

Registered Housing Association No. HAC326
FCA Reference No. 2562R(S)
Scottish Charity No. SC029908

HILLHEAD HOUSING ASSOCIATION 2000 LIMITED

REPORT and FINANCIAL STATEMENTS

For the year ended 31 March 2019

HILLHEAD HOUSING ASSOCIATION 2000 LIMITED

REPORT and FINANCIAL STATEMENTS

For the year ended 31 March 2019

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HILLHEAD HOUSING ASSOCIATION 2000 Limited

MANAGEMENT COMMITTEE, EXECUTIVES and ADVISERS

Year ended 31 March 2019

Management Committee

Clare Taylor	Chairperson
Lisa Scott	Vice Chairperson
Cllr Stewart MacDonald	
Robert Smith	
Mary Docherty	Secretary
David Wilson	
Cllr Susan Murray	
Stuart Niven	Treasurer
Cllr John Jamieson	
Catherine McKay-McCann	
Gary Jackson	Co-opted 03 April 2019

Executive Officers

Stephen Macintyre	Director
Catherine McKiernan	Depute Director

Registered Office

2 Meiklehill Road
Hillhead
Kirkintilloch
Glasgow
G66 1LA

External Auditors

Chiene + Tait LLP
Chartered Accountants and
Statutory Auditor
Edinburgh
EH3 6NL

Internal Auditors

Quinn Internal Auditors
55 Lady Place
Livingston
EH54 6TB

Bankers

RBS
116 Cowgate
Kirkintilloch
Glasgow
G66 1JX

Finance Agents

FMD Financial Services
KCEDG Commercial Centre
Unit 29 Ladyloan Place
Glasgow
G15 8LB

Solicitors

Brechin Tindall Oats
48 St Vincent Street
Glasgow
G2 5HS

HILLHEAD HOUSING ASSOCIATION 2000 LIMITED

REPORT of the MANAGEMENT COMMITTEE

For the year ended 31 March 2019

The Management Committee presents its report and the Financial Statements for the year ended 31 March 2019.

Legal Status

The Association is a registered non-profit making organisation under the Co-operative and Community Benefit Societies Act 2014 No. 2562R(S). The Association is governed under its Rule Book. The Association is a registered Scottish Charity with the charity number SC029908.

Principal Activities

The principal activities of the Association are the provision and management of affordable rented accommodation.

Review of Business and Future Developments

Hillhead Housing Association made an operating surplus of £1.315m during the year to 31 March 2019. Its financial operations remain stable and we continue to be supported by a Loan Facility from RBS.

The Association's main source of income is from rents. Rent received to the end of March was £3.4m. The Association's Rent Setting Policy is based on the size, type and facilities of the accommodation and the historic costs of the properties. The rent structure is easy to administer and covers the wide variations within the Association's properties. We consult with tenants each year about our proposals for the following year's rent taking account of investment priorities, affordability and scope for efficiencies within our own management costs. A percentage value is applied annually to ensure that the rents cover the required costs. Rents were increased by 2.6% for 18/19.

Whilst just over £80,000 has been spent on new components, work began on the Braes O' Yetts development and £2.5m has been spent this year, which has been partly grant funded. The development, when completed, will provide 22 new rented and 8 shared equity houses. In addition, £400,000 has been spent on the acquisition of six new properties. This has also been partly grant funded.

The net cost of housing assets at 31 December 2018 is £25.9m

The net cost of other fixed assets is £1.04m.

Cash balances at 31 March 2019 amount to just over £2.3m, higher than the budgeted amount of £1.587m. This is due to the higher surplus in the year so far, offset by the lower sales income, a lower opening balance and differences in capital income and expenditure.

Long term creditors are £13.6m and deferred income is £13.7m, leaving the Association's net assets of £88k.

Structure, governance and management

The members of the Management Committee and the Executive Officers are listed on page 2.

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.

It is the responsibility of the Management Committee to undertake the strategy, setting of policy and overall direction of the Association. They also monitor the operational activities of the Association. The members of the Committee of Management are unpaid.

HILLHEAD HOUSING ASSOCIATION 2000 LIMITED

REPORT of the MANAGEMENT COMMITTEE

For the year ended 31 March 2019

Our governing body is our Management Committee, which is responsible to the wider membership. Management Committee members serve in a voluntary capacity, and we recognise that this puts even more onus on us to ensure that we set and achieve high standard of professionalism in our work. We take governance very seriously, and in the last year we continued to build on work from previous years which strengthened our governance arrangements.

Training and Recruiting Committee Members.

Any vacancies on the Management Committee are filled from members of the community who are interested in the Associations aims and objectives for the area and come from a range of backgrounds. Induction training is provided for all new committee members.

Committee members complete a self-assessment appraisal annually which identifies any training and additional governance support needs.

The members of the Management Committee are also Trustees of the Charity. Members of the Management Committee are appointed by the members at the Annual General Meeting.

Corporate Issues

Tenant involvement and participation is a major part of Hillhead Housing Association's Aims and Objectives, and we continue to review how Hillhead Housing Association involves tenants in its activities to ensure we offer a wide a range of opportunities as possible.

During the year the Association carried out an Organisational Review and is part way through following the recommendations. The Committee has agreed a Top Operating Model to be achieved over the next 5 years and has modified its staffing structure accordingly.

In March a member of the Senior Management Team retired and her successor was appointed in May 2019.

In January the Association submitted a proposal to Abronhill Housing Association to provide it with part time Senior Officer Services. Following our successful appointment this role is now shared between our Director and newly appointed Depute Director.

Risk management

The Association has an active risk management process, with policies, risk matrix map and a business continuity plan. All major risks are considered so mitigating action can be planned.

Key risks include: Internal risks - loss of key staff or committee personnel, fraud, health & safety failures; and these are mitigated by robust policies, procedures, and a range of audits. External risks include: - welfare reform impacts, changes in regulatory requirements, data loss/cyber-security issues and these are mitigated by close attention to external information and advice, active membership of representative bodies and obtaining best practice advice on IT security and data protection matters.

Performance Management and Service Delivery

Performance management and service delivery are high priorities for the Association.

The staff team has worked hard to achieve the outcomes in the Scottish Social Housing Charter and have assessed performance in all areas of service delivery throughout the year and performance continues to improve in most of these areas.

Policies and procedures have been reviewed and agreed by the Committee of Management in 2018/19. Performance in arrears management is also closely monitored as an increasing number of our tenants are impacted by ongoing welfare reform. Whilst there has been a slight increase in the rent collected in the year from 98.8% to 100.36% rent arrears have increased too, largely attributable to outstanding Universal Credit rental payments.

HILLHEAD HOUSING ASSOCIATION 2000 LIMITED

REPORT of the MANAGEMENT COMMITTEE (continued)

For the year ended 31 March 2019

In 2019 we carried out our 3 yearly Tenant Satisfaction Survey and we are pleased that the Association continues to receive very good levels of tenant satisfaction. Value for Money is one area where feedback saw a lower level of satisfaction and this is one area we will be concentrating on over the current year.

Our repairs service continues to receive impressive levels of tenant satisfaction and our repair response times are amongst the best in Scotland. We responded to Emergency Calls within an average time 1.18hours and to Non-Emergency Calls within an average time of 2.43 days.

The Scottish Housing Regulator has recently completed its annual regulatory assessment of Registered Social Landlords (RSL's). The regulatory assessment includes a review of financial health, governance and performance. This year's assessment also takes account of landlords' performance against the Scottish Social Housing Charter for the first time. The SHR informed the Association that they will continue to have a low level of engagement with Hillhead.

Best use of resources

We regularly conduct risk assessments and take any action necessary to reduce or limit risk. Our next stock condition survey is due to take place in 2019 and will inform future planned maintenance requirements within our longer-term financial planning framework. We continue to meet regularly with our funder, RBS and keep them updated with our financial and strategic plans.

Development Issues

Hillhead has a strong track record in development activity and continues to seek development opportunities in the area as they arise. Our latest new build development at Braes O' Yetts has been our first development with a private house builder and is due to be completed in September. As well as housing for rent it includes Shared Equity homes for sale which is a completely new tenure for the Association to become involved with.

A second development opportunity with CALA Homes is also being progressed although it is at very early planning stages.

Housing Issues

A major issue for all RSL's is the Government's changes to Welfare Reform. Hillhead continues to engage with tenants whom the benefits changes affect in order to signpost them in the direction of financial advice and support. Our in-house welfare rights service and Tenancy Support service provide all of our tenants and residents with excellent up to date advice, support and information on a range of issues like Benefit Sanctions, Hardship payments, Budgeting Loans, Scottish Welfare Fund and much more.

Wider Role

We continue to promote and support community-based activities where these are relevant to the Association. During the year we continue to support the now well-established community garden and have been progressing plans for our Cycle Path along a 2km stretch of Canal. This project has not been without its difficulties as it straddles two scheduled monuments as well as a World Heritage Site and has involved negotiations with several landowners. A revised planning application is expected to be submitted this year with external funding already secured.

Investment

Appraisal

All capital expenditure is regulated by budgetary process and authorisation levels. For expenditure beyond specified levels, detailed written proposals have to be submitted to the Committee. Reviews are carried out during the development period, to monitor expenditure and performance.

HILLHEAD HOUSING ASSOCIATION 2000 LIMITED

REPORT of the MANAGEMENT COMMITTEE (continued)

For the year ended 31 March 2019

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 Association has procedures in place which the Management Committee has established with a view to providing effective internal financial controls.

General Reserves Policy

The Committee members have reviewed the reserves of Hillhead Housing Association. This review encompassed the nature of the income and expenditure streams, the need to match variable income with fixed commitments and the nature of the reserves. During the year the charity's revenue reserve increased to £88k. The Committee seeks to ensure that the budgeting of the Association's results continues to bring the reserves up to a satisfactory level.

Budgetary Process

Each year the Management Committee approves the annual budget, 5 year projections and a rolling 30 - year financial plan. Key risk areas are identified. Performance is monitored and relevant action taken throughout the year through quarterly reporting to the Management Committee of variances from the budget, updated forecasts for the year together with information on the key risk areas. Approval procedures are in place in respect of major areas of risk such as major contract tenders, expenditure and treasury management.

The Association's financial plans form part of the Association's 3 year rolling Internal Management Plan which is reviewed annually by the Management Committee. An agreed set of Business Objectives are monitored quarterly by the Management Committee.

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 Association encourages employee involvement in all Health and Safety initiatives. The Association monitors its Health and Safety work closely. A Health & Safety audit took place in 2018/2019 and the recommendations from the audit have been put in place.

Quality and Integrity of Personnel

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

HILLHEAD HOUSING ASSOCIATION 2000 LIMITED

REPORT of the MANAGEMENT COMMITTEE (continued)

For the year ended 31 March 2019

Statement of Management Committee's Responsibilities

The Co-operative and Community Benefit Act 2014 require 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 surplus or deficit of the Association for that period. In preparing those Financial Statements, the Management Committee is required to:

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

The Management Committee is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Association and to enable them to ensure that the Financial Statements comply with the Co-operative and Community Benefit Societies Act 2014, the Housing (Scotland) Act 2014 and the Determination of Accounting Requirements – 2014. 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. It is also responsible for ensuring the Association's suppliers are paid promptly.

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:

- there is no relevant audit information (information needed by the Association's auditors in connection with preparing their report) of which the Association's auditors are unaware, and
- the Management Committee have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the Association's auditors are aware of that information.

Donations

During the year the Association made charitable donations amounting to £250 (2018: £150).

The Report of the Management Committee has been approved on behalf of the Management Committee by:

Mary Docherty
Secretary

28 August 2019

HILLHEAD HOUSING ASSOCIATION 2000 LIMITED

REPORT of the MANAGEMENT COMMITTEE (continued)

For the year ended 31 March 2019

Statement on Internal Financial Control

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

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

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

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

The Management Committee has reviewed the effectiveness of the system of internal financial control in existence in the Association for the year ended 31 March 2019. No weaknesses were found in the internal financial controls which resulted in material losses, contingencies or uncertainties which require disclosure in the financial statements or in the auditor's report on the financial statements.

BY ORDER OF THE MANAGEMENT COMMITTEE

Mary Docherty
Secretary

28 August 2019

REPORT by the AUDITORS to the MEMBERS OF

HILLHEAD HOUSING ASSOCIATION 2000 LIMITED

On CORPORATE GOVERNANCE MATTERS

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 in the publication 'Our Regulatory Framework' and associated Regulatory Advice Notes which are issued by the Scottish Housing Regulator.

Basis of Opinion

We carried out our review having regard to the requirements relating to corporate governance matters within Bulletin 2006/5 issued by the Auditing Practices Board. 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 reasons 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 Advice 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 within the publication 'Our Regulatory Framework' and associated Regulatory Advice Notes issued by the Scottish Housing Regulator in respect of internal financial controls.

Chiene + Tait LLP
Chartered Accountants and Statutory Auditor
61 Dublin Street
Edinburgh
EH3 6NL

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Opinion

We have audited the financial statements of Hillhead Housing Association 2000 Limited (the 'Association') for the year ended 31 March 2019 which comprise the Statement of Comprehensive Income, Statement of Financial Position, Statement of Cash Flows, Statement of Changes in Equity and related notes, 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 2019 and of its income and expenditure for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Co-operative and Community Benefit Societies Act 2014, Part 6 of the Housing (Scotland) Act 2010 and the Determination of Accounting Requirements – 2010.

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Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the association in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

- the 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 is responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, 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.

INDEPENDENT AUDITORS REPORT to the MEMBERS OF

HILLHEAD HOUSING ASSOCIATION 2000 LIMITED (continued)



Matters on which we are required to report by exception

In the light of our knowledge and understanding of the Association and its environment obtained in the course of the audit, we have not identified material misstatements in the Report of the Management Committee.

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

- a satisfactory system of control over transactions has not been maintained; or
- the Association has not kept proper accounting records; or
- the financial statements are not in agreement with the books of account; 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 Management Committee's Responsibilities as set out on Page 7, the Management Committee are 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 determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in 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 the Co-operative and Community Benefit Societies Act 2014. Our audit work has been undertaken so that we might state to the Association's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Association and the Association's members as a body for our audit work, for this report, or for the opinions we have formed.

CHIENE + TAIT LLP
Chartered Accountants and Statutory Auditor
61 Dublin Street
Edinburgh
EH3 6NL

2019

HILLHEAD HOUSING ASSOCIATION 2000 LIMITED

STATEMENT of COMPREHENSIVE INCOME

For the year ended 31 March 2019

	Notes	£	2019 £	£	2018 £
Revenue	2		4,026,818		3,949,248
Operating costs	2		(2,711,725)		(2,599,612)
Operating surplus			1,315,093		1,349,636
Gain on sale of housing stock	7	-		114,937	
Interest receivable and other income		4,035		1,086	
Interest payable and similar charges	8	(1,040,571)		(727,658)	
Other finance charges		(9,000)		(1,072)	
			(1,045,536)		(612,707)
Surplus before other comprehensive income	9		269,557		736,929
Other comprehensive income					
Initial recognition of defined benefit scheme	21		(178,000)		-
Actuarial losses in respect of pension scheme	21		(64,000)		-
Pension scheme movements			-		197,000
Total comprehensive income			27,557		933,929

The notes on pages 16 to 29 form part of these financial statements.

HILLHEAD HOUSING ASSOCIATION 2000 LIMITED

STATEMENT of FINANCIAL POSITION

As at 31 March 2019

	Notes	2019		2018	
		£	£	£	£
Non-current assets					
Housing properties – depreciated cost	11(a)		25,934,377		23,718,817
Other non-current assets	11(b)		1,039,711		1,062,233
			-----		-----
			26,974,088		24,781,050
Current assets					
Receivables	13	169,219		368,923	
Cash at bank and in hand		2,308,725		1,008,127	
			-----		-----
		2,477,944		1,377,050	
Creditors: amounts falling due within one year	14	(1,621,874)		(436,225)	
			-----		-----
Net current assets			856,070		940,825
			-----		-----
Total assets less current liabilities			27,830,158		25,721,875
Creditors: amounts falling due after more than one year	15		(13,614,000)		(13,466,146)
Deferred income					
Social Housing Grants	17	(13,316,301)		(11,621,072)	
Other grants	17	(422,985)		(435,754)	
			-----		-----
			(13,739,286)		(12,056,826)
Provisions for liabilities					
Pension - deficit funding liability	21		-		(138,576)
Pension – defined benefit liability	21		(389,000)		-
			-----		-----
Net assets			87,872		60,327
			=====		=====
Equity					
Share capital	18		60		72
Revenue reserves			476,812		60,255
Pension reserves			(389,000)		-
			-----		-----
			87,872		60,327
			=====		=====

The financial statements were approved by the Management Committee and authorised for issue and signed on their behalf by:

..... Chairperson
 Committee Member
 Secretary

28 August 2019

The notes on pages 16 to 29 form part of these financial statements.

HILLHEAD HOUSING ASSOCIATION 2000 LIMITED

STATEMENT of CASH FLOWS

For the year ended 31 March 2019

	Notes	£	2019 £	£	2018 £
Net cash inflow from operating activities	16		3,110,593		1,387,761
Investing activities					
Acquisition and construction of properties		(3,050,144)		(286,805)	
Purchase of other fixed assets		(22,673)		(25,162)	
Social Housing Grant received		2,081,503		126,613	
Proceeds on disposal of properties		-		237,321	
		-----		-----	
Net cash (outflow)/inflow from investing activities			(991,314)		51,967
Financing activities					
Loan advances received				-	
Interest received on cash and cash equivalents		4,035		1,086	
Interest paid on loans		(717,717)		(705,860)	
Loan principal repayments		(105,000)		(105,000)	
Share capital issued		1		10	
		-----		-----	
Net cash outflow from financing activities			(818,681)		(809,764)
			-----		-----
Increase in cash			1,300,598		629,964
Opening cash and cash equivalents			1,008,127		378,163
			-----		-----
Closing cash and cash equivalents			2,308,725		1,008,127
			=====		=====
Cash and cash equivalents at 31 March 2019			2,308,725		1,008,127
			=====		=====

The notes on pages 16 to 29 form part of these financial statements.

HILLHEAD HOUSING ASSOCIATION 2000 LIMITED

STATEMENT of CHANGES in EQUITY

As at 31 March 2019

	Share Capital	Pension Reserve	Revenue Reserve	Total
	£	£	£	£
Balance as at 1 April 2017	79	(197,000)	(676,674)	(676,595)
Issue of shares	10	-	-	10
Cancellation of shares	(17)	-	-	(17)
Other comprehensive income – pension scheme	-	197,000	-	-
Surplus for the year	-	-	736,929	736,929
	-----	-----	-----	-----
Balance as at 31 March 2018	72	-	60,255	60,327
	=====	=====	=====	=====
Balance as at 1 April 2018	72	-	60,255	60,327
Issue of shares	1	-	-	1
Cancellation of shares	(13)	-	-	(13)
Surplus for the year	-	-	269,557	269,557
Pension scheme – movement in pension liability	-	(147,000)	147,000	-
Other comprehensive income – pension scheme	-	(242,000)	-	(242,000)
	-----	-----	-----	-----
Balance as at 31 March 2019	60	(389,000)	476,812	87,872
	=====	=====	=====	=====

HILLHEAD HOUSING ASSOCIATION 2000 LIMITED

NOTES to the FINANCIAL STATEMENTS

For the year ended 31 March 2019

1. Principal accounting policies

Statement of compliance

The financial statements of have been prepared in accordance with applicable law and United Kingdom Accounting Standards including Financial Reporting Standard 102, 'The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland' (FRS102) (United Kingdom Generally Accepted Accounting Practice), the Housing SORP 2014 'Statement of Recommended Practice for Registered Housing Providers' and they comply with the Determination of Accounting Requirements 2014, and under the historical cost convention, modified to include certain financial instruments at fair value.

The Association is a Public Benefit Entity in terms of its compliance with Financial Reporting Standard 102. These financial statements represent the results of the Association only and are presented in Pounds Sterling (GBP).

Going concern

The Management Committee anticipate that a surplus will be generated in the year to 31 March 2020. The Association has healthy cash and net current asset position and thus the Management Committee are satisfied that there are 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.

Revenue

The Association recognises rent receivable net of losses from voids.

Government Grants are released to income over the expected useful life of the asset to which it relates.

Retirement benefits

The Association participates in the Scottish Housing Associations' Pension Scheme (SHAPS) and retirement benefits to employees of the Association are funded by 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 Association has moved from the Defined Benefit scheme to the Scottish Housing Association Defined Contribution scheme. All existing and new staff are invited to join this scheme.

It has become possible to identify the share of underlying assets and liabilities belonging to individual participating employers as at 31 March 2019 and the scheme is now accounted for as a defined benefit plan, as opposed to defined contribution, for the benefit of its employees. No new benefits have been introduced and there is no change to the benefits themselves.

A liability for the Association's obligations under the plan is recognised net of plan assets. The net change in the net defined benefit liability is recognised as the cost of the defined benefit plan during the period. Pension plan assets are measured at fair value and the defined benefit obligation is measured on an actuarial basis using the projected unit method. Actuarial valuations are obtained at least triennially and are updated at each balance sheet date.

Historically the scheme was accounted for as a defined contribution scheme as there was insufficient information for each social landlord's share of SHAPS to allow for defined benefit accounting. The liability previously recognised for the present value of the social landlord's deficit funding agreement has been derecognised. The difference between the deficit funding agreement liability, historically recognised for SHAPS, and the net defined benefit deficit for SHAPS, has been recognised in other comprehensive income. This accounting policy change has been accounted for in accordance with FRED 71: Draft Amendments to FRS 102: Multi-employer defined benefit plans as a matter of best practice. FRED 71 is an exposure draft and has not yet been implemented into financial reporting standards.

HILLHEAD HOUSING ASSOCIATION 2000 LIMITED

NOTES to the FINANCIAL STATEMENTS (continue)

For the year ended 31 March 2019

1. Principal accounting policies (continued)

Valuation of housing properties

Housing properties are stated at cost less accumulated depreciation. Housing under construction and land are not depreciated. The Association depreciates housing properties by major component on a straight-line basis over the estimated useful economic lives of each identified component. All components are categorised as Housing Properties within note 11. Impairment reviews are carried out if events or circumstances indicate that the carrying value of the components listed below is higher than the recoverable amount.

Component	Useful economic life
Structure	50 years
Central heating	15 years
Windows	25 years
Kitchen	15 years
Bathroom	20 years
External doors	25 years
Rewiring	20 years

Depreciation and impairment of other non-current assets

Non-current assets are stated at cost less accumulated depreciation. Depreciation is charged on a straight-line basis over the expected economic useful lives of the assets at the following annual rates:

Asset Category	Depreciation Rate
Office premises	2%
Furniture and fittings	33%
Computer and office equipment	33%
Van	33%

The carrying value of non-current assets are reviewed for impairment at the end of each reporting period.

Social Housing Grant and other grants in advance/arrears

Social Housing Grants and Other Grants are accounted for using the Accrual Method as outlined in Section 24 of Financial Reporting Standard 102. Grants are treated as deferred income and recognised in income on a systematic basis over the expected useful life of the property and assets to which it relates.

Social Housing Grant attributed to individual components is written off to the Statement of Comprehensive Income when these components are replaced.

Social Housing Grant received in respect of revenue expenditure is credited to the Statement of Comprehensive Income in the same period as the expenditure to which it relates.

Although Social Housing Grant is treated as a grant for accounting purposes, it may nevertheless become repayable in certain circumstances, such as the disposal of certain assets. The amount repayable would be restricted to the net proceeds of sale.

Sales of housing properties

Disposals of housing property under the Right to Buy scheme are treated as non-current assets disposals and any gain or loss on disposal accounted for in the Statement of Comprehensive Income.

HILLHEAD HOUSING ASSOCIATION 2000 LIMITED

NOTES to the FINANCIAL STATEMENTS (continue)

For the year ended 31 March 2019

1. Principal accounting policies (continued)

Estimation uncertainty

The preparation of financial statements requires the use of certain accounting estimates. It also requires the Board of Management to exercise judgement in applying the Association's Accounting Policies. The areas requiring a higher degree of judgement, or complexity, and areas where assumptions or estimates are most significant to the financial statements, are disclosed below:

- (a) Rent Arrears – Bad Debt Provision
The Association assesses the recoverability of rent arrears through a detailed assessment process which considers tenant payment history, arrangements in place and court action.
- (b) Life Cycle of Components
The Association estimates the useful lives of major components of its housing property with reference to surveys carried out by external qualified surveyors.
- (c) Useful life of properties, plant and equipment
The Association assesses the useful life of its properties, plant and equipment and estimates the annual charge to be depreciated based on this assessment.

Leases/leased assets

Costs in respect of operating leases are charged to the Statement of Comprehensive Income on a straight-line basis over the lease term. Assets held under finance leases and hire purchase contracts are capitalised in the Statement of Financial Position and are depreciated over their useful lives.

Works to existing properties

The Association capitalises major repairs expenditure where these works result in an enhancement of economic benefits by increasing the net rental stream over the life of the property.

Capitalisation of development overheads

Directly attributable development administration costs relating to development activities are capitalised in accordance with the Statement of Recommended Practice.

Development interest

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

Key judgements made in the application of Accounting Policies

- (a) The Categorisation of Housing Properties
In the judgement of the Board of Management, the entirety of the Association's housing stock is held for social benefit and is therefore classified as Property, Plant and Equipment in accordance with FRS 102.
- (b) Identification of Cash Generating Units
The Association considers its cash-generating units to be the schemes in which it manages its housing property for asset management purposes.
- (c) Financial instrument break clauses
The Association has considered the break clauses attached to the financial instruments that it has in place for its loan funding. In the judgement of the Board of Management, these break clauses do not cause the financial instrument to be classified as a complex financial instrument and therefore they meet the definition of a basic financial instrument.

HILLHEAD HOUSING ASSOCIATION 2000 LIMITED

NOTES to the FINANCIAL STATEMENTS (continue)

For the year ended 31 March 2019

1. Principal accounting policies (continued)

(d) Pension liability

This has relied on the actuarial assumptions of a qualified actuary which have been reviewed and are considered reasonable and appropriate.

2. Particulars of Turnover, Operating Costs and Operating Surplus or Deficit from Affordable Letting and Other Activities

	2019			2018		
	Turnover	Operating Costs	Operating Surplus/ (Deficit)	Turnover	Operating Costs	Operating Surplus (Deficit)
	£	£	£	£	£	£
Affordable letting activities (note 3)	3,884,275	2,534,164	1,350,111	3,795,660	2,381,372	1,414,288
Other activities (note 4)	142,543	177,561	(35,018)	153,588	218,240	(64,652)
Total	4,026,818	2,711,725	1,315,093	3,949,248	2,599,612	1,349,636

HILLHEAD HOUSING ASSOCIATION 2000 LIMITED

NOTES to the FINANCIAL STATEMENTS (continue)

For the year ended 31 March 2019

3. Particulars of Income and Expenditure from Affordable Letting Activities

	General Needs Housing	2019	2018
	£	£	£
Revenue from lettings			
Rent receivable	3,460,522	3,460,522	3,374,932
	-----	-----	-----
Gross income from rent and service charges	3,460,522	3,460,522	3,374,932
<u>Less:</u> Rent losses from voids	22,410	22,410	15,590
	-----	-----	-----
Net rentals receivable	3,438,112	3,438,112	3,359,342
Grants released from deferred income	399,043	399,043	387,318
Revenue grants from Scottish Ministers	47,120	47,120	49,000
	-----	-----	-----
Total turnover from affordable letting activities	3,884,275	3,884,275	3,795,660
	-----	-----	-----
Expenditure on affordable letting activities			
Management and maintenance administration costs	1,028,324	1,028,324	1,003,423
Planned and cyclical maintenance, including major repairs	302,832	302,832	243,900
Reactive maintenance costs	346,452	346,452	303,449
Bad debts – rents	21,974	21,974	20,871
Depreciation of affordable let properties	834,582	834,582	809,729
	-----	-----	-----
Operating costs of affordable letting activities	2,534,164	2,534,164	2,381,372
	-----	-----	-----
Operating surplus on affordable letting activities	1,350,111	1,350,111	1,414,288
	=====	=====	=====
2018	1,414,288		
	=====		

The figure of £302,832 (2018: £243,900) for planned and cyclical maintenance includes major repairs of £93,987 (2018: £58,230).

HILLHEAD HOUSING ASSOCIATION 2000 LIMITED

NOTES to the FINANCIAL STATEMENTS (continue)

For the year ended 31 March 2019

4. Particulars of Revenue, Operating Costs and Operating Surplus or Deficit from Other Activities

	Grants From Scottish Ministers £	Other Revenue Grants £	Other Income £	Total Turnover £	Operating Costs Other £	Operating Surplus/ (Deficit) 2019 £	Operating Surplus/ (Deficit) 2018 £
Wider role activities	36,442	12,196	1,800	50,438	62,846	(12,408)	(20,220)
Welfare Rights	-	58,522	14,154	72,676	95,286	(22,610)	(44,954)
Agency or management services	-	-	19,429	19,429	19,429	-	-
Rechargeable repairs	-	-	-	-	-	-	522
Total from other activities	36,442	70,718	35,383	142,543	177,561	(35,018)	(64,652)
2018	48,000	70,842	34,746	153,588	218,240	(64,652)	

HILLHEAD HOUSING ASSOCIATION 2000 LIMITED

NOTES to the FINANCIAL STATEMENTS (continue)

For the year ended 31 March 2019

5. Officers Emoluments

Officers are defined in the Co-operative and Community Benefit Societies act 2014 as the members of the Management Committee, managers and employees of the Association.

	2019	2018
	£	£
Aggregate emoluments payable to officers with emoluments greater than £60,000 (excluding pension contributions)	65,031	62,906
	=====	=====
Pension contributions made on behalf of officers with emoluments greater than £60,000	5,457	4,687
	=====	=====
Emoluments payable to Chief Executive (excluding pension contributions)	65,031	62,906
	=====	=====
Total emoluments paid to key management personnel	70,488	67,593
	=====	=====

The number of officers, including the highest paid officer, who received emoluments (excluding pension contributions) over £60,000 was in the following ranges:

	2019	2018
	No.	No.
£60,001 to £70,000	1	1
	=====	=====

6. Employee information

	2019	2018
	No.	No.
The average monthly number of full-time equivalent persons employed during the year was:	20	19
	=====	=====
The average total number of employees employed during the year was:	22	22
	=====	=====
	£	£
Staff costs were:		
Wages and salaries	626,135	646,456
Social Security costs	58,021	57,448
Other pension costs	47,428	44,921
	-----	-----
	731,584	748,825
	=====	=====

During the year contributions of £45,992 (2018: £43,485) were made to the Scottish Housing Association Defined Contribution scheme. The remainder of £1,436 in both the current and prior year relates to pension deficit expenses.

7. Gain on sale of housing stock

	2019	2018
	£	£
Sales proceeds	-	237,321
Cost of sales	-	122,384
	-----	-----
Gain on sale of housing stock	-	114,937
	=====	=====

HILLHEAD HOUSING ASSOCIATION 2000 LIMITED

NOTES to the FINANCIAL STATEMENTS (continue)

For the year ended 31 March 2019

8. Interest payable and similar charges	2019	2018
	£	£
On bank loans and overdrafts	717,717	705,860
Effective interest rate adjustment	322,854	21,798
	-----	-----
	1,040,571	727,658
	=====	=====

The effective interest rate adjustment noted above is a one-off reversal to an amendment made in the prior year in respect of a loan from the Scottish Government.

9. Surplus/(deficit) for the year	2019	2018
	£	£
Surplus for the year is stated after charging/(crediting):		
Depreciation – tangible owned fixed assets	879,776	879,833
Auditors' remuneration – audit services	10,476	8,334
Operating lease rentals – other	4,184	4,512
Loss on sale of fixed assets	-	114,937
	=====	=====

10. Tax on surplus/(deficit) on ordinary activities

The Association is a Registered Scottish Charity and is not liable to United Kingdom Corporation Tax on its charitable activities.

11. Non-current assets	Housing Properties Held for letting	Housing Properties in course of construction	Total
	£	£	£
(a) Housing properties			
Cost			
At 1 April 2018	29,168,737	73,734	29,242,471
Additions	482,230	2,567,913	3,050,143
Disposals	(83,278)	-	(83,278)
	-----	-----	-----
As at 31 March 2019	29,567,689	2,641,647	32,209,336
	-----	-----	-----
Depreciation			
As at 1 April 2019	5,523,654	-	5,523,654
Charge for year	834,581	-	834,581
Disposals	(83,278)	-	(83,278)
	-----	-----	-----
As at 31 March 2019	6,274,957	-	6,274,957
	-----	-----	-----
Net book value			
As at 31 March 2019	23,292,732	2,641,647	25,934,379
	=====	=====	=====
As at 31 March 2018	23,645,083	73,734	23,718,817
	=====	=====	=====

HILLHEAD HOUSING ASSOCIATION 2000 LIMITED

NOTES to the FINANCIAL STATEMENTS (continue)

For the year ended 31 March 2019

11. Non-current assets (continued)

(a) Housing properties (continued)

Additions to housing properties include capitalised development administration costs of £nil (2018: £15,544) and capitalised major repair costs to existing properties for £84,810 (2018: £50,156).

All land and housing properties are heritable.

Total expenditure on existing properties in the year amounted to £734,094 (2018: £597,505). The amount capitalised is £84,810 (2018: £50,156) with the balance charged to the statement of comprehensive income. The amounts capitalised can be further split between component replacement of £84,810 (2018: £50,156) and improvement of £Nil (2018: £Nil).

The Association's lenders have standard securities over Housing Property with a carrying value of £18,284,971 (2018: £23,645, 083).

	Office Premises	Furniture and Equipment	Van	Total
	£	£	£	£
(b) Other tangible assets				
Cost				
At 1 April 2018	1,104,577	286,297	42,319	1,433,193
Additions	-	22,673	-	22,673
	-----	-----	-----	-----
As at 31 March 2019	1,104,577	308,970	42,319	1,455,866
	-----	-----	-----	-----
Aggregate depreciation				
As at 1 April 2019	66,276	262,365	42,319	370,960
Charge for year	22,092	23,103	-	45,195
	-----	-----	-----	-----
As at 31 March 2019	88,368	285,468	42,319	416,155
	-----	-----	-----	-----
Net book value				
As at 31 March 2019	1,016,209	23,502	-	1,039,711
	=====	=====	=====	=====
As at 31 March 2018	1,038,301	23,932	-	1,062,233
	=====	=====	=====	=====

12. Commitments under operating leases

At the year end, the total future minimum lease payments under non-cancellable operating leases were as follows:

	2019	2018
	£	£
Other		
Not later than one year	5,532	2,152
Later than one year and not later than five years	2,156	5,320
	=====	=====

Lease commitments have been restated under FRS 102 to include the timing of the full payment due under the contract.

HILLHEAD HOUSING ASSOCIATION 2000 LIMITED

NOTES to the FINANCIAL STATEMENTS (continue)

For the year ended 31 March 2019

13. Receivables: amounts falling due within one-year	2019	2018
	£	£
Arrears of rent and service charges	166,235	171,907
<u>Less:</u> Provision for doubtful debts	(91,059)	(84,875)
	-----	-----
	75,176	87,032
Other receivables	94,042	281,891
	-----	-----
	169,218	368,923
	=====	=====
14. Payables: amounts falling due within one-year	2019	2018
	£	£
Housing loans	175,000	105,000
Trade payables	1,321,871	30,474
Rent received in advance	75,782	75,949
Other taxation and social security	15,912	16,365
Other payables	33,309	162,013
Liability for past service contributions	-	46,424
	-----	-----
	1,621,874	436,225
	=====	=====

At the balance sheet date there were pension contributions outstanding of £9,393 (2018: £11,601).

15. Payables: amounts falling due after more than one-year	2019	2018
	£	£
Housing loans	13,614,000	13,466,146
	-----	-----
	13,614,000	13,466,146
	=====	=====
Housing loans		
Amounts due within one year	175,000	105,000
Amounts due in one year or more but less than two years	175,000	175,000
Amounts due in two years or more but less than five years	595,000	560,000
Amounts due in more than five years	12,844,000	12,731,146
	-----	-----
	13,789,000	13,571,146
<u>Less:</u> Amount shown in current liabilities	175,000	105,000
	-----	-----
	13,614,000	13,466,146
	=====	=====

Housing loans are secured by specific charges on the Association's properties. Loans are repayable at current rates of interest ranging from Libor +1.5% to 6.6%. A Scottish government loan of £680,000 is unsecured and payable in two equal tranches in 2024 and 2034. No interest is charged on this loan.

HILLHEAD HOUSING ASSOCIATION 2000 LIMITED

NOTES to the FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2019

16. Statement of cash flows	2019	2018
	£	£
Reconciliation of operating surplus to net cash inflow from operating activities		
Operating surplus	1,315,093	1,349,636
Depreciation	879,776	879,833
Amortisation of capital grants	(399,043)	(387,318)
Change in debtors	199,704	(213,097)
Change in creditors	1,178,076	(240,204)
Actuarial movements on pension scheme	(63,000)	(1,072)
Share capital written off	(13)	(17)
	-----	-----
Net cash inflow from operating activities	3,110,593	1,387,761
	=====	=====

17. Deferred income	Housing properties held for letting £	Housing properties in course of construction £	Total £
Social Housing Grants			
As at 1 April 2018	14,392,186	73,734	14,465,920
Additions in year	194,000	1,887,503	2,081,503
Eliminated on disposal of components and property	(56,137)	-	(56,137)
	-----	-----	-----
As at 31 March 2019	14,530,049	1,961,237	16,491,286
	-----	-----	-----
Amortisation			
As at 1 April 2018	2,844,848	-	2,844,848
Amortisation in year	386,274	-	386,274
Eliminated on disposal	(56,137)	-	(56,137)
	-----	-----	-----
As at 31 March 2019	3,174,985	-	3,174,985
	-----	-----	-----
Net book value			
As at 31 March 2019	11,355,064	1,961,237	13,316,301
	=====	=====	=====
As at 31 March 2018	11,547,338	73,734	11,621,072
	=====	=====	=====
Other Grants			
As at 1 April 2018	549,362	-	549,362
Eliminated on disposal of components and property	(185)	-	(185)
	=====	=====	=====
As at 31 March 2019	549,177	-	549,177
	=====	=====	=====
Amortisation			
As at 1 April 2018	113,608	-	113,608
Amortisation in year	12,769	-	12,769
Eliminated on disposal	(185)	-	(185)
	-----	-----	-----
As at 31 March 2019	126,192	-	126,192
	-----	-----	-----
Net book value			
As at 31 March 2019	422,985	-	422,985
	=====	=====	=====
As at 31 March 2018	435,754	-	435,754
	=====	=====	=====

HILLHEAD HOUSING ASSOCIATION 2000 LIMITED

NOTES to the FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2019

17. Deferred income (continued)

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

	2019	2018
	£	£
Amounts due within one year	399,043	387,318
Amounts due in one year or more	13,340,243	11,669,508
	-----	-----
	13,739,286	12,056,826
	=====	=====

18. Share capital

	2019	2018
	£	£
Shares of £1 each issued and fully paid		
As at 1 April 2018	72	79
Issued in year	1	10
Cancelled in year	(13)	(17)
	-----	-----
At 31 March 2019	60	72
	=====	=====

Each member of the Association hold 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. Housing Stock

	2019	2018
	No.	No.
The number of units of accommodation in management at the year end was:		
General Needs – built by Association	191	191
General needs – purchased by Association	617	611
	-----	-----
	808	802
	=====	=====

20. Related party transactions

Members of the Management Committee are related parties of the Association as defined by Financial Reporting Standard 102.

Those members who are tenants of the Association have tenancies that are on the Association's normal tenancy terms and they cannot use their positions to their advantage.

Management committee cannot use their position to their advantage. Any transactions between the Association and any entity with which a Management Committee member has a connection with is made at arm's length and is under normal commercial terms.

Transactions with Management Committee members (and their close family) were as follows:

	2019	2018
	£	£
Rent received from tenants on the Management Committee and their close Family	38,521	37,470
	=====	=====

HILLHEAD HOUSING ASSOCIATION 2000 LIMITED

NOTES to the FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2019

20. Related party transactions (continued)

At the year end, total rent arrears owed by the tenant members on the Management Committee (and their close family) were £1,242 (2018: £1,624).

	2019 No.	2018 No.
Members of the Management Committee who are tenants	3	3
	=====	=====
Members of the Management Committee who are local councillors	3	3
	=====	=====

21. Retirement benefit obligations

General

Hillhead Housing Association 2000 Limited participates in the Scottish Housing Associations' Pension Scheme (the Scheme), a multi-employer scheme which provides benefits to some 150 non-associated employers. The Scheme is a defined benefit scheme in the UK.

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

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

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

For financial years ending on or before 28 February 2019, it has not been possible for the Association to obtain sufficient information to enable it to account for the Scheme as a defined benefit scheme, therefore the Association has accounted for the Scheme as a defined contribution scheme. For financial years ending on or after 31 March 2019, it is possible to obtain sufficient information to enable the Association to account for the Scheme as a defined benefit scheme.

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

Present values of defined benefit obligation, fair value of assets and defined benefit asset/(liability)

	2019 £	2018 £
Fair value of plan assets	1,610,000	1,585,000
Present value of defined benefit obligation	(1,999,000)	(1,948,000)
	-----	-----
Defined benefit liability to be recognised	(389,000)	(363,000)
	=====	=====

HILLHEAD HOUSING ASSOCIATION 2000 LIMITED

NOTES to the FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2019

21. Retirement benefit obligations (continued)

Reconciliation of opening and closing balances of the defined benefit obligation

	2019 £
Defined benefit obligation at start of period	(1,948,000)
Current service cost	-
Expenses	(1,000)
Interest expense	(49,000)
Actuarial gains due to scheme experience	46,000
Actuarial losses due to changes in demographic assumptions	(5,000)
Actuarial losses due to changes in financial assumptions	(145,000)
Benefits paid and expenses	103,000

Defined benefit obligation at end of period	(1,999,000)
	=====

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

	2019 £
Fair value of plan assets at start of period	1,585,000
Interest income	40,000
Experience on plan assets (excluding amounts included in interest income) - gain	40,000
Contributions by the employer	48,000
Benefits paid and expenses	(103,000)

Fair value of plan assets at end of period	1,610,000
	=====

The actual return on the plan assets (including any changes in share of assets) over the period ended 31 March 2019 was £80,000.

Defined benefit costs recognised in statement of comprehensive income

	2019 £
Current service cost	-
Expenses	(1,000)
Net interest expense	(9,000)

Defined benefit costs recognised in statement of comprehensive income	(10,000)
	=====

Defined benefit costs recognised in other comprehensive income

	2019 £
Experience on plan assets (excluding amounts included in net interest cost) - gain	40,000
Experience gains and losses arising on the plan liabilities - gain	46,000
Effects of changes in the demographic assumptions underlying the present value of the defined benefit obligation - loss	(5,000)
Effects of changes in the financial assumptions underlying the present value of the defined benefit obligation - loss	(145,000)

Total amount recognised in other comprehensive income - loss	(64,000)
	=====