Scott-Moncrieff
business advisers and accountants
With Campbell Dallas
a Cogital company

MOLENDINAR PARK HOUSING ASSOCIATION

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020

MOLENDINAR PARK HOUSING ASSOCIATION

MANAGEMENT COMMITTEE, EXECUTIVES AND PROFESSIONAL ADVISORS

Management Committee	A Scott (Chairperson) B Johnston (Vice Chairperson) C McKinlay M O'Donnell F Sheeran D McGeachy (*Nee Walker*) (resigned 18 August 2020) P Mann A Wood C Meighan M Johnston (Co-opted 17 September 2019) A Henry (Resigned 10 September 2019 L McElroy (Resigned 10 September 2019)	
Key Management	Julie Smillie Scott Rae	Director & Secretary Asset Manager
Registered Office	3 Graham Square Glasgow G31 1AD	
Auditor	Scott-Moncrieff Audit Services 25 Bothwell Street Glasgow G2 6NL	
Bankers	The Royal Bank of Scotland 139 St Vincent Street Glasgow G2 5JF Nationwide Building Society Kings Park Road Moulton Park Northampton NN3 6NW	
Solicitors	Shepherd and Wedderburn 191 West George Street Glasgow G2 2LB T C Young Merchants House 7 West George Street Glasgow G2 1BA	

CONTENTS

	Page
Report of the Management Committee (incorporating the Strategic Report)	1 – 4
Management Committee's Statement on Internal Financial Controls	5
Auditor's Report on Corporate Governance Matters	6
Report of the Independent Auditor	7 – 9
Statement of Comprehensive Income	10
Statement of Changes in Capital and Reserves	11
Statement of Financial Position	12
Statement of Cash Flows	13
Notes to the Financial Statements	14 – 35

Registration Particulars:

Financial Conduct Authority	Co-operative and Community Benefit Societies Act 2014 Registered Number 2400R(S)
Scottish Housing Regulator	Housing (Scotland) Act 2010 Registered Number HAL 274
Scottish Charity Number	SC043725

The Management Committee presents their report (incorporating the Strategic Report) and audited financial statements for the year ended 31 March 2020.

Principal activity

The principal activity of the Association is the provision, construction, improvement and management of rented, shared equity and shared ownership accommodation.

The Association became a registered charity in January 2013.

Business review

The results for the year are shown in these financial statements.

2019/20 has been a busy and productive year for the Association. The Organisational Review is ongoing and the Association are pleased to report that in addition to this they have engaged the services of FMD to manage the Finance function of the Association. This appointment is proving successful. Continued investment in our properties and communities remains the focus, along with ensuring that the Association continues to provide high levels of service to our residents. There is a commitment to demonstrating Value for Money.

The Association completed a revised Business Plan within the year. This is a substantial and comprehensive document which sets out the direction of travel for the Association over the next three years. The Business Plan sets out the Association's strategic objectives and priorities, the strategic challenges and opportunities that will influence our work, analysis of our core activities - housing services and asset management – and our plans for these areas. It also informs how we will ensure effective governance and organisational management, and deliver good value for money along with our detailed financial plans and projections. And importantly it identifies the risks we might face and how we will manage them. The revised Business Plan accurately reflects the position of the Association following a period of modernisation and change.

This year also saw the Association launching a new web-based software system to deliver its Housing Management and Finance functions. It is believed that this new system will increase efficiencies across our operating systems. As well as having a fully integrated Housing Management and Finance package, which will deliver all the core functions, the Association will also utilise the asbestos, property compliance and case management modules which are available which are essential to tenant safety.

We carried out internal audits in Factoring, Rent Arrears and Financial Reporting to assess our compliance with legislation, our current policies and best practice. We submitted our first Annual Assurance Statement to the Scottish Housing Regulator in October 2019 with no areas of material non-compliance reported.

The latter part of the year brought challenges to the Association with the Covid-19 crisis. Although too early to report on how this will affect the Association in the longer term we are positive that the Association is in a strong position, and has a positive outlook to managing the crisis with a focus on being able to return to normal operations when it is safe and reasonable to do so. Our focus remains on supporting our tenants and communities.

Result for the year and transfers

The results for the year are shown in the Statement of Comprehensive Income on page 10.

Principal risks and uncertainties

Risks are identified to enable the Association to put measures in place to mitigate these risks and to enable our objectives to be achieved. Management Committee agendas ensure that new, current and emerging risks are evaluated. Medium and high risks are included in the Internal Management Plan together with details of the controls to mitigate each risk and any necessary further action.

The 5 highest gross scoring risks identified are as follows:

Principal risks and uncertainties (continued)

1. Breach of Loan Covenant.
2. Volatility of loan interest rates.
3. Impact of Major Repairs programme identified in the 30 year plan.
4. Increase in the time spent by staff managing rent accounts as a result of changes in welfare reform/universal credit.
5. Emergent risk of Covid -19 and its eventual long-term impact.

Credit payment policy

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

Maintenance policies

The Association 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 would be charged to the Statement of Comprehensive Income.

In addition, the Association has a long-term programme of major repairs to cover works which have become necessary since the original development were completed, including works required by subsequent legislative changes. This includes replacement or repairs to features of the properties which have come to the end of their economic lives. In line with the SORP 2018, replacements to building components are capitalised in the financial statements as they occur. All other major repairs are charged to the Statement of Comprehensive Income.

Treasury management

The Association has an active treasury management function, which operates in accordance with the Treasury Policy approved by the Management Committee. In this way the Association 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.

Employee involvement and Health & Safety

The Management Committee take seriously their responsibilities to employees under Health & Safety legislation and endeavor to provide information on any matters that may be of concern to them. The Association also encourages employee involvement in all major initiatives so that their views may be taken into account in making decisions that may affect their interests.

Future Prospects

The Association will continue to invest in its housing stock in the coming year. The Association does not envisage any further housing property developments in the immediate future.

Management Committee and Executive Officers

The members of the Management Committee and the Executive Officers are listed on the front of these financial statements.

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

Governance

Governing Document

The Association is a registered social landlord and is thus registered with The Scottish Housing Regulator and the Financial Conduct Authority. It is also a registered charity with the Office of the Scottish Charity Regulator (OSCR).

Recruitments and Appointment of the Management Committee

At the Annual General Meeting in accordance with the rules of the Association, members retire by rotation. Members can all offer themselves for re-election.

The Management Committee seeks to ensure that the needs of its stakeholders are appropriately reflected through the diversity of the Board and Committee. To enhance the potential pool of members, the Association has, through selective networking, sought to identify people who would be willing to become members and utilise their own skills and experience to assist the Association.

The Management Committee has a broad range of skills and members.

Management Committee Members Induction and Training

Most members of the Management Committee are already familiar with the practical work of the Association. Where new members are elected, information is supplied regarding the obligation of Management Committee members, details of the Association's main documents and up to date financial statements. In addition, a formal training and induction programme is provided for any new member of the Management Committee. Committee training is discussed annually. Training needs are then identified to ensure the competencies of the Committee are properly maintained. The Management Committee of Molendinar Park Housing Association is experienced and its members possess the required level of competencies to govern its activities.

Organisational Structure

At 31 March 2020 the Management Committee comprised 10 members, with 5 vacancies. The Management Committee meet ten times per year. Two Sub-committees have recently been introduced as a result of a revised Governance Structure; these are the Finance and Audit Committee and the Risk and Services Committee.

A scheme of delegation is in place and the day to day responsibility for the provision of the Association's projects rests with the Director. The Director is responsible for ensuring that the Association delivers the services specified and that operational objectives are met.

Statement of Management Committee's Responsibilities

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

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent; and
- prepare the Financial Statements on the going concern basis unless it is inappropriate to presume that the Association will continue in business.

The Management Committee is responsible for 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

Statement of Management Committee's Responsibilities (continued)

Housing (Scotland) Act 2010 and the Determination of Accounting Requirements 2019 issued by the Scottish Housing Regulator. It is also responsible for safeguarding the assets of the Association and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Internal Financial Control

The Management Committee is responsible for establishing and maintaining the Association’s system of internal control. Internal control systems are designed to meet the particular needs of the Association and the risks to which it is exposed, and by their nature can provide reasonable but not absolute assurance against material misstatement or loss. The key procedures which the Management Committee has established with a view to providing effective internal financial control are outlined on page 5.

Information for the Auditor

As far as the Committee members are aware there is no relevant audit information of which the auditor is unaware and the Committee members have taken all the steps they ought to have taken to make themselves aware of any relevant audit information and to ensure that the auditor is aware of any such information.

Charitable Donations

During the year, the Association made charitable donations amounting to £nil (*2019 - £nil*).

Auditor

The appointed auditor, Scott-Moncrieff, tendered their resignation during the year and were replaced by Scott-Moncrieff Audit Services. Scott-Moncrieff Audit Services have expressed their willingness to continue in office as auditor and will be proposed for reappointment at the Annual General Meeting.

The Report of the Management Committee (incorporating the Strategic Report) has been approved by the Management Committee on 18 August 2020.

[redacted]

A Scott
Chairperson

MANAGEMENT COMMITTEE'S STATEMENT ON INTERNAL FINANCIAL CONTROLS FOR THE YEAR ENDED 31 MARCH 2020

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

- the reliability of financial information used within the 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. Key elements include ensuring that:

- formal policies and procedures are in place, including the documentation of key systems and rules relating to the delegation of authorities, which allow the monitoring of controls and restrict the unauthorised use of the Association's assets;
- experienced and suitably qualified staff take responsibility for important business functions, annual appraisal procedures will be established to maintain standards of performance;
- forecasts and budgets are prepared regularly which allow the Management Committee and staff to monitor the key business risks and financial objectives, and progress towards financial plans set for the year and the medium term. Regular management accounts are prepared promptly, providing relevant, reliable and up-to-date financial and other information and significant variances from budgets are investigated as appropriate;
- all significant new initiatives, major commitments and investment projects are subject to formal authorisation procedures, through the Management Committee;
- the Management Committee review reports, from directors, staff and from the external auditor to provide reasonable assurance that control procedures are in place and are being followed, including a general review of the major risks facing the Association; and
- formal procedures have been established for instituting appropriate action to correct weaknesses identified from the above reports.

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

The Management Committee's statement on Internal Financial Controls has been approved by the Management Committee on 18 August 2020.

[redacted]

A Scott
Chairperson

In addition to our audit of the Financial Statements, we have reviewed your statement on page 5 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 on corporate governance matters within Bulletin 2009/4 issued by the Financial Reporting Council. The Bulletin does not require us to review the effectiveness of the Association's procedures for ensuring compliance with the guidance notes, nor to investigate the appropriateness of the reason given for non-compliance.

Opinion

In our opinion the Statement on Internal Financial Control on page 5 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.

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

[redacted]

Scott-Moncrieff Audit Services, Statutory Auditor
Eligible to act as an auditor in terms of Section 1212 of the Companies Act 2006
Statutory Auditor
25 Bothwell Street
Glasgow
G2 6NL

Dated: 18 August 2020

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MOLENDINAR HOUSING ASSOCIATION LIMITED ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

Opinion

We have audited the financial statements of Molendinar Housing Association Limited (the Association) for the year ended 31 March 2020 which comprise the Statement of Comprehensive Income, the Statement of Changes in Capital and Reserves, the Statement of Financial Position, the Statement of Cash Flows and the notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the Association's affairs as at 31 March 2020 and of its income and expenditure for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the Co-operative and Community Benefit Societies Act 2014, Part 6 of the Housing (Scotland) Act 2010 and the Determination of Accounting Requirements 2019 issued by the Scottish Housing Regulator.

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 United Kingdom, including the Financial Reporting Council's Ethical Standard, and we have fulfilled our 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 audit opinion.

Conclusions relating to going concern

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

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

Other information

The Management Committee are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our Auditor's Report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

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

Responsibilities of the Management Committee

As explained more fully in the Statement of the Management Committee's Responsibilities set out on pages 3 and 4, the Management 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 Management Committee determine 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 Management Committee are 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 Management Committee either intend 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

We have been appointed as auditor under the Co-operative and Community Benefit Societies Act 2014 and report in accordance with the Act and relevant regulations made or having effect thereunder.

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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: 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 Section 87 of the Co-operative and Community Benefit Societies Act 2014.

Our audit work has been undertaken so that we might state to the Association's members, as a body, 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.

[redacted]

Scott-Moncrieff Audit Services, Statutory Auditor
Eligible to act as an auditor in terms of Section 1212 of the Companies Act 2006
25 Bothwell Street
Glasgow
G2 6NL

Date: 18 August 2020

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2020

	Notes	2020 £	2019 £
Turnover	4	**2,367,007**	*2,324,597*
Operating expenditure	4	**(2,015,703)**	*(1,816,119)*
Operating surplus	4	**351,304**	*508,478*
Gain on sale of assets	8	**15,767**	-
Interest payable and other charges	9	**(35,670)**	*(83,113)*
Interest receivable	10	**5,852**	*50,926*
Surplus before tax		**337,253**	*476,291*
Taxation		**-**	-
Surplus for year		**337,253**	*476,291*
Other comprehensive income			
Initial recognition of multi-employer defined benefit scheme	22	**-**	*(144,633)*
Actuarial gain / (loss) in respect of pension scheme	22	**376,000**	*(66,000)*
Total comprehensive income for the year		**713,253**	*265,658*

The results for the year relate wholly to continuing activities.

The notes on pages 14 to 35 form part of the financial statements.

STATEMENT OF CHANGES IN CAPITAL AND RESERVES
AS AT 31 MARCH 2020

	Share Capital £	Revenue Reserve £	Total Reserves £
Balance at 1 April 2019	**44**	**4,154,309**	**4,154,353**
Shares issued	**9**	**-**	**9**
Total Comprehensive Income	**-**	**713,253**	**713,253**
Balance at 31 March 2020	**53**	**4,867,562**	**4,867,615**

STATEMENT OF CHANGES IN CAPITAL AND RESERVES
AS AT 31 MARCH 2019

	Share Capital £	*Revenue Reserve £*	*Total Reserves £*
Balance at 1 April 2018	*26*	*3,888,651*	*3,888,677*
Shares issued	*18*	*-*	*18*
Total Comprehensive Income	*-*	*265,658*	*265,658*
Balance at 31 March 2019	*44*	*4,154,309*	*4,154,353*

The notes on pages 14 to 35 form part of the financial statements.

STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2020

	Notes		2020		2019
		£	£	£	£
Tangible Fixed Assets					
Housing properties	11		**13,179,063**		*13,491,928*
Other assets	11		**74,455**		*63,951*
			13,253,518		*13,555,879*
Current Assets					
Debtors	13	**134,876**		*70,930*	
Cash and cash equivalents	14a	**1,170,055**		*1,005,949*	
Investments	14b	**509,374**		*504,818*	
		1,814,305		*1,581,697*	
Current Liabilities					
Creditors due within one year	15	**(964,408)**		*(1,012,850)*	
Net current assets			**849,897**		*568,847*
			14,103,415		*14,124,726*
Creditors due after more than one year	16		**(2,677,233)**		*(2,741,597)*
Deferred Income: Social Housing Grant more than one year	17		**(6,548,567)**		*(6,815,776)*
Pension liability	22		**(10,000)**		*(413,000)*
Net Assets			**4,867,615**		*4,154,353*
Capital and Reserves					
Called up share capital	18		**53**		*44*
Revenue reserves			**4,867,562**		*4,154,309*
			4,867,615		*4,154,353*

These financial statements were approved by the Management Committee and authorised for issue on 18 August 2020 and signed on its behalf by:

A Scott - Chairperson [redacted] ....

B Johnston - Committee member [redacted] ....

J Smillie (Secretary) [redacted]..............

The notes on pages 14 to 35 form part of the financial statements.

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2020

	Notes		2020		*2019*
		£	£	*£*	*£*
Net cash generated from operating activities	19		**385,781**		*778,974*
Cash flow from investing activities					
Purchase of tangible fixed assets		**(167,084)**		*(360,146)*	
Proceeds from sale of tangible fixed assets		**43,966**		-	
Housing Association Grant received		**-**		-	
Interest received		**5,852**		*4,926*	
			(117,266)		***(355,220)***
Cash flow from financing activities					
Interest paid		**(26,670)**		*(28,113)*	
New loan secured		**155,000**		-	
Repayment of borrowings		**(228,192)**		*(227,226)*	
Issue of share capital		**9**		*18*	
Deposit to current asset investment		**(4,556)**		*(4,089)*	
			(104,409)		*(259,410)*
Net changes in cash and cash equivalents			**164,106**		*164,344*
Cash and cash equivalents at 1 April			**1,005,949**		*841,605*
Cash and cash equivalents at 31 March	14a		**1,170,055**		*1,005,949*

(i) Analysis of changes in net debt

	At 1 April 2019	Cash flows	Other non-cash changes	At 31 March 2020
	£	£	£	£
Cash and cash equivalents				
Cash	**1,005,949**	**164,106**	**-**	**1,170,055**
Cash and cash equivalents	**1,005,949**	**164,106**	**-**	**1,170,055**
Current asset investments	**504,818**	**4,556**	**-**	**509,374**
Borrowings				
Debt due within one year	**(235,655)**	**228,192**	**(219,364)**	**(226,827)**
Debt due after one year	**(2,741,597)**	**(155,000)**	**219,364**	**(2,677,233)**
	(2,977,252)	**73,192**	**-**	**(2,904,060)**
Total	**(1,466,485)**	**241,854**	**-**	**(1,224,631)**

The notes on pages 14 to 35 form part of the financial statements.

1. General Information

The financial statements have been prepared in accordance with FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice) and comply with the requirements of the Determination of Accounting Requirements 2019 as issued by the Scottish Housing Regulator and the Statement of Recommended Practice for Social Housing Providers issued in 2018. The principal accounting policies are set out below.

The preparation of these financial statements in compliance with FRS 102 requires the use of certain accounting estimates. It also requires management to exercise judgement in applying the Association's accounting policies (see note 3).

The presentation currency is pounds sterling and the financial statements are rounded to the nearest whole number.

The Association is defined as a public benefit entity and thus the Association complies with all disclosure requirements relating to public benefit entities. The Association is a registered social landlord in Scotland and its registered number is HAL 274. These financial statements represent the results of the Association only.

The Association's registered charity number is SC043725.

The address of the Association's registered office is:

3 Graham Square
Glasgow
G31 1AD

2. Accounting Policies

Basis of accounting

The financial statements are prepared on the historical cost basis of accounting subject to the revaluation of certain fixed assets and in accordance with applicable accounting standards.

The effect of events relating to the year ended 31 March 2020, which occurred before the date of approval of the financial statements by the Board of Management have been included in the statements to the extent required to show a true and fair view of the state of affairs as at 31 March 2020 and of the results for the year ended on that date.

Going concern

The Management Committee anticipate that a surplus will be generated in the year to 31 March 2021 and also in the year to 31 March 2022. The Association has a healthy cash and net current asset position and thus the Management Committee are satisfied that there is sufficient resources in place to continue operating for the foreseeable future. Thus the Management Committee continue to adopt the going concern basis of accounting in preparing the annual financial statements. The impact of Covid-19 has been included in these considerations.

2. Accounting Policies (cont'd)

Finance

The financial statements have been prepared on the basis that the capital expenditure referred to in note 11 will be grant aided, funded by loans, met out of reserves, or from proceeds of sales.

Turnover

Turnover represents rental and service charge income receivable, fees receivable and revenue grants receivable from local authorities and other agencies. Also included is any income from first tranche shared ownership disposals and management fees for the factoring of properties for private owners as the provision of factoring services is accounted for on an ongoing basis.

Apportionment of management expenses

Direct employee administration and operating costs have been apportioned to the Statement of Comprehensive Income on the basis of costs of the staff to the extent that they are directly engaged in each of the operations dealt with in the financial statements.

The costs of cyclical and major repairs are charged to the Statement of Comprehensive Income in the year in which they are incurred.

Interest receivable

Interest receivable is recognised in the Statement of Comprehensive Income using the effective interest rate method.

Interest payable

Finance costs are charged to the Statement of Comprehensive Income over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

Depreciation

(i) Housing Properties

Housing properties are stated at cost, less accumulated depreciation. Each housing unit has been split between its major component parts. Each major component is depreciated on a straight line basis over its expected economic useful life. The following major components and useful lives have been identified by the Association.

- Land - not depreciated.
- Structure - over 50 years.
- Windows - over 40 years.
- Kitchen - over 20 years.
- Bathroom - over 30 years.
- Central Heating - over 20 years.

2. Accounting Policies (cont'd)

Depreciation (cont'd)

(ii) Other fixed assets

The Association's assets are written off evenly over their expected useful lives as follows:

Office property	-	2% per annum
Furniture, fittings & equipment	-	20% per annum
Computer equipment	-	33% per annum

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.

Housing Properties

Housing properties are stated at cost less accumulated depreciation. The cost of such properties includes the following:

(i) cost of acquiring land and buildings;
(ii) development expenditure including applicable overheads; and
(iii) interest charged on the loans raised to finance the scheme.

These costs are either termed "qualifying costs" for approved Government grant schemes and are considered for mortgage loans by the relevant lending authorities or they are met out of the Association's reserves.

All invoices and architects' certificates relating to capital expenditure incurred in the year at gross value before retentions are included in the financial statements for the year, provided that the dates of issue or valuations are prior to the year end.

Works to existing properties will generally be capitalised under the following circumstances:

(iv) Where a component of the housing property that has been treated separately for depreciation purposes and depreciated over its useful economic life is replaced or restored; or

(v) Where the subsequent expenditure provides an enhancement of the economic benefits of the tangible fixed assets in excess of the previously assessed standard of performance. Such enhancement can occur if the improvements result in an increase in rental income, a material reduction in future maintenance costs or a significant extension of the life of the property.

Works to existing properties which fail to meet the above criteria are charged to the Statement of Comprehensive Income.

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

Impairment of fixed assets

Reviews for impairment of housing properties are carried out on an annual basis and any impairment in an income-generating unit is recognised by a charge to the Statement of Comprehensive Income. Impairment is recognised where the carrying value of an income-generating unit exceeds the higher of its net realisable value or its value in use. Value in use represents the net present value of expected future cash flows from these units.

Impairment of assets would be recognised in the Statement of Comprehensive Income.

2. Accounting Policies (cont'd)

Development administration costs

Development administration costs relating to development activities are capitalised based on an apportionment of the staff time spent directly on this activity.

Capitalisation of interest

Interest incurred on financing a development is capitalised up to the date of practical completion of the scheme.

Debtors

Short term debtors are measured at transaction price, less any impairment.

Rental arrears

Rental arrears represents amounts due by tenants for rental of social housing properties at the year end. Rental arrears are reviewed regularly by management and written down to the amount deemed recoverable. Any provision deemed necessary is shown alongside gross rental arrears in note 13.

Cash & cash equivalents and Current asset investments

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value. Current asset investments are represented by long-term deposits with financial institutions repayable after 3 months.

Creditors

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

Financial Instruments

The Association only enters into basic financial instruments transactions that result in the recognition of financial assets and liabilities like trade and other accounts receivable and payable, loans from banks and related parties.

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at the present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade payables or receivables, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration, expected to be paid or received. However if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or financed at a rate of interest that is not a market rate or in case of an out-right short-term loan not at market rate, the financial asset or liability is measured, initially, at the present value of the future cash flow discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost.

Financial assets are derecognised when contractual rights to the cash flows from the assets expire, or when the Association has transferred substantially all the risks and rewards of ownership.

Financial liabilities are derecognised only once the liability has been extinguished through discharge, cancellation or expiry.

2. Accounting Policies (cont'd)
Government Capital Grants

Government capital grants, at amounts approved by The Scottish Government or Glasgow City Council, are paid directly to the Association as required to meet its liabilities during the development process. These are treated as deferred capital grants and are released to income over the useful life of the assets they relate to on completion of the development phase.

Government Revenue Grants

Government revenue grants are recognised using the accrual method which means the Association recognises the grant in income on a systematic basis over the period in which the Association recognises the related costs for which the grant is intended to compensate.

Non-government capital and revenue grants

Non-government capital grants and revenue grants are recognised using the performance model. If there are no performance conditions attached the grants are recognised as income when the grants are received or receivable.

A grant that imposes specific future performance related conditions on the recipient is recognised as revenue only when the performance related conditions are met.

A grant received before the revenue recognition criteria are satisfied is recognised as a liability.

Loans

Mortgage loans are advanced by financial institutions under the terms of individual mortgage deeds in respect of each property or housing scheme. Advances are available only in respect of those developments which have been given approval for Government Capital Grant by the Scottish Government or Glasgow City Council.

Pension Costs (Note 22)

The Scottish Housing Association Defined Benefits Pension Scheme
The Association participates in The Scottish Housing Associations' Defined Benefits Pension Scheme (SHAPS) and retirement benefits to employees of the Association are funded by the contributions from all participating employers and employees in the scheme. Payments are made in accordance with periodic calculations by consulting actuaries and are based on pension costs applicable across the various participating Associations taken as a whole.

The SHAPS is accounted for as a defined benefit scheme and as such the amount charged to the Statement of Comprehensive Income in respect of pension costs and other post retirement benefits is the estimated regular cost of providing the benefits accrued in the year, adjusted to reflect variations from that cost. The interest cost is included within other finance costs/income. Actuarial gains and losses arising from new valuations and from updating valuations to the reporting date are recognised in Other Comprehensive Income.

Defined benefit schemes are funded, with the assets held separately from the Association in separate trustee administered funds. Full actuarial valuations, by a professionally qualified actuary, are obtained at least every three years, and updated to reflect current conditions at each reporting date.

The pension scheme assets are measured at fair value. The pension scheme liabilities are measured using the projected unit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency. A pension scheme asset is recognised on the Statement of Financial Position only to the extent that the surplus may be recovered by reduced future contributions or to the extent that the trustees have agreed a refund from the scheme at the reporting date. A pension scheme liability is recognised to the extent that the Association has a legal or constructive obligation to settle the liability.

2. Accounting Policies (cont'd)

Value added tax

The Association de-registered for VAT in the year ended 31 March 2011. A large proportion of the income, namely rents, was exempt for VAT purposes and therefore gave rise to a partial exemption calculation. Expenditure is shown inclusive of VAT.

3. Judgement in applying policies and key sources of uncertainty

In preparing the financial statements, management is required to make estimates and assumptions which affect reported income, expenses, assets, and liabilities. Use of available information and application of judgement are inherent in the formation of estimates, together with past experience and expectations of future events that are believed to be reasonable under the circumstances. Actual results in the future could differ from such estimates.

The members of the Board of Management consider the following to be critical judgements in preparing the financial statements:

- The categorisation of housing properties as property, plant and equipment in line with the requirements of the SORP;
- The amount disclosed as 'operating profit' is representative of activities that would normally be regarded as 'operating'; and
- The identification of a cash-generating unit for impairment purposes.

The Management Committee are satisfied that the accounting policies are appropriate and applied consistently. Key sources of estimation have been applied as follows:

Estimate	Basis of estimation
Valuation of housing properties	Housing Properties are held at deemed cost which is based on existing use valuations at the date of transition to FRS 102 of 1 April 2014.
Useful lives of property and equipment	The useful lives of property and equipment are based on the knowledge of senior management at the Association, with reference to expected asset life cycles.
The main components of housing properties and their useful lives	The cost of housing properties is split into separately identifiable components. These components were identified by knowledgeable and experienced staff members and based on costing models.
Recoverable amount of rental and other trade receivables	Rental arrears and other trade receivables are reviewed by appropriately experienced senior management team members on a case by case basis with the balance outstanding together with the payment history of the individual tenant being taken into account.

3. Judgement in applying policies and key sources of uncertainty (continued)

Estimate	**Basis of estimation**
The obligations under the SHAPS	This has relied on the actuarial assumptions of a qualified actuary which have been reviewed and are considered reasonable and appropriate. Additionally, the impact of Guaranteed Minimum Pension (GMP) equalization is included in the SHAPS defined benefit liability.
The allocation of costs for shared ownership	Management and administration costs are allocated on the basis of rental income that shared ownership properties represent of the Association's total rental income.

4. Particulars of Turnover, Operating Expenditure and Operating Surplus/(Deficit)

	Notes	**2020** Turnover £	**2020** Operating Expenditure £	**2020** Operating Surplus /(Deficit) £	*2019* *Turnover* *£*	*2019* *Operating Expenditure* *£*	*2019* *Operating Surplus /(Deficit)* *£*
Affordable Lettings	**5a**	**2,339,325**	**(1,987,294)**	**352,031**	*2,264,917*	*(1,756,155)*	*508,762*
Other activities	**5b**	**27,682**	**(28,409)**	**(727)**	*59,680*	*(59,964)*	*(284)*
		2,367,007	**(2,015,703)**	**351,304**	*2,324,597*	*(1,816,119)*	*508,478*

5a Particulars of turnover, operating costs and operating surplus from affordable letting activities

	General Needs Housing £	Shared Ownership £	Sheltered Housing £	2020 Total £	*2019 Total £*
Income from affordable lettings					
Rent receivable net of service charges	**1,697,402**	**117,914**	**121,130**	**1,936,446**	*1,864,279*
Service charges	**-**	**87,925**	**43,287**	**131,212**	*130,855*
Gross income from rents net of service charges	**1,697,402**	**205,839**	**164,417**	**2,067,658**	*1,995,134*
Less: Rent losses from voids	**(13,177)**	**-**	**(1,064)**	**(14,241)**	*(17,276)*
	1,684,225	**205,839**	**163,353**	**2,053,417**	*1,977,858*
Grants from Scottish Ministers	**-**	**-**	**-**	**-**	*-*
Other revenue grants	**36,350**	**-**	**3,564**	**39,914**	*45,513*
Release of deferred government capital grants	**154,543**	**71,208**	**20,243**	**245,994**	*241,546*
Total income from affordable lettings	**1,875,118**	**277,047**	**187,160**	**2,339,325**	*2,264,917*
Expenditure on affordable letting activities					
Service costs	**-**	**75,950**	**43,697**	**119,647**	*137,712*
Management and maintenance administration costs	**732,647**	**43,780**	**45,514**	**821,941**	*713,427*
Reactive maintenance	**319,651**	**-**	**16,501**	**336,152**	*289,357*
Planned and Cyclical maintenance including major repairs	**219,384**	**-**	**18,869**	**238,253**	*209,497*
Bad Debts – rents and service charges	**25,670**	**2,914**	**-**	**28,584**	*7,647*
Depreciation of affordable housing	**350,867**	**84,190**	**7,660**	**442,717**	*398,515*
Operating costs for affordable lettings	**1,648,219**	**206,834**	**132,241**	**1,987,294**	*1,756,155*
Operating surplus for affordable lettings 2020	**226,899**	**70,213**	**54,919**	**352,031**	*508,762*
Operating surplus for affordable lettings 2019	*380,303*	*72,219*	*56,240*	*508,762*	

The amount for service charges receivable on housing accommodation not eligible for Housing Benefit was £nil (*2019 - £nil*). The total for voids includes development voids, where the Association has chosen to keep decant properties vacant to allow developments going on site to proceed as planned.

Included in depreciation of social housing is £40,971 (*2019 - £nil*) relating to the loss on disposal of components.

5b Particulars of turnover, operating costs and operating surplus/(deficit) from other activities

	Grants from Scottish Ministers £	Other revenue grants £	Supporting people income £	Other income £	2020 Total turnover £	*2019 Total turnover £*	Operating costs – bad debts £	Other operating costs £	2020 Operating surplus/ (deficit) £	*2019 Operating surplus/ (deficit) £*
Wider action/wider role	-	-	-	-	-	*-*	-	-	-	*-*
Care and repair	-	-	-	-	-	*-*	-	-	-	*-*
Factoring	-	-	-	**27,682**	**27,682**	*57,731*	-	**(28,409)**	**(727)**	*814*
Development activities	-	-	-	-	-	*-*	-	-	-	*-*
Support activities	-	-	-	-	-	*-*	-	-	-	*-*
Care activities	-	-	-	-	-	*-*	-	-	-	*-*
Agency/management services for registered social landlords	-	-	-	-	-	*-*	-	-	-	*-*
Other agency/management service	-	-	-	-	-	*-*	-	-	-	*-*
Developments and improvements for sale (inc first tranche shared ownership sales to non-registered social landlords)	-	-	-	-	-	*-*	-	-	-	*-*
Other activities	-	-	-	-	-	*1,949*	-	-	-	*(1,098)*
Total from other activities 2020	-	-	-	**27,682**	**27,682**		-	**(28,409)**	**(727)**	*(284)*
Total from other activities 2019	*-*	*-*	*-*	*59,680*	*59,680*	*59,680*	*-*	*(59,964)*	*(284)*	

6. Employees

	2020	*2019*
	£	*£*
Staff costs during year		
Wages and salaries	**361,871**	*356,614*
Pension costs	**45,156**	*41,213*
Social security costs	**37,548**	*36,310*
Temporary or agency staff	**58,622**	*9,167*
	503,197	*443,304*

The total remuneration (including pension contributions and benefits in kind) paid to Key Management who are listed on the first page of the financial statements was **£164,936** *(2019 - £155,092)*.

The emoluments of key management (excluding pension contributions and employers' national insurance contributions and including benefits in kind) for the year were **£132,472** *(2019 - £124,660)*. Their pension contributions for the year were **£16,566** *(2019 - £15,555)*. Their employers' national insurance contributions were **£15,898** *(2019 - £14,877)*.

The average full time equivalent number of persons employed by the Association during the year was:

	2020	*2019*
	No	*No*
	8	*8*

The Directors are defined as the members of the Management Committee, the Director and any other person reporting directly to the Director or the Management Committee whose total emoluments exceed £60,000 per year. No emoluments were paid to any member of the Management Committee.

	2020	*2019*
	£	*£*
Emoluments payable to Chief Executive (excluding pension contributions) amounted to:	**74,996**	*71,930*

The Association's pension contributions for the Chief Executive in the year amounted to **£9,387** (*2019 - £8,963*).

The number of employees in the year whose emoluments (excluding pension contributions) exceeded £60,000 were as follows:

	2020	*2019*
	£	*£*
- £60,001 - £70,000	**-**	*-*
- £70,001 - £80,000	**1**	*1*
- £80,001 - £90,000	**-**	*-*

The Chief Executive is an ordinary member of the Association's pension scheme as described in note 22. No enhanced or special terms apply to her membership.

7. Operating surplus

Operating surplus is stated after charging:	**2020**	*2019*
	£	*£*
Depreciation	**452,465**	*405,625*
Auditor's remuneration	**11,330**	*10,230*

8. Gain on disposal of fixed assets

	2020	*2019*
	£	*£*
Sale Proceeds	**43,966**	-
Cost of Sales	**(28,199)**	-
Housing property disposals	**15,767**	-

9. Interest payable and similar charges

	2020	*2019*
	£	*£*
On bank loans and overdrafts	**26,670**	*28,113*
Defined benefit pension liability – interest expense (Note 22)	**9,000**	*55,000*
	35,670	*83,113*

10. Interest receivable and similar income

	2020	*2019*
	£	*£*
Bank interest received	**5,852**	*4,926*
Defined benefit pension liability – interest receivable (Note 22)	**-**	*46,000*
	5,852	*50,926*

11. Tangible Fixed Assets

	Housing Properties held for letting £	Shared Ownership held for letting £	Mortgage to rent £	Total housing properties £	Office equipment £	Office property £	Total £
Cost							
At 1 April 2019	*14,674,542*	*4,237,821*	*36,164*	*18,948,527*	*154,368*	*81,401*	*19,184,296*
Additions during year	**146,833**	**-**	**-**	**146,833**	**10,778**	**9,473**	**167,084**
Disposals in year	**(60,198)**	**(28,300)**	**-**	**(88,498)**	**-**	**-**	**(88,498)**
Transfers	**-**	**-**	**-**	**-**	**-**	**-**	**-**
At 31 March 2020	**14,761,177**	**4,209,521**	**36,164**	**19,006,862**	**165,146**	**90,874**	**19,262,882**
Depreciation							
At 1 April 2019	*3,734,924*	*1,718,987*	*2,688*	*5,456,599*	*141,519*	*30,299*	*5,628,417*
Provided during year	**316,882**	**84,190**	**675**	**401,747**	**7,930**	**1,817**	**411,494**
Disposals in year	**(19,227)**	**(11,320)**	**-**	**(30,547)**	**-**	**-**	**(30,547)**
Transfers	**-**	**-**	**-**	**-**	**-**	**-**	**-**
At 31 March 2020	**4,032,579**	**1,791,857**	**3,363**	**5,827,799**	**149,449**	**32,116**	**6,009,364**
Net book value							
As at 31 March 2020	**10,728,598**	**2,417,664**	**32,801**	**13,179,063**	**15,697**	**58,758**	**13,253,518**
As at 31 March 2019	*10,939,618*	*2,518,834*	*33,476*	*13,491,928*	*12,849*	*51,102*	*13,555,879*

Capitalised component expenditure (component expenditure capitalised during the year which would previously have been expensed through the Income & Expenditure account prior to transition to FRS 102 and the introduction of component accounting) was £146,833 (*2019 - £315,313*).

Additions to Housing Properties during the year includes no capitalised interest (*2019 - £nil*) and no capitalised administration costs (*2019 - £nil*). All housing properties are freehold. Properties with a cost of £28,300 *(2019 - £NIL)* and accumulated depreciation of £11,320 *(2019 - £NIL)* have been disposed of in the year for net proceeds of £43,966 *(2019 - £NIL).* The proceeds were before a grant to be repaid of £28,048 (*2019 - £NIL*).

Included in freehold housing properties is land with a historic cost allocation of £2,414,274 (*2019 - £2,418,519)*.

12. Housing stock

	2020	*2019*
	No	*No*
The number of units in Management at 31 March was as follows:		
General Needs Housing	462	*462*
Shared Ownership Housing	82	*83*
Supported Housing Accommodation	31	*31*
	575	*576*

13. Debtors

	2020	*2019*
	£	*£*
Gross rents in arrears	99,245	*87,850*
Less: bad debt provision	(76,014)	*(76,015)*
	23,231	*11,835*
Other debtors	23,336	*17,438*
Prepayments	88,309	*41,657*
	134,876	*70,930*

14a. Cash and cash equivalents

	2020	*2019*
	£	*£*
Current accounts	1,170,055	*1,005,949*

14b. Investments

	2020	*2019*
	£	*£*
Balances held in deposit accounts	509,374	*504,818*

15. Creditors due within one year

	2020	*2019*
	£	*£*
Trade creditors	174,500	*241,881*
Loans	226,827	*235,655*
Accruals and deferred income	21,528	*21,461*
Prepaid rent	115,574	*111,315*
Other creditors	180,047	*149,276*
Deferred Government Capital Grants	245,932	*241,546*
Other tax and social security	-	*11,716*
	964,408	*1,012,850*
Secured creditors	226,827	*235,655*

Pension contributions of £Nil (*2019 - £11,113*) are outstanding and included within accruals at the year end.

16. Creditors due after more than one year

	2020	*2019*
	£	*£*
Housing loans	**2,677,233**	*2,741,597*
Secured creditors	**2,677,233**	*2,741,597*

The loans are secured by both a fixed and specific charge on the Association's properties. The carrying value of the secured assets at 31 March 2020 is **£13,237,821** (*2019 - £13,555,879*).

	2020	*2019*
	£	*£*
In one year or less	**226,827**	*235,655*
Between one and two years	**238,407**	*235,655*
Between two and five years	**680,128**	*706,965*
In five years or more	**1,758,698**	*1,798,977*
	2,904,060	*2,977,252*

The loans are advanced to finance the development and refurbishment of housing properties and are repayable by monthly instalments of principal and interest. The loans bear interest at varying rates.

17. Deferred capital grants

	2020	*2019*
	£	*£*
Deferred capital grants at 1 April	**7,057,322**	*7,298,868*
Received in year	**-**	*-*
Released to income in year	**(245,994)**	*(241,546)*
Grants disposed of in year	**(16,829)**	*-*
Deferred capital grants at 31 March	**6,794,499**	*7,057,322*
In one year or less	**245,932**	*241,546*
Between one and two years	**245,994**	*241,546*
Between two and five years	**737,982**	*724,637*
In five years or more	**5,564,591**	*5,849,593*
Total	**6,794,499**	*7,057,322*

18. Share capital

	2020 £	*2019* *£*
Shares of £1 fully paid and issued at beginning of year	**44**	*26*
Shares issued during year	**9**	*18*
Shares issued at end of year	**53**	*44*

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

19. Net cash flow from operating activities

	2020 £	*2019* *£*
Surplus for the year	**337,253**	*476,291*
Adjustments for non-cash items:		
Carrying amount of tangible fixed asset disposals	**16,980**	-
Depreciation of tangible fixed assets including loss on component disposals	**452,465**	*405,625*
Pension costs less contributions payable	**-**	-
(Increase) in trade and other debtors	**(63,945)**	*(9,663)*
(Decrease)/ increase in trade and other creditors	**(44,000)**	*139,080*
Interest charge in respect of the defined benefit pension liability	**9,000**	*55,000*
Interest received in respect of the defined benefit pension liability	**-**	*(46,000)*
Staff service costs in respect of the defined benefit pension liability	**19,716**	*31,402*
Adjustments for investing and financing activities:		
Interest payable	**26,670**	*28,113*
Interest received	**(5,852)**	*(4,926)*
Release of Deferred Government Capital Grants	**(262,823)**	*(241,545)*
SHAPS past service deficit payment	**(55,717)**	*(54,403)*
Proceeds from sale of fixed assets	**(43,966)**	-
Net cash inflow from operating activities	**385,781**	*778,974*

20. Legislative Provisions

The Association is incorporated under the Co-operative and Community Benefit Societies Act 2014 and was incorporated in Scotland.

21. Transactions with related parties and Key Management Personnel

There are 5 members of the Committee that were tenants of the Association during the year (*2019 - 6*). There was also 1 member who is a shared owner. The tenancies and occupancy agreements of these Committee members are on normal terms and the members cannot use their position to their advantage.

The total rent and service charge payable in the year relating to tenant and shared owner members is £17,292 *(2019 - £15,352)*. The total rent and service arrears relating to these members included within debtors at the year-end is £1,171 (*2019 - £NIL)*.

22. Retirement Benefit Obligations

General

Molendinar Park Housing Association participates in the Scottish Housing Pension Scheme (the Scheme).

The Scheme is a multi-employer defined benefit scheme which provides benefits to some 150 non-associated employers. The scheme is funded. The Scheme offers six benefit structures to employers, namely;

- Final salary with a 1/60th accrual rate (Final Salary);
- Career average revalued earnings with a 1/60th accrual rate (CARE 1/60th);
- Career average revalued earnings with a 1/70th accrual rate (CARE 1/70th);
- Career average revalued earnings with a 1/80th accrual rate (CARE 1/80th);
- Career average revalued earnings with a 1/120th accrual rate (CARE 1/120th) contracted in; and
- Defined Contribution (DC)

An employer can elect to operate different benefit structures for their active members (as at the first day of April in any given year) and their new entrants. The DC option can be introduced by the employer on the first day of any month after giving a minimum of three months' prior notice.

Molendinar Park Housing Association has elected to close the final salary with a 1/60th accrual rate for existing employees with effect from 1 July 2020. Current participants of the final salary 1/60th will transfer into CARE 1/60th, CARE 1/80th and DC. Future employees will only be eligible for enrolment into the DC structure.

The Trustee commission an actuarial valuation of the Scheme every three years. The main purpose of the valuation is to determine the financial position of the Scheme in order to determine the level of future contributions required, so that the Scheme can meet its pension obligations as they fall due.

The actuarial valuation assesses whether the Scheme's assets at the valuation date are likely to be sufficient to pay the pension benefits accrued by members as at the valuation date. Asset values are calculated by reference to market values. Accrued pension benefits are valued by discounting expected future benefit payments using a discount rate calculated by reference to the expected future investment returns.

22. Retirement Benefit Obligations (cont'd)

During the accounting period the Association paid contributions at the rate of 12.6% (Final Salary), 11.90% (CARE 1/60th) and 10% (DC) of pensionable salaries. In addition annual employer past service deficit contributions of £56,034 (net of administration costs) were paid *(2019 – £54,403).*

As at the balance sheet date there were 7 active members of the Defined Benefit Scheme structures and 2 active members of the Defined Contributions Scheme employed by the Association.

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 30 September 2022 for the majority of employers, although certain employers have different arrangements.

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. 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.

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

The SHAPS defined benefit pension scheme is accounted for as a defined benefit pension scheme from 1 April 2018 onwards. In accordance with FRS 102 section 28, the operating and financing costs of pension and post retirement schemes (determined by TPT) are recognised separately in the Statement of Comprehensive Income. Service costs are systematically spread over the service lives of the employees and financing costs are recognised in the period in which they arise. The difference between actual and expected returns on assets during the year, including changes in the actuarial assumptions, is recognised in Other Comprehensive Income.

At 1 April 2018 on initial recognition of the multi-employer defined benefit scheme, the opening adjustment made was £144,633 to recognise a net pension liability estimate of £361,000 as at 1 April 2018.

22. Retirement Benefit Obligations (continued)

Present values of defined benefit obligation, fair value of assets and defined benefit liability

	31 March 2020 £'000	*31 March 2019 £'000*
Fair value of plan assets	2,204	1,922
Present value of defined benefit obligations	(2,214)	(2,335)
Defined benefit liability to be recognised	(10)	(413)

Reconciliation of opening and closing balances of the defined benefit obligation

	Year ended 31 March 2020 £'000	*Year ended 31 March 2019 £'000*
Defined benefit obligation at start of period	(2,335)	(2,124)
Current service cost	(69)	(73)
Expenses	(2)	(2)
Interest cost	(55)	(55)
Contribution by plan participants	(44)	(40)
Actuarial (losses)/gains due to scheme experience	(42)	39
Actuarial gains/(losses) due to changes in demographic assumptions	14	(6)
Actuarial gains/(losses) due to changes in financial assumptions	279	(160)
Benefits paid and expenses	40	86
Defined benefit liability at the end of the period	**(2,214)**	(2,335)

22. Retirement Benefit Obligations (continued)

Reconciliation of opening and closing balances of the fair value of plan assets

	Year ended 31 March 2020 £'000	*Year ended 31 March 2019 £'000*
Fair value of plan assets at start of the period	1,922	1,763
Interest income	46	46
Contributions by the employer	107	98
Experience on plan assets (excluding amounts included in interest income)	125	61
Contributions by participants	44	40
Benefits paid and expenses	(40)	(86)
Fair value of plan assets at end of period	**2,204**	1,922

Defined benefit costs recognised in Statement of Comprehensive Income

	Year ended 31 March 2019 to 31 March 2020 £'000	*Year ended 31 March 2018 to 31 March 2019 £'000*
Current service cost	69	73
Contributions	2	2
Total operating charge	**71**	75
Net interest cost	9	9

Defined benefit costs recognised in Other Comprehensive Income

	Year ended 31 March 2020 £'000	*Year ended 31 March 2019 £'000*
Experience on plan assets (excluding amounts included in net interest cost - gain	125	61
Experience gains and (losses) arising on the plan liabilities – (loss)/gain	(42)	39
Effects of changes in the demographic assumptions underlying the present value of the defined benefit obligation – gain/(loss)	14	(6)
Effects of changes in the financial assumptions underlying the present value of the defined benefit obligation – gain/(loss)	279	(160)
Total amount recognised in other comprehensive income –gain/(loss)	376	(66)

22. Retirement Benefit Obligations (continued)

Fund allocation for employer's calculated share of assets

	31 March 2020 £'000	*31 March 2019 £'000*
Global Equity	303	309
Absolute Return	135	163
Distressed Opportunities	40	33
Credit Relative Value	53	33
Alternative Risk Premia	177	107
Fund of Hedge Funds	0	5
Emerging Markets Debt	78	62
Risk Sharing	70	56
Insurance-Linked Securities	59	50
Property	41	38
Infrastructure	130	81
Private Debt	44	25
Corporate Bond Fund	161	135
Long Lease Property	54	23
Secured Income	122	67
Over 15 Year Gilts	28	49
Liability Driven Investment	580	684
Net Current Assets	17	2
Opportunistic Illiquid Credit	54	0
Liquid Credit	58	0
Total Assets	2,204	1,922

The main financial assumptions used by the Scheme Actuary, TPT, in their FRS 102 calculations are as follows:

Assumptions as at	**31 March 2020 % per annum**
Discount rate	2.37
Inflation (RPI)	2.60
Inflation (CPI)	1.60
Salary growth	2.60
Allowance for commutation of pension for cash at retirement	75% of Maximum Allowance

The mortality assumptions adopted at 31 March 2020 imply the following life expectancies:

	Life expectancy at age 65 (years)
Male retiring in 2020	**21.5**
Female retiring in 2020	**23.2**
Male retiring in 2040	**22.8**
Female retiring in 2040	**24.5**

Life expectancy is based on the Fund's VitaCurves with improvements in line with the CMI 2017 model with an allowance for smoothing of recent mortality experience and long term rates of 1.25% p.a. for males and 1% p.a. for females.

22. Retirement Benefit Obligations (continued)

Member data summary

Active members

	Number	Total earnings (£'000s p.a.)	Average age (unweighted)
Males	1	57	48
Females	8	291	53
Total	**9**	**348**	**53**

Deferred members

	Number	Deferred pensions (£'000s p.a.)	Average age (unweighted)
Males	1	3	53
Females	3	7	45
Total	**4**	**10**	**47**

Pensioners

	Number	Pensions (£'000s p.a.)	Average age (unweighted)
Males	3	20	72
Females	3	21	68
Total	**6**	**41**	**70**

Employers debt on withdrawal

Following a change in legislation in September 2005 there is a potential debt on the employer that could be levied by the Trustee of the Scheme. The debt is due in the event of the employer ceasing to participate in the Scheme or the Scheme winding up. The debt for the Scheme as a whole is calculated by comparing the liabilities for the Scheme (calculated on a buy-out basis i.e. the cost of securing benefits by purchasing annuity policies from an insurer, plus an allowance for expenses) with the assets of the Scheme. If the liabilities exceed assets there is a buy-out debt.

The leaving employer's share of the buy-out debt is the proportion of the Scheme's liability attributable to employment with the leaving employer compared to the total amount of the Scheme's liabilities (relating to employment with all the employers). The leaving employer's debt therefore includes a share of any 'orphan' liabilities in respect of previously participating employers. The amount of the debt therefore depends on many factors including total Scheme liabilities, Scheme investment performance, the liabilities in respect of current and former employees of the employer, financial conditions at the time of the cessation event and the insurance buy-out market. The amounts of debt can therefore be volatile over time.

The Association has been notified by the Pensions Trust of the estimated employer debt on withdrawal from the Scheme based on the financial position of the Scheme as at 30 September 2019. As of this date the estimated employer debt for the Association was £1,742,779.