Hjaltland Housing Association Limited

REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2018

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

Hjaltland Housing Association Limited

Management Committee, Executives and Advisers
For the year ended 31 March 2018

Registration Particulars:

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

Management Committee

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

Executive Officers

Mr B Leask	Chief Executive/Secretary
Mrs S Gray	Head of Finance and Corporate Services
Mr P Leask	Head of Investment and Asset Management
Mr P Morrison-Gale	Head of Housing and Customer Services

Registered Office

2 Harbour Street
Lerwick
Shetland
ZE1 0LR

Auditor

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

Bankers

Bank of Scotland
117 Commercial Street
Lerwick
Shetland
ZE1 0DN

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

Report of the Management Committee
For the year ended 31 March 2018

The Management Committee presents their report and the audited financial statements for the year ended 31 March 2018.

Principal Activities

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

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

The table below shows the property we own: -

	2018	2017
Managed Property Numbers		
Tenanted Property	704	668
Managed on behalf of others	2	2
Shared Ownership Properties	49	49
Total	755	719

Going Concern

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

Related party transactions

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

Financial Review

Hjaltland made a surplus of £715,691 (2017 £993,447) during the year. Planned and cyclical maintenance costs of £476,004 were incurred on cyclical painting, electrical survey checks, boiler & ventilation maintenance, replacing faulty heat pumps etc. This compares with £396,594 for similar expenditure in the previous year. This expenditure is written off in the year it is incurred and not capitalised.

In addition to the expenditure which is charged to the Statement of Comprehensive Income £200,101 of costs spent on existing properties have been capitalised. Of the amount capitalised £172,421 (2017 - £417,406) related to the replacement of components and £27,680 (2017 - £23,480) related to improvements.

In line with the Statement of Recommended Practice for social housing providers – Housing SORP 2014, the Association recognises that housing properties comprise a number of major components, these major components (as noted in the accounting policies) are identified and depreciated over specific economic life spans. Their replacement is then capitalised in fixed assets as they occur. The depreciation charge for the year is £1,048,237 compared to £1,037,596 for the previous year.

Following the introduction of FRS102 and Housing SORP 2014 there have been changes to the way in which the pension liability is treated. The effect of the full actuarial valuation carried out at 30 September 2015 was reflected in the accounts for last year which resulted in an improvement to the scheme funding position and a reduction in the pension provision required from £1,152,000 at 31/03/2016 to £562,991 at 31/03/2017. There has been a further reduction to £453,742 at 31/03/2018 following payments of £111,000 in the year. See note 24 for details. Hjaltland continues to be in a strong financial position with £6.676m in Capital & Reserves. Hjaltland continues to have a substantial major repair investment programme with further replacement kitchens and re-roofing works due over the next few years. Cash surpluses will continue to be made, subject to the planned major repair programme over the next few years.

Surplus for the year
The financial results of Hjaltland are as follows: -

	2018 £000s	2017 £000s
Unrestricted surplus for the year before pension remeasurement	676	486
Pension remeasurement	4	516
Revenue Reserves	6,605	5,925

Business Review

Our Aims

Hjaltland aims to deliver a high quality housing service to communities throughout Shetland and is committed to supporting communities remain viable through a culture of partnership working, sustainability and continuous improvement.

Hjaltland aims to assist people in need through a range of tenures and services.

Hjaltland will provide good quality homes that offer value for money and are affordable to households in communities throughout Shetland.

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

Operational Review

1 Corporate Governance

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

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

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

2 Corporate Issues

The Hjaltland group continued to promote the provision of a One Stop Shop agency on behalf of Shetland Island Council. This service provides local residents with advice, support and limited access to grant funding for property repairs and improvements. At 31st March 2018 there were 3 staff employed to ensure the successful running of this service. This includes a handyman employed to provide small and urgent repairs and adaptations.

During the year the Association continued with the Housing HUB project which supports young adults in gaining the skills and expertise required to take on and maintain a tenancy in the future.

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

Hjaltland is committed to involving staff in decision making and policy making. Regular staff meetings and biannual training away days are held as well as informal meetings with Management Committee Office Bearers.

Hjaltland Trading Ltd continued to carry out various commercial activities in the year to 31st March 2018. We continue to review various activities which will make Hjaltland Trading Ltd have a long term sustainable future to complement the charitable activities of the Association.

Performance Management

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

Best use of resources

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

Services

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

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

3 Development Issues

The year just completed has continued to be busy as Hjaltland progressed a number of projects that had received development funding from the Scottish Government. Significant staff resources have been applied to progressing current & future development opportunities this year. We have spent £5,697k (2017 - £4,868k) during the year. Of this spending £3,292k (2017 – £2,592k) is funded by grants received from the Scottish Government and £250k (2017 - £464k) is funded by grants received from other sources.

Subject to grant funding becoming available through the Affordable Housing Investment Programme, and the availability of other forms of subsidy, it is hoped to increase stock numbers through completion of new housing which would consolidate the Association's asset base at around 770 by 2019 and 814 by 2020.

4 Housing Issues

Hjaltland continues to work on minimising the period of time taken to re-let or let new properties to ensure that we maintain our effectiveness in housing people in need and reduce our costs. The rent loss due to empty properties increased very slightly to £4,044 from £4,025 in the previous year. By offering a Choice Based Lettings system the average time taken to re-let a property is only 4.31 days. Net tenant arrears have risen slightly to 2.06%, (previous year 1.97%), however efforts continue to be made to bring the level down.

5 Property Maintenance

The Associations repairs service performance remains very strong with all emergency repairs being completed in an average of 1.73 hours. On average the non-emergency repairs took 5.4 days to complete, well within the 10 day target.

6 Support Services Issues

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

7 Finance and IT Issues

During the year additional private finance arrangements were finalised with the Royal Bank of Scotland to provide finance for two new development projects which started on site before the year end plus the refinancing of an existing loan from Shetland Islands Council.

8. Policies and Procedures and Risk Management

Risk Events and Risk Management Policy

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

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

Credit Payment Policy

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

Rental Income

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

Maintenance Policies

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

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

Budgetary Process

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

Treasury Management

Hjaltland has an active treasury management function, which operates in accordance with the Treasury Policy approved by the Committee of Management. In this way Hjaltland manages its borrowing arrangements to ensure that it is always in a position to meet its financial obligations as they fall due, whilst minimising excess cash and liquid resources held. At 31 March 2018 Hjaltland had £2.45m in loan facilities agreed but not yet drawn down.

Hjaltland as a matter of policy does not enter into transactions of a speculative nature. At 31 March 2018, Hjaltland has a mix of fixed and variable rate finance, which it considers appropriate at this time. During the year the proportion of fixed rates to variable continued to be reviewed to take advantage of the low interest rates prevailing.

Quality and Integrity of Personnel

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

Sales of housing properties

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

Employee Involvement and Health and Safety

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

Equalities & Diversity

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

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

Committee and officers' Insurance

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

The Committee of Management of Hjaltland during the year to 31 March 2018 was as follows:

R Hunter	Chairperson		1
A Tallack	Vice-Chair Person		1
J Goddard	Treasurer		1
J Anderson			1
L Anderson			1
P Coleman			
K Eunson			1
L Irvine			
D Leask			
G Mitchell			1
C Nicholson			
T Smith			
V Simpson		Resigned 27/03/2018	1
H Sutherland		Resigned 24/08/2017	1
Sub committee membership	1	Finance Committee	

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

Auditors

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

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

On behalf of the Committee of Management

Mr B Leask
Secretary
2 Harbour Street
Lerwick, Shetland

23 August 2018

Statement of Management Committee's Responsibilities
For the year ended 31 March 2018

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

- select suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures being disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is not appropriate to presume that the Association will continue in business.

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

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

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

Hjaltland Housing Association Limited

Management Committee's Statement of Internal Financial Control
For the year ended 31 March 2018

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

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

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

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

The effectiveness of the Association's system of internal financial control has been reviewed by the Management Committee for the year ended 31 March 2018. No weaknesses were found in internal financial controls which resulted in material losses, contingencies, or uncertainties which require disclosure in these financial statements or in the auditor's report on the financial statements.

By Order of the Management Committee

R Hunter

Chair

23 August 2018

Independent Auditors' Report to the members of Hjaltland Housing Association Limited For the year ended 31 March 2018

Opinion

We have audited the financial statements of Hjaltland Housing Association Limited (the 'Association') for the year ended 31 March 2018 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity, the Statement of Cashflows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including [FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the Association's affairs as at 31 March 2018 and of its income and expenditure for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- have been prepared in accordance with the requirements of the Co-operative and Community Benefit Societies Act 2014, Part 6 of the Housing (Scotland) Act 2010 and the Determination of Accounting Requirements – December 2014.

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 Committee's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the 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 Committee is 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.

Hjaltland Housing Association Limited

Report by the Auditors to the members of Hjaltland Housing Association Limited on Corporate Governance Matters
For the year ended 31 March 2018

Matters on which we are required to report by exception

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

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

Responsibilities of the Committee

As explained more fully in the Committee's responsibilities statement set out on page 9, the Committee is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Committee determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

Use of our report

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

RSM UK Audit LLP

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

Date 24-8-18

Hjaltland Housing Association Limited

Report by the Auditors to the members of Hjaltland Housing Association Limited on Corporate Governance Matters
For the year ended 31 March 2018

In addition to our audit of the Financial Statements, we have reviewed your statement on page 10 concerning the Association's compliance with the information required by the Regulatory Standards in respect of internal financial controls contained within the publication "Our Regulatory Framework" and associated Regulatory Advisory Notes which are issued by the Scottish Housing Regulator.

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

Opinion
In our opinion the Statement on Internal Financial Control on page 10 has provided the disclosures required by the relevant Regulatory Standards within the publication "Our Regulatory Framework" and associated Regulatory Advisory Notes issued by the Scottish Housing Regulator in respect of internal financial controls and is consistent with the information which came to our attention as a result of our audit work on the Financial Statements.

RSM UK Audit LLP

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

24 August 2018

Statement of Comprehensive Income
For the year ended 31 March 2018

	Notes	2018 £	2017 £
Turnover	2	4,350,887	4,062,213
Operating expenditure	2	(3,136,880)	(3,110,542)
Remeasurement of pension provision	2	4,000	516,000
Operating surplus	7	1,218,007	1,467,671
Gain on disposal of property, plant and equipment	8	20,964	53,142
Interest receivable		10,782	14,755
Interest and financing costs	6	(534,062)	(542,121)
Surplus before tax		715,691	993,447
Taxation		-	-
Surplus and total comprehensive income for the year		715,691	993,447

The results relate wholly to continuing activities.

The accompanying notes form part of these financial statements.

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

Statement of Financial Position
For the year ended 31 March 2018

	Notes	2018 £	2017 £
Fixed assets			
Housing properties	10.A	73,830,347	69,214,390
Other fixed assets	10.B	411,762	429,123
		74,242,109	69,643,513
Current assets			
Stock	11	1,210	903
Work in progress	11	128,692	-
Trade and other debtors	13	226,372	385,982
Cash and cash equivalents		1,904,627	2,606,491
		2,260,901	2,993,376
Current liabilities			
Creditors: amounts falling due within one year	14	(1,205,061)	(1,568,989)
Net Current assets		1,055,840	1,424,387
Total assets less current liabilities		75,297,949	71,067,900
Creditors: Amounts falling due after more than one year	15	(68,167,993)	(64,544,392)
Provisions for liabilities			
Pension provision	19	(453,742)	(562,991)
Total net assets		6,676,214	5,960,517
Reserves			
Share capital	20	85	79
Income and expenditure reserve	20	6,604,909	5,924,942
Restricted reserve	20	71,220	35,496
Total reserves	20	6,676,214	5,960,517

The financial statements on pages 14 to 38 were approved by the Management Committee and authorised for issue on 23 August 2018 and are signed on its behalf by:

Vice Chair:
A Tallack

Secretary:
B Leask

Chair:
R Hunter

Statement of Changes in Equity
For the year ended 31 March 2018

	Income and expenditure reserve	Restricted reserve	Share Capital	Total
	£	£	£	£
Balance at 1 April 2016	4,923,074	43,917	86	4,967,077
Surplus for the year	485,868	(8,421)	-	477,447
Pension remeasurement	516,000	-	-	516,000
Shares issued	-	-	2	2
Shares cancelled	-	-	(9)	(9)
Balance as at 31 March 2017	5,924,942	35,496	79	5,960,517
Surplus for the year	675,967	35,724	-	711,691
Pension remeasurement	4,000	-	-	4,000
Shares issued	-	-	7	7
Shared cancelled	-	-	(1)	(1)
Balance at 31 March 2018	6,604,909	71,220	85	6,676,214

Hjaltland Housing Association Limited

Statement of Cashflows
For the year ended 31 March 2018

	Notes	2018 £	2017 £
Net cash generated from operating activities	21	1,208,362	1,149,554
Cash flow from investing activities			
Purchase of tangible fixed assets		(6,081,678)	(4,944,444)
Proceeds from sale of tangible fixed assets		61,000	101,759
Grants received		3,721,318	2,876,682
Grants repaid		(30,041)	(28,873)
Interest received		10,782	14,755
Net cash used in investing activities		(2,318,619)	(1,980,121)
Cash flow from financing activities			
Interest paid		(516,917)	(541,476)
New secured loans		2,950,000	2,075,002
Repayments of borrowings		(2,024,697)	(556,336)
Issue of shares		7	2
Net cash from financing activities		408,393	977,192
Net (decrease) / increase in cash and cash equivalents		(701,864)	146,625
Cash and cash equivalents at beginning of year		2,606,491	2,459,866
Cash and cash equivalents at end of year	21	1,904,627	2,606,491

1. ACCOUNTING POLICIES

LEGAL STATUS

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

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

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

Hjaltland Housing Association Limited is a Public Benefit Entity.

BASIS OF ACCOUNTING

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

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

The financial statements are prepared in sterling. Monetary amounts in these financial statements are rounded to the nearest £.

CRITICAL ACCOUNTING ESTIMATES AND AREAS OF JUDGEMENT

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

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

Critical accounting estimates

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

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

Obligations under a defined benefit pension scheme – The rate used to discount the past service deficit defined benefit obligations to their present value, is based upon market yields for high quality corporate bonds, with terms consistent with those of the benefit obligations. Our commitment to the SHAPS of £467,000 over the next 4 years has been discounted at a rate of 1.51% amounting to a net present value of £453,742 at 31 March 2018.

1. ACCOUNTING POLICES (CONTINUED)

Critical areas of judgement

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

GOING CONCERN

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

TURNOVER AND REVENUE RECOGNITION

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

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

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

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

GOVERNMENT GRANTS

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

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

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

OTHER GRANTS

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

1. ACCOUNTING POLICIES (CONTINUED)

OTHER INCOME

Interest income

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

TANGIBLE FIXED ASSETS – HOUSING PROPERTIES

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

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

Cost includes the cost of acquiring land and buildings, and expenditure incurred during the development period. Retentions are excluded from the cost and are only recognised when they fall due for payment. These retentions are included in capital commitments.

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

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

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

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

DONATED LAND AND OTHER ASSETS

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

DEPRECIATION OF HOUSING PROPERTIES

Freehold land or assets under construction are not depreciated.

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

1. ACCOUNTING POLICIES (CONTINUED)

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

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

IMPAIRMENTS OF FIXED ASSETS

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

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

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

OTHER TANGIBLE FIXED ASSETS

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

Premises	60 years
Furniture and equipment	Between 3 and 25 years

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

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

BORROWING COSTS

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

All other borrowing costs are expensed as incurred.

STOCKS

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

1. ACCOUNTING POLICIES (CONTINUED)

TAXATION

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

VAT

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

DEPOSITS AND LIQUID RESOURCES

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

LEASES

The Association as lessee – Operating leases

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

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

EMPLOYEE BENEFITS

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

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

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

RETIREMENT BENEFITS

Defined contribution plans

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

Defined benefit plans

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

1. ACCOUNTING POLICIES (CONTINUED)

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

FINANCIAL INSTRUMENTS

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

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

Financial assets

Debtors

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

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

Financial liabilities

Trade creditors

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

Borrowings

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

Derecognition of financial assets and liabilities

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

1. ACCOUNTING POLICIES (CONTINUED)

PROVISIONS

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

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

RESERVES

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

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

	Notes	Turnover £	Operating costs £	Remeasurement of pension provision £	2018 Operating surplus £	2017 Operating surplus/(deficit) £
Affordable letting activities	3	4,035,788	2,852,301	-	1,183,487	978,888
Other activities	4	315,099	284,579	-	30,520	(27,217)
Remeasurement of pension provision	24	-	-	4,000	4,000	516,000
Total		4,350,887	3,136,880	4,000	1,218,007	1,467,671
Total for previous reporting period		4,062,213	3,110,542	516,000	1,467,671	

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

	General Needs Social Housing	Supported Social Housing Accommodation	Shared Ownership Housing	Total 2018	Total 2017
	£	£	£	£	£
Rent receivable net of service charges	2,833,108	152,412	135,117	3,120,637	2,900,802
Service charges	51,226	6,092	4,628	61,946	61,447
Gross income from rents and service charges	2,884,334	158,504	139,745	3,182,583	2,962,249
Less voids	(4,044)	-	-	(4,044)	(4,025)
Net income from rents and service charges	**2,880,290**	**158,504**	**139,745**	**3,178,539**	**2,958,224**
Grants released from deferred income	796,507	37,945	22,797	857,249	805,947
Total turnover from affordable letting activities	**3,676,797**	**196,449**	**162,542**	**4,035,788**	**3,764,171**
Management and maintenance administration costs	885,706	40,343	44,010	970,059	967,499
Service costs	47,752	4,555	3,412	55,719	49,370
Planned and cyclical maintenance including major repairs costs	472,032	3,972	-	476,004	396,594
Reactive maintenance costs	278,105	13,377	-	291,482	306,786
Bad debts - rents and service charges	10,800	-	-	10,800	27,438
Depreciation of affordable let properties	981,445	42,663	24,129	1,048,237	1,037,596
Operating Costs for affordable letting activities	**2,675,840**	**104,910**	**71,551**	**2,852,301**	**2,785,283**
Operating surplus for affordable letting activities	**1,000,957**	**91,539**	**90,991**	**1,183,487**	**978,888**
Operating surplus for affordable letting activities for previous reporting period	**818,145**	**70,789**	**89,954**	**978,888**	

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

	Other revenue grants £	Other Income £	Total Turnover £	Other operating Costs £	Operating (deficit) or surplus £	Operating (deficit) or surplus for previous reporting period £
Wider role activities undertaken to support the community, other than the provision, construction, improvement and management of housing	-	-	-	(11,521)	(11,521)	(11,437)
Factoring	-	8,309	8,309	(7,555)	754	1,703
Development and construction of property activity	-	-	-	(420)	(420)	(3,845)
Support activities	-	-	-	(12,406)	(12,406)	(12,577)
Other activities:						
Miscellaneous	-	11,243	11,243	(578)	10,665	8,112
Recharges	-	131,276	131,276	(131,276)	-	(15)
Big Lottery Funding (restricted)	138,456	-	138,456	(102,732)	35,724	(8,421)
Shetland Islands Council HUB funding	25,815	-	25,815	(18,091)	7,724	(737)
Total from other activities	164,271	150,828	315,099	(284,579)	30,520	(27,217)
Total from other activities for the previous reporting period	142,534	155,508	298,042	(325,259)	(27,217)	

5. ACCOMMODATION IN MANAGEMENT

	2018 Units	2017 Units
General needs housing	675	639
Shared ownership	49	49
Supported housing	31	31
TOTAL UNITS IN MANAGEMENT	755	719

6. INTEREST PAYABLE AND SIMILAR CHARGES

	2018 £	2017 £
Interest arising on:		
Bank loans and overdrafts	463,403	462,550
Other loans	115,114	76,903
Defined benefit pension charge	6,000	25,000
	584,517	564,453
Less: Interest capitalised on housing properties under construction	(50,455)	(22,332)
	534,062	542,121

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

7. OPERATING SURPLUS

	2018 £	2017 £
Operating surplus is stated after charging:		
Depreciation of housing properties (note 10.A)	1,048,237	1,037,596
Depreciation of other tangible fixed assets (note 10.B)	29,628	31,086
Operating lease rentals (note 23)	3,155	4,397

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

	2018 £	2017 £
Audit services - statutory audit of the Association	10,900	10,350
	10,900	10,350

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

	2018 £	2017 £
Disposal proceeds	61,000	101,759
Carrying value of fixed assets	(33,268)	(66,971)
	27,732	34,788
Capital grant repaid	(5,408)	(5,486)
Capital grant abated	1,105	28,903
	23,429	58,205
Legal and other costs	(2,465)	(5,063)
	20,964	53,142

9. EMPLOYEES

	2018 No.	2017 No.
The average monthly number of full time equivalent persons (including key management personnel) employed by the Association during the year was:	26	27

	£	£
Staff costs for the above persons:		
Wages and salaries	922,838	901,690
Social security costs	93,119	89,682
Other pension costs	89,740	86,370
	1,105,697	1,077,742

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

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

	No.	No.
£60,000 - £70,000	1	1

	2018 £	2017 £
Aggregate emoluments for the above key management personnel (excluding pension contributions)	238,468	232,074
The emoluments of the Chief Executive (excluding pension contributions)	68,757	66,242
Aggregate pension contributions in relation to the above key management personnel	24,280	23,382

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

10.A TANGIBLE FIXED ASSETS – HOUSING PROPERTIES

	Social housing properties held for letting	Housing properties for letting under construction	Completed Shared ownership housing properties	Total housing properties
	£	£	£	£
Cost				
1 April 2017	68,987,502	4,971,465	3,217,645	77,176,612
Additions	264,449	5,433,013	-	5,697,462
Transfers	5,601,862	(5,601,862)	-	-
Disposals	(66,240)	-	(38,328)	(104,568)
31 March 2018	74,787,573	4,802,616	3,179,317	82,769,506
Depreciation and impairment				
1 April 2017	7,619,246	-	342,976	7,962,222
Depreciation charged in year	1,024,108	-	24,129	1,048,237
Released on disposal	(66,240)	-	(5,060)	(71,300)
31 March 2018	8,577,114	-	362,045	8,939,159
Net book value				
31 March 2018	66,210,459	4,802,616	2,817,272	73,830,347
31 March 2017	61,368,256	4,971,465	2,874,669	69,214,390

Land included under housing properties is all freehold.

EXPENDITURE ON WORKS TO EXISTING PROPERTIES

	2018	2017
	£	£
Improvement work capitalised	27,680	23,480
Replacement component spend capitalised	172,421	227,677
Replacement components to achieve EESSH	-	189,729
Amounts charged to income and expenditure	476,004	396,594
Total major repairs spend	676,105	837,480

Additional specific grant funding of £183,934 was awarded in the 2017 year to set against the cost of replacement components above to achieve EESSH.

10.B TANGIBLE FIXED ASSETS – OTHER

	Office Accommodation £	Water Treatment Works £	Office Equipment £	Maintenance Equipment £	Total £
Cost					
1 April 2017	365,177	107,807	182,671	69,949	725,604
Additions	-	3,693	6,770	1,804	12,267
Disposals	-	-	(20,712)	(420)	(21,132)
31 March 2018	365,177	111,500	168,729	71,333	716,739
Depreciation and impairment					
1 April 2017	62,230	28,467	164,889	40,895	296,481
Depreciation charged in year	6,090	3,543	8,162	11,833	29,628
Released on disposal	-	-	(20,712)	(420)	(21,132)
31 March 2018	68,320	32,010	152,339	52,308	304,977
Net book value					
31 March 2018	296,857	79,490	16,390	19,025	411,762
31 March 2017	302,947	79,340	17,782	29,054	429,123

11. STOCK

	2018 £	2017 £
Raw materials	1,210	903
Work in progress:		
Cost of developing properties (New supply shared equity)	128,692	-

12. SUBSIDIARY UNDERTAKING

The RSL's subsidiary undertaking is:

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

Hjaltland Trading Limited returned a profit of £10,592 for the year ending 31 March 2018 (2017 - £12,543).

Hjaltland Trading Limited had net assets totalling £109,882 as at 31 March 2018 (2017 - £99,290).

During the year, the Association sold goods and services at cost to Hjaltland Trading Limited of £131,276 (2017 - £136,871). The amount due to the Association at year end was £45,394 (2017 - £39,705).

During the year, the Association bought goods and services at normal market rates from Hjaltland Trading Limited of £876 (2017 - £nil). The amount due to the company at year end was £nil (2017 - £nil).

13. DEBTORS

	2018 £	2017 £
Amounts falling due within one year:		
Rent and service charges receivable	135,481	122,035
Less: provision for bad and doubtful debts	(69,944)	(63,722)
	65,537	58,313
Other debtors	30,196	210,329
Prepayments and accrued income	74,061	71,545
Development funding receivable	11,187	6,090
Amounts due from Group undertakings	45,391	39,705
	226,372	385,982

14. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2018 £	2017 £
Debt (note 17)	622,089	613,856
Rent and service charges received in advance	35,336	38,361
Trade creditors	293,290	670,337
Other creditors	52,492	48,961
Accruals and deferred income	123,163	197,474
Deferred grant on new supply shared equity properties	78,691	-
	1,205,061	1,568,989

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

	2018 £	2017 £
Debt (note 17)	18,288,025	17,323,918
Deferred capital grant (note 16)	49,879,968	47,220,474
	68,167,993	64,544,392

	2018 £	2017 £
Included in creditors are:		
Amounts repayable other than by instalments falling due after more than five years	1,372,040	1,325,002
Amounts repayable by instalments falling due after more than five years	14,221,189	13,503,926

16. DEFERRED CAPITAL GRANT

	2018 £	2017 £
As at 1 April	47,220,474	45,022,983
Grant received in the year	3,542,482	3,055,726
Capital grant amortisation	(857,249)	(805,946)
Net book value of capital grants disposed	(25,739)	(52,289)
As at 31 March	49,879,968	47,220,474

17. DEBT ANALYSIS – BORROWINGS

	2018 £	2017 £
Creditors: amounts falling due within one year:		
Bank loans	622,089	581,802
Other loans	-	32,054
	622,089	613,856
Creditors: amounts falling due after more than one year:		
Bank loans	16,915,985	14,562,434
Other loans	1,372,040	2,761,484
	18,288,025	17,323,918
Total	18,910,114	17,937,774

Loans are secured by specific charges on the Association's properties and are repayable at rates of interest between % and 0.8% and 5.75% (2017 – 0.55% and 5.75%) as follows:

	2018 £	2017 £
Due within one year	622,089	613,856
Due between one and two years	622,089	613,856
Due between two and five years	2,072,707	1,881,134
Due more than five years	15,593,229	14,828,928
	18,910,114	17,937,774

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

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

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

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

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

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

18. FINANCIAL INSTRUMENTS

	2018 £	2017 £
Financial assets:		
Debt instruments measured at amortised cost	159,243	311,678
Financial liabilities:		
Measured at amortised cost	19,350,041	18,826,377

19. PROVISIONS

	SHAPS Pension £
1 April 2017	562,991
Deficit contributions paid in year	(111,249)
Unwinding of discount	6,000
Remeasurements – impact of change in assumptions	(4,000)
31 March 2018	453,742

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

20. SHARE CAPITAL & RESERVES

	2018 Number	2017 Number
Number of members		
1 April 2017	79	86
Joined during the year	7	2
Left during year	(1)	(9)
31 March 2018	85	79

Each member owns one fully paid share of £1 which is non-refundable and carries no rights to income. Members are entitled to attend Annual General Meetings and can be elected to the Management Committee.

RESERVES

Reserves of the Association represent the following:

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

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

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

21. RECONCILIATION OF TOTAL COMPREHENSIVE INCOME TO NET CASH GENERATED FROM OPERATIONS

	2018 £	2017 £
Total comprehensive income for the year	715,691	993,447
Adjustments for non-cash items:		
Depreciation of tangible fixed assets	1,077,865	1,068,682
Amortisation of capital grants	(857,249)	(805,946)
(Decrease) in provisions	(115,249)	(589,009)
Gain on disposal of tangible fixed assets	(23,429)	(58,205)
Interest receivable (investing not operating)	(10,782)	(14,755)
Interest payable (financing not operating)	534,062	517,121
Shares cancelled	(1)	(9)
Operating cash flows before movements in working capital	1,320,908	1,111,326
(Increase) in stock	(50,308)	(903)
(Increase)/ Decrease in trade and other debtors	(19,227)	9,986
(Decrease)/ Increase in trade and other creditors	(43,011)	29,145
Cash generated from operations	1,208,362	1,149,554

CASH AND CASH EQUIVALENTS

	2018 £	2017 £
Cash and cash equivalents represent: -		
Cash at bank	1,304,486	2,306,491
Short-term deposits	600,141	300,000
	1,904,627	2,606,491

22. CAPITAL COMMITMENTS AND OTHER CONTRACTUAL OBLIGATIONS

	2018 £	2017 £
Capital expenditure contracted for but not provided in the financial statements	8,459,969	4,794,241

The above commitments will be funded through:

Capital grant receivable	4,875,495	2,155,313
Other grants	104,236	-
Shared ownership sales	581,349	-
Loans	2,898,889	2,638,928
	8,459,969	4,794,241

23. COMMITMENTS UNDER OPERATING LEASES

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

	2018 £	2017 £
Amounts due:		
Within one year	2,084	3,191
Between one and five years	7,101	3,603
After five years	-	503

24. RETIREMENT BENEFITS

SCHEME: The Pensions Trust – Scottish Housing Associations' Pension Scheme
The association participates in the above scheme, a multi-employer scheme which provides benefits to some 150 non-associated employers. The scheme is a defined benefit scheme in the UK.

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

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

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

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

Deficit contributions

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

A full actuarial valuation for the scheme was carried out at 30 September 2015. This actuarial valuation showed assets of £616m, liabilities of £814m and a deficit of £198m. To eliminate this funding shortfall, the Trustee has asked the participating employers to pay additional contributions to the scheme as follows:

From 1 April 2017 to 28 February 2022:	£27,735,092 per annum (payable monthly and increasing by 3% each 1st April)
From 1 April 2017 to 30 June 2025	£727,217 per annum (payable monthly and increasing by 3% each 1st April)
From 1 April 2017 to 31 October 2026	£1,239,033 per annum (payable monthly and increasing by 3% each 1st April)

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

24. RETIREMENT BENEFITS (CONTINUED)

Where the scheme is in deficit and where the association has agreed to a deficit funding arrangement the association recognises a liability for this obligation. The amount recognised is the net present value of the deficit reduction contributions payable under the agreement that relates to the deficit. The present value is calculated using the discount rate of 1.51%. The unwinding of the discount rate is recognised as a finance cost.

Present value of provisions:

	£000's
31 March 2018	454
31 March 2017	563
31 March 2016	1,152

RECONCILIATION OF OPENING AND CLOSING PROVISIONS

	2018 £000's	2017 £000's
Provision at start of period	563	1,152
Unwinding of the discount factor (interest expense)	6	25
Deficit contribution paid	(111)	(98)
Remeasurements - impact of any change in assumptions	(4)	16
Remeasurements - amendments to the contribution schedule	-	(532)
Provision at end of period	454	563

INCOME AND EXPENDITURE IMPACT

	2018 £000's	2017 £000's
Interest expense	6	25
Remeasurements – impact of any change in assumptions	(4)	16
Remeasurements - amendments to the contribution schedule	-	(532)

Assumptions:

	31 March 2018 % per annum	31 March 2017 % per annum	31 March 2016 % per annum
Rate of discount	1.51	1.06	2.29

24. RETIREMENT BENEFITS (CONTINUED)

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

SCHEME: The Pensions Trust – The Growth Plan
The Association previously participated in the above scheme. They have now withdrawn from the scheme and have accrued for the final costs of withdrawal.

25. RELATED PARTY TRANSACTIONS

One member of the Management Committee is a shared equity owner. Their service charges, of £300 (2017 - £300) during the year, are on standard terms, as applicable to all shared equity owners. The balance outstanding at the year-end was £Nil.

One member of the Management Committee is a tenant of the Association. Their tenancy is on normal commercial terms. During the year £4,513 of rent was receivable from this tenant member. At the year-end there was £nil of rent arrears due.

One member of the Management Committee is a councillor with the Shetland Islands Council as well as a Committee member of the Association. Any transactions with the Shetland Islands Council are made at arm's length, on normal commercial terms and committee members cannot use their position to their advantage. Interest of £68,036 was paid during the year on a loan with the Shetland Islands Council. The loan was repaid in the year and the balance outstanding on the loan at the year-end was £nil.

26. CONTINGENT LIABILITIES

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

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