



Scott-Moncrieff
business advisers and accountants

With **Campbell Dallas**
Chartered Accountants

**YORKHILL HOUSING ASSOCIATION LIMITED
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020**

**Registered with the Financial Conduct Authority
Co-operative and Community Benefit Societies Act 2014 No. 02302RS**

**Registered Housing Association - Housing (Scotland) Act 2010 Registered Number HCB 209
Registered Scottish Charity Number SC040346**

MANAGEMENT COMMITTEE, EXECUTIVES AND PROFESSIONAL ADVISORS

Management committee

Dr M Green
R Winning
C Armstrong
H Fitzgerald **Treasurer from 12 Sept 2019**
P Braat (co-optee)
B Docherty
G Mattu
J Gordon **Resigned 12 Sept 2019**
K White **Resigned 12 Sept 2019**
N McPherson
P Marsden
G McEwan **Resigned 20 August 2020**
Y Alexis **Joined 12 Sept 2019**
M Harris **Joined 12 Sept 2019**
J Sullivan **Joined 12 Sept 2019**

Chairperson
Secretary
Vice Chair

Executive officers

Marion Menabney
Gary Watson
Pauline Hollinsworth
Stewart Pattison
Robert Calvert
Grant Kennedy

Chief Executive
Finance Manager
Director of Property Services
Compliance Manager
Property Services Manager
Housing Services Manager

Registered Office

1271 Argyle Street
Glasgow
G3 8TH

Auditor

Scott-Moncrieff Audit Services
Statutory Auditor
25 Bothwell Street
Glasgow
G2 6NL

Solicitors

TC Young & Son
7 West George Street
Glasgow
G2 1BA

Bankers

Bank of Scotland
258/262 Dumbarton Road
Glasgow
G11 6TU

YORKHILL HOUSING ASSOCIATION LIMITED

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**REPORT OF THE MANAGEMENT COMMITTEE (INCORPORATING THE STRATEGIC REPORT)
FOR THE YEAR ENDED 31 MARCH 2020**

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

Principal Activities

The principal activities of the Association include:

- Provision and management of rented accommodation (456); and
- Management of properties on behalf of other owners. (505)

Review of business and future prospects

The results for the year are set out in the Statement of Comprehensive Income on page 9. The surplus has been added to reserves brought forward.

Future Plans

The Association carries out an annual review each year to look to the future of the organisation and to prepare a 1–3 year future plan. The senior management team then progress the plan and the Finance Manager prepares budgets and cash flows to ensure the financial viability and stability of the plan.

Key objectives within the current plan include:

- Assurance – Regulatory compliance is a key principle of the Association's purpose and business planning. The Association issued its first Regulatory Assurance statement in October 2019. The Internal Auditor reviewed Assurance evidence and reporting procedures and confirmed the Association's full compliance with its regulatory requirements.
- Customer Engagement – The Association completed a comprehensive resident's survey during the final stages of the year which identified tenants and owners interested in participating with staff to review policy and practice issues across a range of activities. These include: allocations, environmental improvements, affordability and investment programme standards. A programme for these participation groups will be developed when the pandemic restrictions are lifted.
- Rent Equalisation – The Association planned to establish a rent equalisation programme in respect of former GHA properties where rent levels have not been calculated in accordance with YHA's rent setting policy. As a result of the pandemic, rent setting strategies will require to be carefully revisited during 2020-21.
- Affordability – An Affordability and Value Strategy was developed to ensure relevant policies and practices span across all business activities. The senior management team will continue to closely monitor value markers when reviewing performance indicators and outcomes
- Freedom of Information Act – The Association appointed a DPO during 2019 to ensure full compliance with the provisions of the legislation is maintained.
- Internal Audit – The Association appointed an Internal Auditor during 2019 for a three year period. During 2019, audits were completed on: Assurance Gas Servicing; Financial Payments and Payroll Processes; and Planned Maintenance. Compliance was confirmed on all activities with development points noted where appropriate. The 2020 programme will review Risk Management, Financial Reporting, Allocations and Void Management
- New Model Rules – The Association plans to arrange an SGM during 2020-21 to recommend the adoption of the new SFHA Model Rules 2020
- Cyber Security – The Association is progressing towards achieving the Cyber Essentials accreditation.
- Review of IT Systems – During 2019, the Association appointed an external consultant to review the current business systems and present options for upgrading/replacement. His report and recommendations will be considered by the governing body during 2020.
- Risk Management - Staff pension provision arrangements were reviewed by the Management Committee in response to the significant financial risk posed by planned increase to the contribution levels for employers. Accordingly, the Association gave notice to SHAPS of its withdrawal from the Direct Benefit Scheme. Employees will be offered Direct Contribution Scheme from July 2020.

YORKHILL HOUSING ASSOCIATION LIMITED

REPORT OF THE MANAGEMENT COMMITTEE (INCORPORATING THE STRATEGIC REPORT) FOR THE YEAR ENDED 31 MARCH 2020

Risk and uncertainties

Covid-19

The most significant risk to the Association during 2020 will be the impact of Covid-19.

Risk mitigation strategies have been developed and regularly reviewed since 20th March 2020.

These will continue to be updated as the year ahead progresses and cover a range of strategic and operational business activities which include:

- Staff safety
- Service provision
- Governance arrangements
- Arrears management
- Planned cyclical and major projects
- Financial planning and viability

Financial and non-financial key performance indicators

The Association's current strategic plan covering a 5 year period contains the following 7 organisational objectives:

- To be genuinely controlled by local residents and accountable to the community;
- To provide good quality rented accommodation to those in greatest housing need;
- To provide a responsive effective property management service to tenants and owners;
- To maintain the organisation's long-term viability and financial effectiveness;
- To ensure that all customers of the organisation are given the same high quality of service and that no sector of the community suffers from adverse discrimination; and
- To ensure that all customers of the organisation are consulted on projects, advised regularly on performance and continually asked how satisfied they are with service provided.
- To ensure the Association is fully compliant with its constitutional, regulatory and legal obligations.

To date the Association has been successful in achieving its strategic objectives and has achieved the following during 2019-20:

- **Investment Programme** – The Association replaced boilers, central heating systems, kitchens and bathrooms in accordance with the planned programme.
- **Local Control and Accountability** – Three tenants were elected to the Management Committee
- **Equalities** – The Association updated its Equality and Diversity Strategy
- **Viability and Value** – The Management Committee and sub-committees has received regular reports on a wide range of value indicators, including: financial plans, budget monitoring, performance outcomes, procurement processes, arrears management and maintenance expenditure.
- **Regulatory Compliance** – Assurance reports have been a standing agenda item for committee meetings during 2019-20.
- **Legal Compliance** – The Association achieved compliance with new requirements relating to the 2019 Freedom of Information Act (Scotland)

Governance

Governing Document

The Association as a social landlord is registered with the Scottish Housing Regulator, OSCR and the Financial Conduct Authority.

Recruitment and Appointment of the Management Committee

One third of the Management Committee retire by rotation annually at the Annual General Meeting. They can then be nominated for re-election.

**REPORT OF THE MANAGEMENT COMMITTEE (INCORPORATING THE STRATEGIC REPORT)
FOR THE YEAR ENDED 31 MARCH 2020**

Governance (continued)

The Management Committee ensures all stakeholder requirements are addressed by having a diverse Board and Committee structure. The Association seeks to have a pool of members with a wide range of skills. However, the Association's training policy and annual appraisal systems assist in ensuring the Members receive the required training to enable them to keep up to date with all legal and internal policies, procedures and requirements of stakeholders.

The Association endeavours to have a diverse range of Management Committee members who can bring their own skills to the Committee. This is achieved by direct contact with residents within the Yorkhill area as well as by networking and identifying members who could bring their own skills and experience to the Association's Management Committee.

Annual Appraisal of Management Committee

An annual appraisal of the management committee is undertaken by an external organisation. The process involves assessments of the team's collective knowledge and also one to one interviews for individuals. The report presented to committee confirms the ongoing competences of all members in accordance with regulatory requirements.

Management Committee Members and Training

Newly elected Management Committee members receive an induction programme consisting of governance issues, finance policy and financial statements, introduction to the Housing Association framework, asset management and regulation and monitoring. All committee members are encouraged to take up external sector training opportunities. Regular in-house training sessions are delivered by the Chief Executive and senior staff. Training outcomes are presented quarterly to Committee.

Organisational Structure

The Management Committee consists of 13 board members: 12 elected and 1 co-optee. The Management Committee meet 10 times per year. There is also a governance and finance sub-committee and a services sub-committee, who meet six weekly and report directly to the Management Committee.

Delegated authority is in place and day to day responsibility for the provision of services rests with the Chief Executive. The Chief Executive is responsible for ensuring that the Association delivers the services specified and that key performance indicators are met.

Management committee and executive officers

The Management Committee and executive officers of the Association are listed on the Association's information page at the start of the financial statements.

Each member of the Management Committee holds one fully paid share of £1 in the Association. The executive officers of the Association 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 committee.

Statement of management committee's responsibilities

Statute 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 or expenditure of the Association for the year ended on that date. In preparing these financial statements, the Management Committee is required to:

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

YORKHILL HOUSING ASSOCIATION LIMITED

REPORT OF THE MANAGEMENT COMMITTEE (INCORPORATING THE STRATEGIC REPORT) FOR THE YEAR ENDED 31 MARCH 2020

Statement of management committee's responsibilities (continued)

The Management Committee is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Association. They are 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.

Related party transactions

Some members of the Management Committee are tenants or owner occupiers, however, the policies, procedures and agreements in place do not allow them to use their position on the committee to their personal advantage.

Related party transactions are documented at note 24.

Internal financial control

The Committee is responsible for the Association's system of internal financial control, and has reviewed its effectiveness from information provided by management staff.

Any system can only provide reasonable and not absolute assurance against material mis-statement or loss.

The financial control system within the Association is fundamentally simple and appropriate to the size and complexity of the organisation. It includes a combination of regular review of financial results compared with an agreed budget and authorisation of all expenditure by senior staff and Committee.

During 2019, the Association's internal processes for payments and payroll were reviewed by the Internal Auditor and confirmed as satisfactory. Development points were included in the report and have been adopted.

Disclosure of information to the auditor

To the knowledge and belief of each of the persons who are members of the Management Committee at the time the report is approved:

- So far as the Committee members are aware, there is no relevant information of which the Association's auditor is unaware; and
- He/she has taken all the steps that he/she ought to have taken as a Committee member in order to make himself/herself aware of any relevant information, and to establish that the Association's auditor is aware of the information.

Auditor

The appointed auditor, Scott-Moncrieff, tendered their resignation during 2019 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.

By order of the Board of Management



Secretary

Date: 20 August 2020

YORKHILL HOUSING ASSOCIATION LIMITED

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

The Management Committee acknowledges its ultimate responsibility for ensuring that the Association has in place a system of controls that is appropriate for the various business environments in which it operates.

These controls are designed to give reasonable assurance with respect to:

- the reliability of financial information for use within the Association;
- 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, and annual appraisal procedures have been 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 progress towards financial plans set for the year and medium term; regular management accounts are prepared timeously, providing relevant, reliable and up to date financial and other information and significant variances from budget are investigated where appropriate;
- all significant new initiatives, major commitments and investment projects are subject to formal authorisation procedures;
- the Management Committee reviews reports from the Chief Executive, staff and the external and internal auditor to provide reasonable assurance that control procedures are in place and are being followed; and
- formal procedures have been established for instituting appropriate action to correct weaknesses identified from the above reports.

The Management Committee has confirmed the existence of the system of internal financial control in the Association for the year ended 31 March 2020.

By order of the Management Committee



Chairperson

Dated: 20 August 2020

YORKHILL HOUSING ASSOCIATION LIMITED

**REPORT OF THE AUDITOR TO THE MANAGEMENT COMMITTEE ON CORPORATE GOVERNANCE
MATTERS FOR THE YEAR ENDED 31 MARCH 2020**

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 our 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.



Statutory Auditor
25 Bothwell Street
Glasgow
G2 6NL

Dated: 20 August 2020

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

Opinion

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

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

We have nothing to report in this regard.

YORKHILL HOUSING ASSOCIATION LIMITED

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

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 page 3, 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.

Eligible to act as an auditor in terms of Section 1212 of the Companies Act 2006

25 Bothwell Street
Glasgow
G2 6NL

Date: 20 August 2020

YORKHILL HOUSING ASSOCIATION LIMITED

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

| | Notes | 2020 £ | 2019 £ |
|--|-------|-------------|-------------|
| Turnover | 4 | 2,181,922 | 2,134,651 |
| Operating Expenditure | 4 | (2,055,776) | (1,940,158) |
| Operating surplus | 4 | 126,146 | 194,493 |
| (Loss) on disposal of property, plant and equipment | | - | - |
| Interest receivable | 10 | 13,339 | 10,493 |
| Interest payable and financing costs | 11 | (45,476) | (50,057) |
| Surplus for the year before taxation | | 94,009 | 154,929 |
| Taxation | 12 | - | - |
| Surplus for the year | | 94,009 | 154,929 |
| Other comprehensive income | | | |
| Initial recognition of multi-employer defined benefit scheme | 23 | - | (81,360) |
| Actuarial gain in respect of pension scheme | 23 | 215,000 | 59,000 |
| Total comprehensive income for the year | | 309,009 | 132,569 |

The results for the year relate wholly to continuing activities.

The notes on pages 13 to 33 form part of these financial statements.

YORKHILL HOUSING ASSOCIATION LIMITED

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

| | Share Capital £ | Revenue Reserves £ | Total Reserves £ |
|---|--------------------------------|-----------------------------------|---------------------------------|
| Balance at 1 April 2019 | 126 | 2,824,521 | 2,824,647 |
| Total comprehensive income for the year | - | 309,009 | 309,009 |
| Issue of share capital | 1 | - | 1 |
| Cancellation of share capital | (5) | - | (5) |
| Balance at 31 March 2020 | 122 | 3,133,530 | 3,133,652 |

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

| | Share Capital £ | Revenue Reserves £ | Total Reserves £ |
|---|--------------------------------|-----------------------------------|---------------------------------|
| Balance at 1 April 2018 | 130 | 2,691,952 | 2,692,082 |
| Total comprehensive income for the year | - | 132,569 | 132,569 |
| Issue of share capital | 7 | - | 7 |
| Cancellation of share capital | (11) | - | (11) |
| Balance at 31 March 2019 | 126 | 2,824,521 | 2,824,647 |

The notes on pages 13 to 33 form part of these financial statements.

YORKHILL HOUSING ASSOCIATION LIMITED

**STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2020**

| | Notes | 2020 £ | 2019 £ |
|--|-------|------------------|------------------|
| Tangible fixed assets | | | |
| Housing properties | 14a | 7,596,723 | 7,696,030 |
| Other fixed assets | 14b | 462,725 | 466,635 |
| | | <u>8,059,448</u> | <u>8,162,665</u> |
| Current assets | | | |
| Debtors | 15 | 241,877 | 221,303 |
| Cash at bank and in hand | 16a | 272,355 | 278,988 |
| Investments | 16b | 1,939,232 | 2,229,559 |
| | | <u>2,453,464</u> | <u>2,729,850</u> |
| Creditors | | | |
| Amounts falling due within one year | 17 | (1,262,655) | (1,129,843) |
| Net current assets | | <u>1,190,809</u> | <u>1,600,007</u> |
| Total assets less current liabilities | | <u>9,250,257</u> | <u>9,762,762</u> |
| Creditors | | | |
| Amounts falling due after more than one year | 18 | (6,018,605) | (6,590,025) |
| Pension – defined benefit liability | 23 | (98,000) | (348,000) |
| Net Assets | | <u>3,133,652</u> | <u>2,824,647</u> |
| Capital and reserves | | | |
| Called up share capital | 20 | 122 | 126 |
| Revenue reserves | 21 | 3,133,530 | 2,824,521 |
| | | <u>3,133,652</u> | <u>2,824,647</u> |

The financial statements were authorised for issue by the Management Committee on 20 August 2020 and signed on its behalf by:

Chairperson

Secretary

Vice Chair

The notes on pages 13 to 33 form part of these financial statements.

YORKHILL HOUSING ASSOCIATION LIMITED

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

| | Notes | 2020 £ | 2019 £ |
|---|------------|------------------|------------------|
| Net cash generated from operating activities | 22 | 522,260 | 543,229 |
| Cash flow from investing activities | | | |
| Purchase of fixed assets | | (374,790) | (181,713) |
| Purchase of other fixed assets | | (16,551) | (11,676) |
| Government capital grants received | | 20,979 | 5,559 |
| Interest received | | 13,339 | 10,493 |
| | | (357,023) | (177,337) |
| Cash flow from financing activities | | | |
| Interest paid | | (45,476) | (50,057) |
| Repayment of borrowings | | (325,722) | (65,935) |
| Issue of share capital | | 1 | 7 |
| Transfer to current asset investments | | 290,327 | 18,990 |
| SHAPS Past service deficit payment | | (91,000) | (88,497) |
| | | (171,870) | (185,492) |
| Net change in cash and cash equivalents | | (6,633) | 180,400 |
| Cash and cash equivalents at 1 April | 16a | 278,988 | 98,588 |
| Cash and cash equivalents at 31 March | 16a | 272,355 | 278,988 |

| | At 1 April 2019 £ | Cash flows £ | Other non- cash changes £ | At 31 March 2020 £ |
|----------------------------------|-------------------------|------------------|------------------------------------|--------------------------|
| Cash and cash equivalents | | | | |
| Cash | 278,988 | (6,633) | - | 272,355 |
| Cash equivalents | 2,229,559 | (290,327) | - | 1,939,232 |
| | 2,508,547 | (296,960) | - | 2,211,587 |
| Borrowings | | | | |
| Debt due within one year | (65,941) | 65,941 | (46,889) | (46,889) |
| Debt due after one year | (1,241,835) | 258,304 | 48,366 | (935,165) |
| | (1,307,776) | 324,245 | 1,477 | (982,054) |
| Total | 1,200,771 | 27,285 | 1,477 | 1,229,533 |

The notes on pages 13 to 33 form part of these financial statements.

YORKHILL HOUSING ASSOCIATION LIMITED

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

1. General information

These financial statements are presented in Pounds Sterling (GBP), as that is the currency in which the Association's transactions are denominated. They comprise the financial statements of Yorkhill Housing Association drawn up for the year ended 31 March 2020.

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 HCB 209.

The Association's Scottish Charity number is SC040346. The address of the Association's registered office is: 1271 Argyle Street, Glasgow, G3 8TH.

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 United Kingdom Accounting Standards including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice) and comply with the requirements of the Determination of Housing Requirements 2019 as issued by the Scottish Housing Regulator and the Statement of Recommended Practice for Social Housing Providers issued in 2018.

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).

Basis of preparation

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 expected to be generated from the year to 31 March 2022. The Association has a healthy cash balance and net current asset position and thus the Management Committee is satisfied that there are sufficient resources in place to continue operations in the foreseeable future. The Committee members have assessed the impact of COVID-19 on its going concern status and after consideration, do not believe that this will affect the Association's ability to continue operating. Thus, the Management Committee continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Turnover

Turnover represents rental and service charge income, factoring service income, and fees or revenue grants receivable from Glasgow City Council and from the Scottish Government.

Income from rental and service charges, factoring and commercial letting activities is recognised when the association is entitled to it, it is probable it will be received and it can be measured reliably.

Income from revenue grants receivable have been covered in a separate accounting policy below

2. Accounting policies(continued)

Apportionment of management expenses

Direct employee, administration and operating costs have been apportioned to the relevant sections of the income and expenditure account on the basis of costs of staff directly attributable to the operations dealt with in the financial statements.

Interest receivable

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

Government capital grants

Government capital grants, amounts approved by The Scottish Government or local authorities, are paid directly to the Association as required to meet its liabilities during the development process. This is treated as a deferred capital grant and is released to income in accordance with the accrual model over the useful life of the asset it relates to on completion of the development phase. The accrual model requires the Association to recognise income on a systematic basis over the period in which the Association recognises the related costs for which the grant is intended to compensate.

Government revenue grants

Government revenue grants are recognised using the accrual model 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 and revenue grants are recognised using the performance model. If there are no performance conditions attached the grants are recognised as revenue when the Association is entitled to them. It is probable they will be received and they can be measured reliably.

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.

Fixed assets - Housing properties

Housing properties are stated at cost less accumulated depreciation. The development cost of housing properties includes:

1. Cost of acquiring land and buildings
2. Development expenditure including administration costs

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

YORKHILL HOUSING ASSOCIATION LIMITED

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

2. Accounting policies (continued)

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

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

Depreciation

1. Housing properties

Each housing unit has been split between its major component parts. Each major component is depreciated on a straight line basis over its expected useful economic life. The following major components and useful lives have been identified by the Association:

| | |
|-----------------|-------------------|
| Land | - not depreciated |
| Kitchens | - over 18 years |
| Bathrooms | - over 18 years |
| Structure | - over 50 years |
| Boilers | - over 15 years |
| Central heating | - over 24 years |
| Gutters | - over 20 years |
| Windows | - over 20 years |
| Tiles | - over 40 years |
| Lifts | - over 15 years |
| Flashings | - over 30 years |

2. Other fixed assets

Depreciation is charged on other fixed assets so as to write off the asset cost less any recoverable value over its anticipated useful life.

The following rates have been used:

| | |
|---------------------------------|---------------------|
| Furniture, Fittings & Equipment | - 20% straight line |
| Office Property | - over 50 years |

A full year's depreciation is charged in the year of purchase. No charge is made in the year of disposal.

Investment property

Investment properties are initially recorded at cost. Thereafter investment properties are held at market value with any changes in market value recognised in the Statement of Comprehensive Income. The investment properties are not depreciated.

Debtors

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

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.

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

2. Accounting policies (continued)

Rental arrears

Rental arrears represent 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 15.

Cash and Cash Equivalents

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.

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 and loans.

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.

Pension costs (note 23)

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

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

3. Judgements in applying policies and key sources of estimation 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 Management Committee 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:

| <u>Estimate</u> | <u>Basis of estimation</u> |
|--|---|
| Useful lives of property, plant and equipment | The useful lives of property, plant 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. |
| The obligations under the SHAPs pension scheme | This has relied on the actuarial assumptions of a qualified actuary which have been reviewed and are considered reasonable and appropriate. |

4. Particulars of turnover, operating expenditure and operating surplus

| | Notes | Turnover £ | Operating Expenditure £ | 2020 Operating Surplus £ | Turnover £ | Operating Expenditure £ | 2019 Operating Surplus £ |
|---------------------|-------|------------------|-------------------------------|-----------------------------------|------------------|-------------------------------|-----------------------------------|
| Affordable lettings | 5 | 2,105,300 | (1,995,833) | 109,467 | 2,058,825 | 1,866,335 | 192,490 |
| Other activities | 6 | 76,622 | (59,943) | 16,679 | 75,826 | 73,823 | 2,003 |
| Total | | <u>2,181,922</u> | <u>(2,055,776)</u> | <u>126,146</u> | <u>2,134,651</u> | <u>1,940,158</u> | <u>194,493</u> |

YORKHILL HOUSING ASSOCIATION LIMITED

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

| 5 | Particulars of income and expenditure from affordable lettings | General Needs Housing £ | Commercial £ | Supported Housing £ | Shared Ownership £ | Other £ | 2020 Total £ | 2019 Total £ |
|---|--|----------------------------------|-----------------|---------------------------|--------------------------|------------|--------------------|--------------------|
| | Income from rent and service charges | | | | | | | |
| | Rent receivable net of service charges | 1,714,609 | 12,000 | - | - | - | 1,726,609 | 1,685,485 |
| | Service charges | 86,582 | - | - | - | - | 86,582 | 83,204 |
| | Gross income from rents and service charges | 1,801,191 | 12,000 | - | - | - | 1,813,191 | 1,768,689 |
| | Less: Voids | (2,762) | - | - | - | - | (2,762) | (7,038) |
| | Net income from rents and service charges | 1,798,429 | 12,000 | - | - | - | 1,810,429 | 1,761,651 |
| | Release of deferred government grant | 291,328 | - | - | - | - | 291,328 | 293,598 |
| | Grants from the Scottish Ministers | 3,543 | - | - | - | - | 3,543 | 3,576 |
| | Total turnover from affordable letting activities | 2,093,300 | 12,000 | - | - | - | 2,105,300 | 2,058,825 |
| | Expenditure | | | | | | | |
| | Management and maintenance administration costs | 921,997 | - | - | - | - | 921,997 | 819,683 |
| | Service charges | 87,139 | - | - | - | - | 87,139 | 81,196 |
| | Planned cyclical maintenance including major repairs | 325,595 | - | - | - | - | 325,595 | 279,453 |
| | Reactive maintenance costs | 157,253 | - | - | - | - | 157,253 | 197,444 |
| | Bad debts - rents and service charges | 29,751 | - | - | - | - | 29,751 | 16,905 |
| | Depreciation of social housing | 474,098 | - | - | - | - | 474,098 | 471,654 |
| | Operating costs for affordable letting activities | 1,995,833 | - | - | - | - | 1,995,833 | 1,866,335 |
| | Operating surplus | 97,467 | 12,000 | - | - | - | 109,467 | |
| | On affordable letting activities, 2020 | | | | | | | |
| | On affordable letting activities, 2019 | 181,362 | 11,128 | - | - | - | | 192,490 |

Included in depreciation of social housing is £11,118 (2019 - £2,139) relating to the loss on disposal of components.

YORKHILL HOUSING ASSOCIATION LIMITED

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

6. Particulars of turnover, operating expenditure and operating surplus/(deficit) from other activities

| | Grants from Scottish Ministers £ | Other Revenue Grants £ | Supporting People Income £ | Other Income £ | Turnover 2020 Total £ | Turnover 2019 Total £ | Operating Expenditure Bad Debts £ | Other Operating Expenditure £ | 2020 Surplus £ | 2019 Surplus/ (deficit) £ |
|--|--|---------------------------------|-------------------------------------|----------------------|--------------------------------|--------------------------------|--|--|----------------------|------------------------------------|
| Wider role activities | - | - | - | - | - | - | - | - | - | - |
| Care and repair of property | - | - | - | - | - | - | - | - | - | - |
| Factoring | - | - | - | 76,622 | 76,622 | 75,826 | - | 59,943 | 16,679 | 2,003 |
| Development and construction of property activities | - | - | - | - | - | - | - | - | - | - |
| Support activities | - | - | - | - | - | - | - | - | - | - |
| Care activities | - | - | - | - | - | - | - | - | - | - |
| Agency/management services for RSL's | - | - | - | - | - | - | - | - | - | - |
| Other agency/management services | - | - | - | - | - | - | - | - | - | - |
| Development for sale to RSL's | - | - | - | - | - | - | - | - | - | - |
| Development and improvements for sale to non RSL's | - | - | - | - | - | - | - | - | - | - |
| Commercial properties | - | - | - | - | - | - | - | - | - | - |
| Disabled adaptations | - | - | - | - | - | - | - | - | - | - |
| Other income | - | - | - | - | - | - | - | - | - | - |
| Total from other activities, 2020 | - | - | - | 76,622 | 76,622 | | - | 59,943 | 16,679 | |
| <i>Total from other activities, 2019</i> | - | - | - | <i>5,826</i> | | <i>75,826</i> | <i>517</i> | <i>73,306</i> | | <i>2,003</i> |

YORKHILL HOUSING ASSOCIATION LIMITED

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

| 7. Operating surplus | 2020 | 2019 |
|--|----------------|----------------|
| | £ | £ |
| Surplus on ordinary activities before taxation is stated after charging: | | |
| Depreciation | 494,559 | 490,339 |
| Auditor's remuneration | | |
| - in their capacity as auditor | 13,179 | 12,796 |
| - other services | 2,000 | 2,000 |

8. Directors' emoluments

The Directors are defined as the members of the Management Committee, the Chief Executive and any other person reporting directly to the Chief Executive or the Management Committee whose total emoluments exceed £60,000 per year. One Director's total emoluments exceeded £60,000 per year. The Association considers key management personnel to be the Management Committee and the senior management team (listed on the Association's information page) of the Association only. No emoluments are paid to any member of the Management Committee during the year.

| | 2020 | 2019 |
|--|---------------|---------------|
| | £ | £ |
| Emoluments of the Director and Chief Executive | 64,383 | 64,805 |
| Social Security costs | 7,691 | 7,560 |
| Employers pension contributions | - | 3,889 |
| | 72,074 | 76,254 |

The Chief Executive is no longer an ordinary member of the Association's pension scheme described in Note 23. No enhanced or special terms apply to membership and they have no other pension arrangements to which the Association contributes. The Association's contributions for the Chief Executive include a proportion of the deficit contribution payment made to the scheme in the year (Note 23).

The emoluments of key management (excluding pension contributions and including social security costs and benefits in kind) for the year were £329,764 (2019 - £216,040). Their pension contributions (including the past service element) for the year were £44,134 (2019 - £46,029). No enhanced or special terms apply to membership and the directors have no other pension arrangements to which the Association contributes.

The emoluments (excluding pension contributions) of the directors were in the following range:

| | 2020 | 2019 |
|--|---------------|---------------|
| | Number | Number |
| £60,000 - £70,000 | 1 | 1 |
| | £ | £ |
| Total expenses reimbursed to Management Committee insofar as not chargeable to UK income tax | 184 | 48 |

YORKHILL HOUSING ASSOCIATION LIMITED

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

9. Employee information

| | 2020 Number | 2019 Number |
|---|------------------------|------------------------|
| The average number of full time equivalent employees during the year was: | 17 | 15 |

| | 2020 £ | 2019 £ |
|-------------------------|-------------------|-------------------|
| Wages and salaries | 588,756 | 508,504 |
| Social security costs | 56,991 | 48,622 |
| Pension contributions | 40,459 | 41,017 |
| Service cost adjustment | 45,000 | 47,497 |
| | 731,206 | 645,640 |

10. Interest receivable

| | 2020 £ | 2019 £ |
|---------------------------------|-------------------|-------------------|
| Interest receivable on deposits | 13,339 | 10,493 |

11. Interest payable and financing costs

| | 2020 £ | 2019 £ |
|---|-------------------|-------------------|
| On private loans | 37,476 | 39,057 |
| Defined benefit pension liability – interest charge (Note 23) | 8,000 | 11,000 |
| | 45,476 | 50,057 |

12. Taxation

The Association is a registered charity and as a result no corporation tax is due on any surplus generated from charitable activities. No corporation tax is due on its non-charitable activities.

YORKHILL HOUSING ASSOCIATION LIMITED

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

13. Housing stock

| | 2020 | 2019 |
|---|------------|------------|
| The number of units of accommodation in management at year end: | Number | Number |
| General needs housing | 456 | 456 |
| Supported housing | - | - |
| | <u>456</u> | <u>456</u> |

14a. Tangible fixed assets

| | Housing Properties Held for General Letting £ | Housing Properties Held for Supported Letting £ | Total £ |
|---------------------------|--|--|-------------------|
| Cost: | | | |
| At 1 April 2019 | 16,699,136 | - | 16,699,136 |
| Additions during year | | | |
| - New units | - | - | - |
| - Components | 374,790 | - | 374,790 |
| Disposals during year | (71,860) | - | (71,860) |
| As at 31 March 2020 | <u>17,002,066</u> | <u>-</u> | <u>17,002,066</u> |
| Depreciation: | | | |
| At 1 April 2019 | 9,003,106 | - | 9,003,106 |
| Provided during the year | 462,980 | - | 462,980 |
| Disposals during the year | (60,743) | - | (60,743) |
| As at 31 March 2020 | <u>9,405,343</u> | <u>-</u> | <u>9,405,343</u> |
| Net book value: | | | |
| As at 31 March 2020 | <u>7,596,723</u> | <u>-</u> | <u>7,596,723</u> |
| As at 31 March 2019 | <u>7,696,030</u> | <u>-</u> | <u>7,696,030</u> |

There were no property disposal in the current year (2019 - 0)

Additions to housing properties during the year includes £nil capitalised interest (2019 - £nil) and £nil capitalised administration costs (2019 - £nil). All housing properties are freehold.

The depreciation charge for the year for housing stock was £462,980 (2019 - £469,515). The net book value of disposed components was £11,118 (2019 - £2,139) and has been included in depreciation of social housing in note 5 in accordance with the SORP.

Included in freehold housing properties is land with a historic cost allocation of £1,069,255 (2019: £1,069,255)

YORKHILL HOUSING ASSOCIATION LIMITED

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

14b. Other fixed assets

| | Office Properties £ | Furniture Fittings & Equipment £ | Total £ |
|---------------------------|---------------------------|---|------------|
| Cost: | | | |
| At 1 April 2019 | 535,054 | 45,945 | 580,999 |
| Additions during year | - | 16,551 | 16,551 |
| Disposals during year | - | (7,712) | (7,712) |
| As at 31 March 2020 | 535,054 | 54,784 | 589,838 |
| Depreciation: | | | |
| At 1 April 2019 | 85,509 | 28,855 | 114,364 |
| Provided during the year | 9,501 | 10,960 | 20,461 |
| Disposals during the year | - | (7,712) | (7,712) |
| As at 31 March 2020 | 95,010 | 32,103 | 127,113 |
| Net book value: | | | |
| As at 31 March 2020 | 440,044 | 22,681 | 462,725 |
| As at 31 March 2019 | 449,545 | 17,090 | 466,635 |

Included within office properties are investment properties held at valuation totalling £60,000(2019 - £60,000)

The company's interest in investment properties was valued at 31 March 2020 on an open market basis by the directors of the company.

If the investment properties had not been included at valuation they would have been included under the historical cost convention as follows:

| | 2020 £ | 2019 £ |
|--------------------------|-----------|-----------|
| Cost | 70,952 | 70,952 |
| Accumulated depreciation | - | - |
| | 70,952 | 70,952 |

YORKHILL HOUSING ASSOCIATION LIMITED

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

| | | |
|---|------------------|------------------|
| 15. Debtors | 2020 | 2019 |
| | £ | £ |
| Amounts falling due within one year: | | |
| Arrears of rent and service charges | 145,676 | 136,198 |
| Less: Provision for doubtful debts | (83,615) | (60,478) |
| | 62,061 | 75,720 |
| | | |
| Prepayments and accrued income | 129,363 | 106,779 |
| Other debtors | 50,453 | 38,804 |
| | 241,877 | 221,303 |
| | | |
| 16a. Cash and cash equivalents | 2020 | 2019 |
| | £ | £ |
| | | |
| Cash at bank and in hand | 272,355 | 278,988 |
| | 272,355 | 278,988 |
| | | |
| 16b. Investments | 2020 | 2019 |
| | £ | £ |
| | | |
| Balances held on deposit | 1,939,232 | 2,229,559 |
| | 1,939,232 | 2,229,559 |
| | | |
| 17. Creditors: Amounts falling due within one year | 2020 | 2019 |
| | £ | £ |
| | | |
| Housing loans | 46,889 | 65,941 |
| Trade creditors | 285,046 | 122,314 |
| Other taxation and social security | 13,760 | 11,009 |
| Other creditors | 460,649 | 450,751 |
| Accruals | 95,837 | 121,938 |
| Rent paid in advance | 66,442 | 59,107 |
| Deferred capital grants (Note 19) | 287,401 | 293,001 |
| Pension creditor | 6,631 | 5,782 |
| | 1,262,655 | 1,129,843 |

Pension contributions of £6,104 were outstanding at the year-end (2019 - £5,783)

YORKHILL HOUSING ASSOCIATION LIMITED

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

| 18. Creditors: Amounts falling due after more than one year | 2020 £ | 2019 £ |
|--|-------------------|-------------------|
| Deferred capital grants (Note 19) | 5,083,440 | 5,348,190 |
| Housing loans | 935,165 | 1,241,835 |
| | 6,018,605 | 6,590,025 |

Housing loans are secured by specific charges on the Association's properties. The net book value of housing properties secured at the year end was £1,317,455 (2019 - £1,394,357). There is 1 bank loan (2019:2 bank loans), which is repayable at a fixed interest rate of 5.04%. One loan was repaid in full in the year and had a variable interest rate at LIBOR plus 1%. These loans are repayable within the next 30 years as follows:-

| | 2020 £ | 2019 £ |
|---|-------------------|-------------------|
| Within one year | 46,889 | 65,941 |
| Between one and two years | 46,889 | 65,941 |
| Between two and five years | 140,666 | 197,820 |
| After five years | 747,610 | 978,074 |
| | 982,054 | 1,307,776 |
| Recognised within amounts falling due in less than 1 year (Note 17) | (46,889) | (65,941) |
| | 935,165 | 1,241,835 |

| 19. Deferred capital grants | 2020 £ | 2019 £ |
|--|-------------------|-------------------|
| Deferred capital grants 1 April | 5,641,191 | 5,929,230 |
| Grants received in year | 20,978 | 5,559 |
| Released to income in the year on disposal | (3,927) | (597) |
| Released to income in year | (287,401) | (293,001) |
| Deferred capital grants at 31 March | 5,370,841 | 5,641,191 |
| Liability split as: | | |
| Within one year | 287,401 | 293,001 |
| Between one and two years | 287,401 | 293,001 |
| Between two and five years | 862,203 | 879,001 |
| After five years | 3,933,836 | 4,176,188 |
| | 5,370,841 | 5,641,191 |

YORKHILL HOUSING ASSOCIATION LIMITED

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

| 20. Share capital | 2020 | 2019 |
|---|-------------|-------------|
| | £ | £ |
| At 1 April | 126 | 130 |
| Shares of £1 each fully paid and issued in the year | 1 | 7 |
| Shares forfeited in the year | (5) | (11) |
| | <hr/> | <hr/> |
| At 31 March | 122 | 126 |
| | <hr/> | <hr/> |

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.

21. Reserves

Revenue reserves include all current and prior year retained surpluses or deficits.

YORKHILL HOUSING ASSOCIATION LIMITED

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

| 22. Net cash flow from operating activities | 2020 £ | 2019 £ |
|---|----------------|----------------|
| Surplus for the year | 94,009 | 154,929 |
| Adjustments for non-cash items: | | |
| Depreciation of tangible fixed assets | 494,559 | 490,339 |
| (Increase) in debtors | (20,575) | (20,483) |
| Increase in creditors | 157,463 | 110,992 |
| Interest charge in respect of the defined benefit pension liability | 11,000 | 11,000 |
| Staff service costs in respect of the defined benefit liability | 45,000 | 50,497 |
| Adjustments for investing and financing activities: | | |
| Interest payable | 45,476 | 50,057 |
| Interest received | (13,339) | (10,493) |
| Release of deferred Government capital grants | (291,328) | (293,598) |
| Forfeited share capital | (5) | (11) |
| | <u>522,260</u> | <u>543,229</u> |

23. Pension obligations

General

Yorkhill Housing Association Limited participates in the Scottish Housing Pension Scheme (the Scheme).

The Scheme is a multi-employer defined benefit scheme. The Scheme offers six benefit structures to employers, namely;

Final salary with a 1/60th accrual rate
 Career average revalued earnings with a 1/60th accrual rate
 Career average revalued earnings with a 1/70th accrual rate
 Career average revalued earnings with a 1/80th accrual rate
 Career average revalued earnings with a 1/120th accrual rate contracted in
 Defined Contribution

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.

Yorkhill Housing Association Limited has elected to operate the final salary with a 1/60th accrual rate for staff employed prior to 1 April 2011. All staff employed from 1 April 2011 are eligible to join the CARE 1/120th scheme including staff auto-enrolled from the staging date of 1 August 2016.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020**23. Pension obligations (continued)**

During the accounting period Yorkhill Housing Association Limited paid contributions at the rate of 12.6% of pensionable salaries for staff on Final Salary Scheme and 6.1% for staff on CARE 1/120th scheme. Member contributions were 12.5% and 6.0% respectively. There was an additional annual employer past service deficit contribution of £91,373 (net of administration costs) made in the year ended 31 March 2020 (2019 - £88,500).

As at the balance sheet date there were 5 active members of the Final Salary Scheme and 8 active members of Care 1/120th scheme (2019 - 8 & 3). The annual pensionable payroll in respect of these members was £421,574 (2019 - £538,275). Yorkhill Housing Association Limited continues to offer membership of the Scheme to its employees.

The Trustees 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.

The last triennial valuation of the Scheme was performed as at 30 September 2018 by a professionally qualified actuary using the "projected unit credit" method. The market value of the Scheme's assets at the valuation date was £877 million. The valuation revealed a shortfall of assets compared to liabilities of £121 million, equivalent to a past service funding level of 86%.

If an actuarial valuation reveals a shortfall of assets compared to liabilities the Trustee must prepare a recovery plan setting out the steps to be taken to make up the shortfall.

The key valuation assumptions used to determine the assets and liabilities of the Scheme as at 30 September 2018 are detailed below:

| | | |
|-------------------------------------|--|-----------------|
| - Investment return pre retirement | | 3.12% per annum |
| - Investment return post retirement | - Non-pensioners | 3.12% per annum |
| - Investment return post retirement | - Pensioners | 3.12% per annum |
| - Rate of salary increases | | 3.35% per annum |
| - Rate of pension increases | - pension accrued pre 6 April | 2.00% per annum |
| 2005 | | |
| | - pension accrued from 6 April | 1.70% per annum |
| | 2005 | |
| | - (for leavers before 1 October 1993 pension increases are | |
| | 5%) | |
| - Rate of price inflation | | 3.35% per annum |

YORKHILL HOUSING ASSOCIATION LIMITED

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

23. Pension obligations (continued)

The Trustee's view is that a new recovery plan is required from 1 April 2020 with a past service deficit contribution rate of £92,560, increasing by 3% per annum until the scheme is assessed for 30 September 2022. If the results show no deficit is identified, then deficit contributions will cease from that date. If, however the results show the deficit has not been cleared then these deficit contributions will continue until 31 March 2023, or until such time that the deficit has been cleared.

At 1 April 2018, on initial recognition of the multi-employer defined benefit scheme, the opening adjustment to the liability was £81,360 to recognise a liability of £434,000 as at 1 April 2018.

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 | 3,000 | 3,165 |
| Present value of defined benefit obligations | 3,098 | (3,513) |
| Defined benefit liability to be recognised | (98) | (348) |

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020**23. Pension obligations (continued)****Reconciliation of opening and closing balances of the defined benefit obligation**

| | Year ended 31 March 2020 £'000 | <i>Year ended 31 March 2019 £'000</i> |
|--|---|---|
| Defined benefit obligation at start of period | (3,513) | (3,447) |
| Current service cost | (88) | (48) |
| Expenses | (3) | (3) |
| Interest cost | (80) | (85) |
| Contribution by plan participants | (39) | (41) |
| Actuarial gains due to scheme experience | 93 | 4 |
| Actuarial gains/(losses) due to changes in demographic assumptions | 21 | (10) |
| Actuarial gains/(losses) due to changes in financial assumptions | 304 | (183) |
| Benefits paid and expenses | 207 | 300 |
| Defined benefit liability at the end of the period | (3,098) | (3,513) |

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

| | Year ended 31 March 2020 £'000 | <i>Year ended 31 March 2019 £'000</i> |
|--|---|---|
| Fair value of plan assets at start of the period | 3,165 | 3,013 |
| Interest income | 72 | 74 |
| Experience on plan assets (excluding amounts included in interest income (loss)/gain | (203) | 248 |
| Contributions by the employer | 134 | 89 |
| Contributions by participants | 39 | 41 |
| Benefits paid and expenses | (207) | (300) |
| Fair value of plan assets at end of period | 3,000 | 3,165 |

Defined benefit costs recognised in the Statement of Comprehensive Income

| | Year ended 31 March 2020 £'000 | <i>Year ended 31 March 2019 £'000</i> |
|--|---|---|
| Current service cost | 88 | 48 |
| Admin expenses | 3 | |
| Net interest expense | 8 | 11 |
| Defined benefit costs recognised in Statement of Comprehensive Income | 99 | 62 |

YORKHILL HOUSING ASSOCIATION LIMITED

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

23. Pension obligations (continued)

| | Year ended 31 March 2020 £'000 | Year ended 31 March 2019 £'000 |
|--|---|---|
| Experience on plan assets (excluding amounts included in net interest cost – (loss)/gain | (203) | 248 |
| Experience gains and losses arising on the plan liabilities – gain | 93 | 4 |
| Effects of changes in the demographic assumptions underlying the present value of the defined benefit obligation – gain/(loss) | 21 | (10) |
| Effects of changes in the financial assumptions underlying the present value of the defined benefit obligation – gain/(loss) | 304 | (183) |
| Total amount recognised in other comprehensive income – gain | 215 | 59 |

Fund allocation for employer's calculated share of assets

| | 31 March 2020 £'000 | 31 March 2019 £'000 |
|-------------------------------|------------------------------------|------------------------------------|
| Global Equity | 413 | 509 |
| Absolute Return | 184 | 268 |
| Distressed Opportunities | 55 | 54 |
| Credit Relative Value | 72 | 55 |
| Alternative Risk Premia | 240 | 177 |
| Fund of Hedge Funds | - | 9 |
| Emerging Markets Debt | 107 | 101 |
| Risk Sharing | 95 | 92 |
| Insurance-Linked Securities | 80 | 82 |
| Property | 56 | 63 |
| Infrastructure | 177 | 133 |
| Private Debt | 59 | 41 |
| Opportunistic Illiquid Credit | 73 | - |
| Corporate Bond Fund | 219 | 222 |
| Liquid credit | 79 | - |
| Long Lease Property | 73 | 38 |
| Secured Income | 167 | 110 |
| Over 15 Year Gilts | 38 | 81 |
| Liability Driven Investment | 790 | 1,127 |
| Net Current Assets | 23 | 3 |
| Total Assets | 3,000 | 3,165 |

YORKHILL HOUSING ASSOCIATION LIMITED

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

23. Pension obligations (continued)

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 | 2.4 |
| Inflation (RPI) | 2.67 |
| Inflation (CPI) | 1.67 |
| Salary growth | 2.67 |
| 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.

Member data summary

Active members

| | Number | Total earnings (£'000s p.a.) | Average age (unweighted) |
|--------------|-----------|---------------------------------|-----------------------------|
| Males | 8 | 263 | 49 |
| Females | 5 | 206 | 43 |
| Total | 13 | 469 | 46 |

Deferred members

| | Number | Deferred pensions (£'000s p.a.) | Average age (unweighted) |
|--------------|----------|------------------------------------|-----------------------------|
| Males | 1 | - | 51 |
| Females | 4 | 2 | 52 |
| Total | 5 | 2 | 52 |

Pensioners

| | Number | Pensions (£'000s p.a.) | Average age (unweighted) |
|--------------|-----------|---------------------------|-----------------------------|
| Males | 2 | 5 | 62 |
| Females | 11 | 95 | 66 |
| Total | 13 | 100 | 66 |

23. Pension obligations (continued)

Employer 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 buyout 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 TPT of the estimated employer debt on withdrawal from the Scheme based on the financial position of the Scheme as at 30 September 2018. The employer debt on withdrawal based on the valuation as at 30 September 2019 was £2,067,086.

GMP equalisation

Guaranteed Minimum Pension (GMP) is the minimum pension which an occupational pension scheme in the UK has to provide for those employees who were contracted out of the State Earnings-Related Pension Scheme (SERPS).

Both pension scheme members and sponsoring employers paid lower National Insurance contributions at the time of accrual given the lower benefits being accrued for the member by the state.

Women can currently receive their GMP benefits at age 60 compared to age 65 for men. GMP also accrued at a faster rate for women than men. Historically some defined benefit schemes had different retirement ages for men and women. Therefore schemes are required to "equalize" pension ages and overall benefit scales between males and females. The Scheme actuary is therefore required to estimate the impact of GMP and include an allowance for the increase in calculated liabilities.

24. Payments to members and key management personnel

Some members of the Management Committee are tenants of the Association. The tenancies 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 Board members is £32,674 (2019 - £15,952). The prepaid rent relating to tenant Board members included within debtors at the year-end is £1,188 (2019 - £592). The total rental arrears relating to tenant Board members included within creditors at the year-end is £490 (2019 - £46).

The total remuneration (including pension contributions and benefits in kind) paid to Key Management who are deemed to be the Executive Officers as noted on the Association's information page was £373,898 (2019 - £262,069).