,280 | 163,280 | (174,008) | (10,728) | (45,042) |
| Total from other activities for the previous reporting period | 364,605 | 25,641 | 764,322 | 1,154,569 | (1,199,611) | (45,042) | |

Hjaltland Housing Association Limited

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 March 2021

5. ACCOMMODATION IN MANAGEMENT

| | 2021 | 2020 |
|----------------------------------|--------------|--------------|
| | Units | Units |
| General needs housing | 742 | 715 |
| Shared ownership | 43 | 46 |
| Supported housing | 31 | 31 |
| TOTAL UNITS IN MANAGEMENT | <u>816</u> | <u>792</u> |
| | ===== | ===== |

6. INTEREST PAYABLE AND SIMILAR CHARGES

| | 2021 | 2020 |
|---|----------------|----------------|
| | £ | £ |
| Interest arising on: | | |
| Bank loans and overdrafts | 470,108 | 495,455 |
| Deferred interest on other loans | 52,274 | 50,480 |
| Defined benefit pension charge | - | 19,000 |
| | <u>522,382</u> | <u>564,935</u> |
| Less: Interest capitalised on housing properties under construction | (26,983) | (17,635) |
| | <u>495,399</u> | <u>547,300</u> |
| | ===== | ===== |

Loans are assigned to schemes under development and the interest is capitalised as it accrues during the period of construction at the rate in force for that borrowing.

7. OPERATING SURPLUS

| | 2021 | 2020 |
|---|--------------|--------------|
| | £ | £ |
| Operating surplus is stated after charging: | | |
| Depreciation of housing properties (note 10.A) | 1,166,122 | 1,122,414 |
| Depreciation of other tangible fixed assets (note 10.B) | 27,038 | 29,118 |
| Operating lease rentals (note 22) | 2,038 | 2,038 |
| | <u>=====</u> | <u>=====</u> |

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

| | 2021 | 2020 |
|---|---------------|---------------|
| | £ | £ |
| Audit services - statutory audit of the Association | 12,270 | 11,800 |
| | <u>12,270</u> | <u>11,800</u> |
| | ===== | ===== |

8. SURPLUS OR DEFICIT ON SALE OF FIXED ASSETS – HOUSING PROPERTIES

| | 2021 | 2020 |
|--------------------------------|---------------|-------------|
| | £ | £ |
| Disposal proceeds | 384,750 | - |
| Carrying value of fixed assets | (298,602) | - |
| | <u>86,148</u> | <u>-</u> |
| Capital grant repaid | (22,430) | - |
| Capital grant abated | - | - |
| | <u>63,718</u> | <u>-</u> |
| Legal and other costs | (3,703) | - |
| | <u>60,015</u> | <u>-</u> |
| | ===== | ===== |

Hjaltland Housing Association Limited**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**
For the year ended 31 March 2021

9. EMPLOYEES

| | 2021 | 2020 |
|--|---------------------------|---------------------------|
| | No. | No. |
| The average monthly number of full time equivalent persons (including key management personnel) employed by the Association during the year was: | 25 ===== | 24 ===== |
| | £ | £ |
| Staff costs for the above persons: | | |
| Wages and salaries | 957,056 | 910,151 |
| Social security costs | 96,466 | 91,501 |
| Other pension costs (defined contribution) | 92,190 | 89,730 |
| | <u>1,145,712</u> ===== | <u>1,091,382</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 | 2 ===== | 2 ===== |
| £70,000 - £80,000 | 1 ===== | 1 ===== |
| | 2021 | 2020 |
| | £ | £ |
| Aggregate emoluments for the above key management personnel (excluding pension contributions) | 255,594 ===== | 243,777 ===== |
| The emoluments of the Chief Executive (excluding pension contributions) | 73,470 | 72,203 |
| Employer's pension contributions | 7,196 | 7,162 |
| Total emoluments payable | <u>80,666</u> ===== | <u>79,365</u> ===== |
| Aggregate pension contributions in relation to the above key management personnel | 24,927 ===== | 24,017 ===== |

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

Hjaltland Housing Association Limited

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 March 2021

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 2020 | 81,708,455 | 7,314,268 | 3,050,182 | 92,072,905 |
| Additions | 62,379 | 4,597,966 | - | 4,660,345 |
| Transfers | 4,836,586 | (4,836,586) | - | - |
| Disposals | (1,781) | - | (329,176) | (330,957) |
| 31 March 2021 | <u>86,605,639</u> | <u>7,075,648</u> | <u>2,721,006</u> | <u>96,402,293</u> |
| Depreciation and impairment | | | | |
| 1 April 2020 | 10,673,827 | - | 388,566 | 11,062,393 |
| Depreciation charged in year | 1,145,465 | - | 20,657 | 1,166,122 |
| Released on disposal | (1,781) | - | (30,574) | (32,355) |
| 31 March 2021 | <u>11,817,511</u> | <u>-</u> | <u>378,649</u> | <u>12,196,160</u> |
| Net book value | | | | |
| 31 March 2021 | <u>74,788,128</u> | <u>7,075,648</u> | <u>2,342,357</u> | <u>84,206,133</u> |
| 31 March 2020 | <u>71,034,628</u> | <u>7,314,268</u> | <u>2,661,616</u> | <u>81,010,512</u> |

Land included under housing properties is all freehold.

EXPENDITURE ON WORKS TO EXISTING PROPERTIES

| | 2021 £ | 2020 £ |
|---|-------------------|-------------------|
| Improvement work capitalised | 39,014 | 7,573 |
| Replacement component spend capitalised | 7,862 | 18,236 |
| Amounts charged to income and expenditure | 654,824 | 536,007 |
| Total major repairs spend | <u>701,700</u> | <u>561,816</u> |

Hjaltland Housing Association Limited

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 March 2021

10.B TANGIBLE FIXED ASSETS – OTHER

| | Office Accommodation £ | Water Treatment £ | Office Equipment £ | Maintenance Equipment £ | Total £ |
|------------------------------------|------------------------------|-------------------------|--------------------------|-------------------------------|---------------------------|
| Cost | | | | | |
| 1 April 2020 | 365,177 | 112,288 | 176,566 | 102,943 | 756,974 |
| Additions | 1,096,419 | 8,058 | 21,740 | 1,668 | 1,127,885 |
| 31 March 2021 | <u>1,461,596</u> ===== | <u>120,346</u> ===== | <u>198,306</u> ===== | <u>104,611</u> ===== | <u>1,884,859</u> ===== |
| Depreciation and impairment | | | | | |
| 1 April 2020 | 80,500 | 34,866 | 158,949 | 76,156 | 350,471 |
| Depreciation charged in year | 6,099 | 2,234 | 10,929 | 7,776 | 27,038 |
| 31 March 2021 | <u>86,599</u> ===== | <u>37,100</u> ===== | <u>169,878</u> ===== | <u>83,932</u> ===== | <u>377,509</u> ===== |
| 31 March 2021 | <u>1,374,997</u> ===== | <u>83,246</u> ===== | <u>28,428</u> ===== | <u>20,679</u> ===== | <u>1,507,350</u> ===== |
| 31 March 2020 | <u>284,677</u> ===== | <u>77,422</u> ===== | <u>17,617</u> ===== | <u>26,787</u> ===== | <u>406,503</u> ===== |

11. STOCK

| | 2021 £ | 2020 £ |
|--|------------------|----------------|
| Raw materials | 4,720 ===== | 1,550 ===== |
| Work in progress: | | |
| Cost of developing properties (New supply shared equity) | 119,601 ===== | - ===== |

12. SUBSIDIARY UNDERTAKING

The RSL's subsidiary undertaking is:

| Name of undertaking | Nature of Business |
|---|------------------------------|
| Hjaltland Trading Limited Company limited by guarantee | Property Management Services |

Hjaltland Trading Limited returned a profit of £9,499 for the year ending 31 March 2021 (2020 - £11,548).

Hjaltland Trading Limited had net assets totalling £140,439 as at 31 March 2021 (2020 - £130,940).

During the year, the Association sold goods and services at cost to Hjaltland Trading Limited of £137,535 (2020 - £134,133). The amount due to the Association at year end was £75,816 (2020 - £40,234).

During the year, the Association bought goods and services at normal market rates from Hjaltland Trading Limited of £76 (2020 - £563). The amount due to the company at year end was £nil (2020 - £nil).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 March 2021

13. DEBTORS

| | 2021 | 2020 |
|---|----------------|----------------|
| | £ | £ |
| Amounts falling due within one year: | | |
| Rent and service charges receivable | 135,281 | 139,454 |
| Less: provision for bad and doubtful debts | (72,252) | (80,756) |
| | <u>63,029</u> | <u>58,698</u> |
| Other debtors | 25,290 | 27,644 |
| Prepayments and accrued income | 81,524 | 160,744 |
| Development funding receivable | 403,996 | 198,646 |
| Amounts due from Group undertakings | 75,816 | 40,234 |
| | <u>649,655</u> | <u>485,966</u> |
| | ===== | ===== |

14. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

| | | |
|---|------------------|------------------|
| Debt (note 17) | 1,079,782 | 892,438 |
| Rent and service charges received in advance | 54,680 | 32,534 |
| Trade creditors | 748,061 | 249,569 |
| Other creditors | 37,640 | 36,339 |
| Accruals and deferred income | 485,395 | 277,635 |
| Deferred grant on new supply shared equity properties | 75,106 | - |
| | <u>2,480,664</u> | <u>1,488,515</u> |
| | ===== | ===== |

15. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

| | 2021 | 2020 |
|----------------------------------|-------------------|-------------------|
| | £ | £ |
| Debt (note 17) | 20,341,901 | 19,546,361 |
| Deferred capital grant (note 16) | 56,932,046 | 54,070,278 |
| | <u>77,273,947</u> | <u>73,616,639</u> |
| | ===== | ===== |

| | 2021 | 2020 |
|--|-------------------|-------------------|
| | £ | £ |
| Included in creditors are: | | |
| Amounts repayable other than by instalments falling due after more than five years | 1,523,412 | 1,471,184 |
| Amounts repayable by instalments falling due after more than five years | 15,417,181 | 14,984,934 |
| | <u>16,940,593</u> | <u>16,456,118</u> |

16. DEFERRED CAPITAL GRANT

| | 2021 | 2020 |
|---|-------------------|-------------------|
| | £ | £ |
| As at 1 April | 54,070,278 | 52,189,810 |
| Grant received in the year | 4,006,673 | 2,797,803 |
| Capital grant amortisation | (968,613) | (917,335) |
| Net book value of capital grants disposed | (176,292) | - |
| As at 31 March | <u>56,932,046</u> | <u>54,070,278</u> |
| | ===== | ===== |

Hjaltland Housing Association Limited

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) For the year ended 31 March 2021

17. DEBT ANALYSIS – BORROWINGS

| | 2021 £ | 2020 £ |
|--|-------------|-------------|
| Creditors: amounts falling due within one year: | | |
| Bank loans | 1,079,782 | 892,438 |
| | <hr/> | <hr/> |
| | 1,079,782 | 892,438 |
| | <hr/> | <hr/> |
| Creditors: amounts falling due after more than one year: | | |
| Bank loans | 18,818,489 | 18,075,177 |
| Other loans | 1,523,412 | 1,471,184 |
| | <hr/> | <hr/> |
| | 20,341,901 | 19,546,361 |
| Total | <hr/> | <hr/> |
| | 21,421,683 | 20,438,799 |
| | <hr/> <hr/> | <hr/> <hr/> |

Other loans include rolled up interest of £198,410 (2020 - £146,182)

Loans are secured by specific charges on the Association's properties and are repayable at rates of interest between 0.4% and 5.75%. (2020 – 0.4% and 5.75%) as follows:

| | 2021 £ | 2020 £ |
|--------------------------------|-------------|-------------|
| Due within one year | 1,079,782 | 892,438 |
| Due between one and two years | 820,282 | 614,938 |
| Due between two and five years | 2,581,026 | 2,475,305 |
| Due more than five years | 16,940,593 | 16,456,118 |
| | <hr/> | <hr/> |
| | 21,421,683 | 20,438,799 |
| | <hr/> <hr/> | <hr/> <hr/> |

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 holds a standard security and a claw back security over 10 properties owned by the Association.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 March 2021

18. SHARE CAPITAL

| | 2021 | 2020 |
|------------------------|---------------|---------------|
| | Number | Number |
| Number of members | | |
| 1 April 2020 | 82 | 84 |
| Joined during the year | 11 | - |
| Left during year | (7) | (2) |
| | <hr/> | <hr/> |
| 31 March 2021 | 86 | 82 |
| | ===== | ===== |

Each member owns one fully paid share of £1 which is non-refundable and carries no rights to dividend or distributions on a winding up. When a shareholder ceases to be a member, that person's share is cancelled and the amount paid becomes the property of the Association. Members are entitled to attend Annual General Meetings and can be elected to the Management Committee.

19. 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 restricted income received from Cycling Scotland in 2020.

This grant was provided to fund facilities that will encourage residents to walk and cycle. The remaining balance brought forward was fully spent in the year and required a transfer of £32 from unrestricted reserves.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 March 2021
20. RECONCILIATION OF TOTAL COMPREHENSIVE INCOME TO NET CASH GENERATED FROM OPERATIONS

| | 2021 | 2020 |
|---|------------------|------------------|
| | £ | £ |
| Surplus for the year | 1,080,732 | 873,943 |
| Adjustments for non-cash items: | | |
| Depreciation of tangible fixed assets | 1,193,160 | 1,150,898 |
| Amortisation of capital grants | (968,613) | (917,335) |
| Increase/(Decrease) in pension provision/ liability | (129,000) | (117,000) |
| Gain on disposal of tangible fixed assets | (63,720) | - |
| Interest receivable (investing not operating) | (3,787) | (8,321) |
| Interest payable (financing not operating) | 495,399 | 547,300 |
| Shares cancelled | (7) | (2) |
| Operating cash flows before movements in working capital | 1,604,164 | 1,529,483 |
| Decrease/(Increase) in stock | (122,771) | 696,759 |
| (Increase)/ Decrease in trade and other debtors | 41,662 | (80,474) |
| (Decrease)/ Increase in trade and other creditors | 141,750 | (364,875) |
| Cash generated from operations | 1,664,805 | 1,780,893 |
| | ===== | ===== |

CASH AND CASH EQUIVALENTS

| | 2021 | 2020 |
|--------------------------------------|------------------|------------------|
| | £ | £ |
| Cash and cash equivalents represent: | | |
| Cash at bank | 1,763,760 | 1,123,947 |
| Short-term deposits | 1,189,841 | 811,389 |
| | 2,953,601 | 1,935,336 |
| | ===== | ===== |

| | 1 April | Cash flows | Non cash | 31 March |
|--|---------------------|--------------------|------------------|---------------------|
| | 2020 | £ | Movements | 2021 |
| | £ | £ | £ | £ |
| Cash and cash equivalents | 1,935,336 | 1,018,265 | - | 2,953,601 |
| Bank borrowings due within one year | (892,438) | 619,344 | (806,688) | (1,079,782) |
| Bank borrowings due after than one year | (18,075,177) | (1,550,000) | 806,688 | (18,818,489) |
| Other borrowings due after than one year | (1,471,184) | - | (52,228) | (1,523,412) |
| Borrowings more due after one year | (19,546,361) | (1,550,000) | 754,460 | (20,341,901) |
| Net debt | (18,503,463) | 87,609 | (52,228) | (18,468,082) |
| | ===== | ===== | ===== | ===== |

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 March 2021

21. CAPITAL COMMITMENTS AND OTHER CONTRACTUAL OBLIGATIONS

| | 2021 £ | 2020 £ |
|---|---------------------------|---------------------------|
| Capital expenditure contracted for but not provided in the financial statements | 7,575,329 ===== | 2,047,405 ===== |
| The above commitments will be funded through: | | |
| Capital grant receivable | 4,740,180 | 1,147,510 |
| Other grants | 274,042 | - |
| Shared ownership sales | 85,611 | - |
| Loans | 2,475,496 | 899,895 |
| | <u>7,575,329</u> ===== | <u>2,047,405</u> ===== |

22. COMMITMENTS UNDER OPERATING LEASES

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

| | 2021 £ | 2020 £ |
|----------------------------|------------------------|------------------------|
| Amounts due: | | |
| Within one year | 2,038 | 2,038 |
| Between one and five years | 1,277 | 3,291 |
| After five years | - | - |
| | <u> </u> ===== | <u> </u> ===== |

23. RETIREMENT BENEFITS

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

The company 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 2018. This valuation revealed a deficit of £121m. A Recovery Plan has been put in place to eliminate the deficit which will run to either 30 September 2022 or 31 March 2023 (depending on funding levels) 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. For financial years ending on or before 28 February 2019, it was not 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 March 2021

23. RETIREMENT BENEFITS (CONTINUED)

For accounting purposes, a valuation of the scheme was carried out with an effective date of 30 September 2018. The liability figures from this valuation were rolled forward for accounting year-ends from 31 March 2019 to 29 February 2020 inclusive.

Similarly, actuarial valuations of the scheme were carried out as at 30 September 2019 to inform the liabilities for accounting year ends from 31 March 2020 to 28 February 2021 inclusive, and as at 30 September 2020 to inform the liabilities for accounting year ends from 31 March 2021 to 28 February 2022 inclusive.

The liabilities are compared, at the relevant accounting date, with the company's fair share of the Scheme's total assets to calculate the company's net deficit or surplus.

PRESENT VALUES OF DEFINED BENEFIT OBLIGATION, FAIR VALUE OF ASSETS AND DEFINED BENEFIT ASSET (LIABILITY)

| | 31 March 2021 (£000s) | 31 March 2020 (£000s) |
|--|--------------------------|--------------------------|
| Fair value of plan assets | 4,704 | 4,268 |
| Present value of defined benefit obligation | 5,135 | 4,236 |
| Surplus/(Deficit) in plan | <u>(431)</u> | <u>32</u> |
| Unrecognised surplus | - | 32 |
| Defined benefit liability to be recognised | <u>(431)</u> | <u>-</u> |
| Deferred tax | - | - |
| Net defined benefit (liability) to be recognised | <u>(431)</u> ===== | <u>-</u> ===== |

RECONCILIATION OF THE IMPACT OF THE ASSET CEILING

| | Period ended 31 March 2021 (£000s) |
|---|--|
| Impact of asset ceiling at start of period | 32 |
| Effect of the asset ceiling included in net interest cost | 2 |
| Actuarial losses (gains) on asset ceiling | <u>(34)</u> |
| Impact of asset ceiling at end of period | <u>-</u> ===== |

RECONCILIATION OF OPENING AND CLOSING BALANCES OF THE DEFINED BENEFIT OBLIGATION

| | Period ended 31 March 2021 (£000s) |
|---|--|
| Defined benefit obligation at 1 April | 4,236 |
| Current service cost | - |
| Expenses | 4 |
| Interest cost | 99 |
| Contributions by scheme participants | - |
| Actuarial losses/(gains) | 867 |
| Plan introductions, changes, curtailments and settlements | - |
| Benefits paid | <u>(71)</u> |
| Defined benefit obligation at 31 March | <u>5,135</u> ===== |

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 March 2021

23. RETIREMENT BENEFITS (CONTINUED)

RECONCILIATION OF OPENING AND CLOSING BALANCES OF THE FAIR VALUE OF PLANS ASSETS

| | Period ended 31 March 2021 (£000s) |
|---|--|
| Fair value of plan assets at start of period | 4,268 |
| Interest income | 101 |
| Experience on plan assets (excluding net interest on the defined benefit liability) | 275 |
| Contributions by employer (deficit contribution) | 131 |
| Benefits paid | (71) |
| | <u>4,704</u> |
| Plan assets at 31 March | ===== |

The actual return on plan assets was £376,000 (2020: £412,000)

DEFINED BENEFIT COSTS RECOGNISED IN STATEMENT OF COMPREHENSIVE INCOME (SOI)

| | Period ended 31 March 2021 (£000s) |
|----------------------|--|
| Current service cost | - |
| Expenses | 4 |
| Net interest expense | - |
| | <u>4</u> |
| | === |

DEFINED BENEFIT COSTS RECOGNISED IN OTHER COMPREHENSIVE INCOME

| | Period ended 31 March 2021 (£000s) |
|---|--|
| Experience on plan assets (excluding amounts included in net interest cost) – gain/(losses) | 275 |
| Experience gains and losses arising on the plan liabilities – gain/(loss) | 63 |
| Effects of changes in the demographic assumptions underlying the present value of the defined benefit obligation – gain/(loss) | - |
| Effects of changes in the financial assumptions underlying the present value of the defined benefit obligation – gain/(loss) | (930) |
| Total actuarial gains and losses (before restriction due to some of the surplus not being recognisable) – gain/(loss) | <u>(592)</u> |
| Effects of changes in the amount of surplus that is not recoverable (excluding amounts included in net interest cost) – gain/(loss) | 32 |
| Total amount recognised in other comprehensive income – gain/(loss) | <u>(560)</u> |
| | ===== |

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 March 2021

23. RETIREMENT BENEFITS (CONTINUED)

| ASSETS | 31 March 2021 (£000s) | 31 March 2020 (£000s) |
|-------------------------------|--------------------------|--------------------------|
| Global Equity | 728 | 587 |
| Absolute Return | 232 | 262 |
| Distressed Opportunities | 161 | 78 |
| Credit Relative Value | 136 | 103 |
| Alternative Risk Premia | 189 | 342 |
| Emerging Markets Debt | 190 | 152 |
| Risk Sharing | 168 | 135 |
| Insurance-Linked Securities | 98 | 114 |
| Property | 84 | 79 |
| Infrastructure | 263 | 252 |
| Private Debt | 111 | 85 |
| Opportunistic Illiquid Credit | 120 | 104 |
| High Yield | 123 | - |
| Opportunistic Credit | 128 | - |
| Cash | 2 | - |
| Corporate Bond Fund | 355 | 312 |
| Liquid Credit | 81 | 112 |
| Long Lease Property | 109 | 104 |
| Secured Income | 258 | 237 |
| Over 15 Year Gilts | 2 | 54 |
| Liability Driven Investment | 1131 | 1,124 |
| Net Current Assets | 35 | 32 |
| Total Assets | <u>4,704</u> ===== | <u>4,268</u> ===== |

KEY ASSUMPTIONS

| | 31 March 2021 % per annum | 31 March 2020 % per annum |
|---|------------------------------|------------------------------|
| Discount rate | 2.20 | 2.36 |
| Inflation (RPI) | 3.25 | 2.58 |
| Inflation (CPI) | 2.87 | 1.58 |
| Salary Growth | 3.87 | 2.58 |
| Allowance for commutation of pension for cash at retirement | 75% of maximum allowance | 75% of maximum allowance |

The mortality assumptions adopted at 31 March 2021 imply the following life expectancies:

| | Life expectancy at age 65 (years) |
|-------------------------|--------------------------------------|
| Male retiring in 2021 | 21.5 |
| Female retiring in 2021 | 23.4 |
| Male retiring in 2041 | 22.8 |
| Female retiring in 2041 | 25.0 |

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 March 2021

24. RELATED PARTY TRANSACTIONS

One member of the Management Committee is a shared equity owner. Their service charges, of £381 (2020 - £366) during the year, are on standard terms, as applicable to all shared equity owners. The balance outstanding at the year-end was £nil.

One member of the Management Committee is a tenant of the Association. Their tenancy is on normal commercial terms. During the year £4,933 (2020 - £4,829) of rent was receivable from this tenant member. At the year-end there was £nil of rent arrears due.

One member of the Management Committee is also a councillor with the Shetland Islands Council. Any transactions with the Shetland Islands Council are made at arm's length 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.