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Abronhill Housing Association Limited

Report and Financial Statements

For the year ended 31st March 2016

Registered Housing Association No.HCB 275

FCA Reference No. 2443 (R)(S)

Scottish Charity No. SC033116

ABRONHILL HOUSING ASSOCIATION LIMITED

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ABRONHILL HOUSING ASSOCIATION LIMITED

COMMITTEE OF MANAGEMENT, EXECUTIVES AND ADVISERS
YEAR ENDED 31st MARCH 2016

COMMITTEE OF MANAGEMENT

Linda Black	Chairperson
Hazel Paterson	Vice Chairperson
Dorothea Hutchison	Secretary
Iain Johnston	
Katrina Laurie	Resigned 15/06/2015
Kevin McMail	Treasurer
Margaret Richardson	Resigned 14/05/2016
Ian Arthur	
Audrey Smith	Resigned 18/02/2016
Ian Smith	
Lorraine Harkins	Resigned 14/04/2016
Amy Hutcheson	Appointed 19/05/2016
Maraid O'Neill	Appointed 14/04/2016

EXECUTIVE OFFICERS

John Mulholland	Providing Senior Management Services (Garrion People's Housing Co-op)
Cathy Brien	Providing Senior Management Services (Forgewood Housing Co-op)

REGISTERED OFFICE

Unit 10
Abronhill Shopping Centre
Cumbernauld
G67 3AZ

AUDITORS

Alexander Sloan
Chartered Accountants
38 Cadogan Street
Glasgow
G2 7HF

INTERNAL AUDITORS

Quinn Internal Audit & Business Support Services
55 Lady Place
West Lothian
EH54 6TB

BANKERS

Royal Bank of Scotland
1 Roadside Village
Cumbernauld
G67 2SS

SOLICITORS

T C Young
7 West George St
Glasgow
G2 1BA

FINANCE AGENTS

FMD Financial Services Ltd
Unit 29
Ladyloan Place
Drumchapel
G15 8LB

ABRONHILL HOUSING ASSOCIATION LIMITED

REPORT OF THE COMMITTEE OF MANAGEMENT FOR THE YEAR ENDED 31ST MARCH 2016

The Committee of Management presents its report and the Financial Statements for the year ended 31st March 2016.

Legal Status

The Association is a registered non-profit making organisation under the Co-operative and Community Benefit Societies Act 2014 No.2443 (R)(S). The Association is governed under its Rule Book. The Association is a registered Scottish Charity with the charity number SC033116.

Principal Activities

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

Review of Business and Future Developments

Abronhill made a surplus of £185,844 during the year.

Abronhill is in a reasonable financial position. Loan facilities continue to be available to it. Abronhill has built on its reserves and have provided sufficient funds over the next year to meet our commitments under the Scottish Housing Quality Standard and the EESH.

Corporate Governance

Abronhill Housing Association has a Committee of Management who are elected by the members of the Association. (See above for details). It is the responsibility of the 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.

The Senior Team of 2 (as listed above) is responsible for achieving the strategy set, and undertaking the operational activities in line with the policies set.

Our governing body is our Committee of Management, which is responsible to the wider membership. Committee of Management 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 Committee of Management 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 Training Needs Analysis annually and from this an individual training plan is put in place for them. Committee members are required to attend training events and conferences to build on their experience and develop new skills.

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

Corporate Issues

Tenant involvement and participation is a major part of Abronhill Housing Association's Aims and Objectives, and we continue to review how Abronhill Housing Association involves tenants in its activities.

Abronhill Housing Association is committed to involving staff in decision making and policy making. In the year just ended staff were fully involved in the internal management plan process and regular staff meetings were held to keep staff informed of our activities.

ABRONHILL HOUSING ASSOCIATION LIMITED

REPORT OF THE COMMITTEE OF MANAGEMENT FOR THE YEAR ENDED 31ST MARCH 2016

Review of Business and Future Developments (Contd.)

Performance Management and Service Delivery

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

The staff team have 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 has improved in most of these areas.

Policies and procedures have been reviewed and agreed by the Committee of Management in 2015/16 . Performance in arrears management is also closely monitored as the government's proposals for Welfare Reform are rolled out. There has been a slight increase in the rent collected in the year from 98.9% to 99.27%.

Staff monitor the contractor's performance on an on-going basis and the percentage of reactive repairs completed right first time has increased 91.41%.

In addition, the Association has a long-term programme of major repairs to cover for works which have become necessary since the original development was completed, including works required by subsequent legislative changes. This includes replacement of repairs to features of the properties, which have come to the end of their economic lives.

Another positive outcome for the Association was the introduction of a ten monthly cycle of gas safety inspections for properties with gas heating which resulted in performance increasing to 100% of properties with gas safety checks completed 2015/16.

The Association carried out a bathroom renewal programme on approximately sixty properties in the financial year.

The Association will undertake an analysis of its stock in July 2016 to determine the work required to comply with the Scottish Housing Quality Standards and the EESSH. The results the results will be incorporated into the Associations Planned maintenance programme to ensure that the required standards are met within the set timescales.

The Scottish Housing Regulator has recently completed its annual regulatory assessment of Registered Social Landlords. 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 have a low level of engagement with the Abronhill.

Best use of resources

We regularly conduct risk assessments, and take any action necessary to reduce or limit risk. We have a rolling programme of stock condition surveys, to ensure that our long-term financial planning reflects our future investment requirements. The Association is about to undertake a full review of their risk policy and strategy. This will involve a comprehensive review of the strengths and weaknesses of the organisation by staff and committee.

ABRONHILL HOUSING ASSOCIATION LIMITED

REPORT OF THE COMMITTEE OF MANAGEMENT FOR THE YEAR ENDED 31ST MARCH 2016

Review of Business and Future Developments (Contd.)

Development Issues

Abronhill is not a developing Association. However, we continue to explore opportunities to provide more properties to people in housing need, as an approved landlord, by offering council tenants the opportunity to transfer to the Association.

Housing Issues

A major issue for all RSL's is the Governments changes to Welfare Reform. Abronhill HA have been working continuously throughout the year to engage with tenants whom the benefit changes affect in order to signpost them in the direction of financial advice and support. The Association has worked in partnership for a number of years now with Citizens Advice and five other RSL's in North Lanarkshire to provide all of our tenants and residents with excellent up to date advice and information on a range of issues like Benefit Sanctions, Hardship payments, Budgeting Loans, Scottish Welfare Fund and much more.

Other Areas

Investment Appraisal

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.

Internal Financial Control

The Committee of Management is responsible for establishing and maintaining the Association's system of internal control. Internal control systems are designed to meet the particular needs of the Association and the risks to which it is exposed, and by their nature can provide reasonable but not absolute assurance against material misstatement or loss. The key procedures which the Committee of Management has established with a view to providing effective internal financial control are listed on page 7.

Management Structure

The Committee of Management has overall responsibility for the Association and there is a formal schedule of matters specifically reserved for decision by the Committee.

General Reserves Policy

The Committee members have reviewed the reserves of Abronhill 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 reserves increased to £1,706,018. The Committee seeks to ensure that the budgeting of the Association's results continues to bring the reserves up to a satisfactory level.

Sales of housing properties

Properties are disposed of under the appropriate legislation and guidance. The Association sold two of its properties in the financial year under the Right to Buy Scheme.

As part of the Housing Scotland Act 2014 from the 1st August 2016 no tenant of social housing in Scotland will have the right to buy their home.

ABRONHILL HOUSING ASSOCIATION LIMITED

REPORT OF THE COMMITTEE OF MANAGEMENT FOR THE YEAR ENDED 31ST MARCH 2016

Review of Business and Future Developments (Contd.)

Treasury Management

The Association has an active treasury management function, which operates in accordance with the Treasury Policy approved by the Committee of Management. 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 and Safety audit took place in 2015/16 and the recommendations from the audit 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.

Credit Payment Policy

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

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.

Rental Income

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. The percentage value is reviewed annually to ensure that the rents cover the required costs. Rents were increased by 2% for 2015/16.

Future Developments

Subject to the availability of land and public funding the Association is committed to an ongoing development programme to provide new housing for our tenants. The Association has entered into association with Bridges Housing Association to maximise development opportunities in line with current Government thinking as outlined in its consultation paper Investing in Affordable Housing.

ABRONHILL HOUSING ASSOCIATION LIMITED

REPORT OF THE COMMITTEE OF MANAGEMENT FOR THE YEAR ENDED 31ST MARCH 2016

Committee of Management and Executive Officers

The members of the Committee of Management and the Executive Officers are listed on Page 1.

Each member of the Committee of Management 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 Committee of Management.

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

Statement of Committee of Management's Responsibilities

The Co-operative and Community Benefit Act 2014 require the Committee of Management 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 Committee of Management is required to:-

- select suitable accounting policies and then apply them consistently;
- make judgments 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 Committee of Management 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 - 2015. 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.

The Committee of Management must in determining how amounts are presented within items in the income and expenditure account and balance sheet, have regard to the substance of the reported transaction or arrangement, in accordance with generally accepted accounting practices.

In so far as the Committee of Management are aware:

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

ABRONHILL HOUSING ASSOCIATION LIMITED

REPORT OF THE COMMITTEE OF MANAGEMENT FOR THE YEAR ENDED 31ST MARCH 2016

Statement on Internal Financial Control

The Committee of Management 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;
- the safeguarding of assets against unauthorised use or disposition.

It is the Committee of Management's responsibility to establish and maintain systems of Internal Financial Control. Such systems can only provide reasonable and not absolute assurance against material financial mis-statement or loss. 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 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 Committee of Management 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 Committee of Management;
- the Committee of Management 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 Committee of Management has reviewed the effectiveness of the system of internal financial control in existence in the Association for the year ended 31 March 2016. 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.

Donations

During the year the Association made charitable donations amounting to £100 (2015 £nil).

Auditors

A resolution to re-appoint the Auditors, Alexander Sloan, Chartered Accountants, will be proposed at the Annual General Meeting.

By order of the Committee of Management



DOROTHEA HUTCHISON

Secretary

01 August 2016

ABRONHILL HOUSING ASSOCIATION LIMITED

REPORT BY THE AUDITORS TO THE COMMITTEE OF MANAGEMENT OF
ABRONHILL HOUSING ASSOCIATION LIMITED
ON CORPORATE GOVERNANCE MATTERS



In addition to our audit of the Financial Statements, we have reviewed your statement on Page 7 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 7 has provided the disclosures required by the relevant Regulatory Standards with the publication "Our Regulatory Framework" and associated Regulatory Advice Notes 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.

A handwritten signature in black ink that reads 'Alexander Sloan'.

ALEXANDER SLOAN
Chartered Accountants

GLASGOW
01 August 2016

We have audited the financial statements of Abrohill Housing Association Limited for the year ended 31st March 2016 which comprise a statement of comprehensive income, statement of financial position, statement of cash flows, statement of changes in equity and related notes. The financial reporting framework that has been applied in their preparation is applicable law and accounting standard of the United Kingdom

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 auditors' 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.

Respective Responsibilities of Committee of Management and Auditors

As explained more fully in the Statement of Committee of Management's Responsibilities the Association's Committee of Management, are responsible for the preparation of the Financial Statements that give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit on the Financial Statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Association's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Management Committee; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Management Committee's report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications of our report.

Opinion on the financial statements

In our opinion the Financial Statements:

- give a true and fair view of the state of the Association's affairs as at 31st March 2016 and of its surplus for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice: and
- have been properly prepared in accordance with the Co-operative and Community Benefit Societies Act 2014, the Housing (Scotland) Act 2014 and the Determination of Accounting Requirements 2015.

Matters on which we are required to report by exception

We are required to report to you if, in our opinion:

- the information given in the Management Committee's Report is inconsistent with the financial statements.
- proper books of account have not been kept by the Association in accordance with the requirements of the legislation.
- a satisfactory system of control over transactions has not been maintained by the Association in accordance with the requirements of the legislation.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
ABRONHILL HOUSING ASSOCIATION LIMITED

Matters on which we are required to report by exception (contd.)

- the Statement of Comprehensive Income to which our report relates, and the Statement of Financial Position are not in agreement with the books of the Association.
- we have not received all the information and explanations necessary for the purposes of our audit.

We have nothing to report in respect of these matters.



ALEXANDER SLOAN
Chartered Accountants
Statutory Auditors
GLASGOW
01 August 2016

ABRONHILL HOUSING ASSOCIATION LIMITED

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31st MARCH 2016

	Notes	2016	2015
		£	£
REVENUE	2.	935,905	925,770
Operating Costs	2.	(683,250)	(704,005)
OPERATING SURPLUS	9.	252,655	221,765
Gain On Sale Of Housing Stock	7.	32,023	-
Interest Receivable and Other Income		1,258	1,392
Interest Payable and Similar Charges	8.	(87,596)	(91,886)
Other Finance Charges	11.	(12,496)	(9,785)
		(66,811)	(100,279)
TOTAL COMPREHENSIVE INCOME		185,844	121,486

All amounts relate to continuing operations. Comparative figures have been restated to reflect the adoption of the Housing SORP 2014 and FRS102.

The notes on pages 15 to 28 form part of these financial statements.

ABRONHILL HOUSING ASSOCIATION LIMITED

STATEMENT OF FINANCIAL POSITION AS AT 31st MARCH 2016

	Notes	2016	2015
NON-CURRENT ASSETS			
Housing Properties - Depreciated Cost	12.(a)	4,310,091	4,309,546
Other Non Current Assets	12.(b)	32,017	3,025
		<u>4,342,108</u>	<u>4,312,571</u>
CURRENT ASSETS			
Receivables	15.	25,898	32,696
Investments	24.	253,310	252,695
Cash at bank and in hand		454,097	490,328
		<u>733,305</u>	<u>775,719</u>
CREDITORS: Amounts falling due within one year	16.	<u>(263,864)</u>	<u>(297,252)</u>
NET CURRENT ASSETS		<u>469,441</u>	<u>478,467</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>4,811,549</u>	<u>4,791,038</u>
CREDITORS: Amounts falling due after more than one year	16.	<u>(1,766,141)</u>	<u>(1,881,518)</u>
DEFERRED INCOME			
Social Housing Grants	18.	<u>(1,339,390)</u>	<u>(1,389,329)</u>
		<u>(1,339,390)</u>	<u>(1,389,329)</u>
NET ASSETS		<u>1,706,018</u>	<u>1,520,191</u>
EQUITY			
Share Capital	19.	62	79
Revenue Reserves		1,705,956	1,520,112
		<u>1,706,018</u>	<u>1,520,191</u>

Comparative figures have been restated to reflect the adoption of the Housing SORP 2014 and FRS102.

The Financial Statements were approved by the Committee of Management and authorised for issue and signed on their behalf on 01 August 2016.

Chairperson

Vice-Chairperson

Secretary

Linda M. Black

A. Watson

Steve Muir

The notes on pages 15 to 28 form part of these financial statements.

ABRONHILL HOUSING ASSOCIATION LIMITED

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31st MARCH 2016

Net Cash Inflow from Operating Activities	17.	306,706	314,811
Investing Activities			
Acquisition and Construction of Properties		(182,684)	(162,300)
Purchase of Other Fixed Assets		(36,878)	-
Social Housing Grant Received		-	19,598
Changes on short term deposits with banks		(615)	(100,773)
Proceeds on Disposal of Properties		53,082	-
Net Cash Outflow from Investing Activities		(167,095)	(243,475)
Financing Activities			
Interest Received on Cash and Cash Equivalents		1,258	1,392
Interest Paid on Loans		(87,596)	(91,886)
Loan Principal Repayments		(89,507)	(84,781)
Share Capital Issued		3	5
Net Cash Outflow from Financing		(175,842)	(175,270)
Decrease in Cash		(36,231)	(103,934)
Opening Cash & Cash Equivalents		490,328	594,262
Closing Cash & Cash Equivalents		454,097	490,328
Cash and Cash equivalents as at 31 March 2016.			
Cash		454,097	490,328
		<u>454,097</u>	<u>490,328</u>

The notes on pages 15 to 28 form part of these financial statements.

ABRONHILL HOUSING ASSOCIATION LIMITED

STATEMENT OF CHANGES IN EQUITY

31st MARCH 2016

	£	£	£
Balance as at 1st April 2014	79	1,398,626	1,398,705
Issue of Shares	-	-	-
Cancellation of Shares	5	-	5
Surplus for Year	(5)	-	(5)
Surplus for Year	-	121,486	121,486
Balance as at 31st March 2015	<u>79</u>	<u>1,520,112</u>	<u>1,520,191</u>
Balance as at 1st April 2015	79	1,520,112	1,520,191
Issue of Shares	3	-	3
Cancellation of Shares	(20)	-	(20)
Surplus for Year	-	185,844	185,844
Balance as at 31st March 2016	<u>62</u>	<u>1,705,956</u>	<u>1,706,018</u>

The reserves opening balance has been restated to reflect the change in accounting requirements under the Housing SORP 2014 and FRS102.

ABRONHILL HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2016

NOTES TO THE FINANCIAL STATEMENTS

1 PRINCIPAL ACCOUNTING POLICIES

Statement of Compliance

These financial statements were prepared in accordance with Financial Reporting Standard 102 - 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' and the Statement of Recommended Practice for social housing providers 2014. The Association is a Public Benefit Entity in terms of its compliance with Financial Reporting Standard 102, applicable for accounting periods on or after 1 January 2015.

Revenue

The Association recognises rent receivable net of losses from voids. Service Charge Income (net of voids) is recognised with expenditure is incurred as this is considered to be the point when the service has been performed and the revenue recognition criteria is met.

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

Retirement Benefits

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

The Association accounts for amounts that it has agreed to pay towards the Scheme deficit in accordance with paragraph 28.11A of FRS 102. The present value of this liability has been recognised in the Statement of Financial Position. The discount rate applied to this obligation is that of a yield rate for the high quality corporate bond.

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 12. 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.

<i>Component</i>	<i>Useful Economic Life</i>
Structure	50 years
Roof	50 years
Bathrooms	20 years
Kitchens	20 years
Windows	30 years
Doors	40 years
Heating Systems	40 years
Boilers	25 years
Rewiring	35 years
Medical Adaptations	15 years

ABRONHILL HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2016 NOTES TO THE FINANCIAL STATEMENTS (Continued)

1 PRINCIPAL ACCOUNTING POLICIES (Continued.)

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:-

Office Premises	- 15%
Furniture and Fittings	- 25%

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 Capital 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

First tranche Shared Ownership disposals are credited to turnover on completion. The cost of construction of these sales is taken to operating cost. In accordance with the Statement of Recommended Practice, disposals of subsequent tranches are treated as non-current asset disposals with the gain or loss on disposal shown in the Statement of Comprehensive Income.

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

Disposals under shared equity schemes are accounted for in the Statement of Comprehensive Income. The remaining equity in the property is treated as a non-current asset investment, which is matched with the grant received.

Estimation Uncertainty

The preparation of financial statements requires the use of certain accounting estimates. It also requires the Management Committee to exercise judgement in applying Abrohill Housing 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, is disclosed below:

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.

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.

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.

Pension Liability

In March 2016 the Association received details from the Pension Trust of the provisional valuation of the pension scheme at September 2015 and the Pension Trust's estimate of the Association's future past service deficit contributions. The Association has used this to provide the basis of the pension past service deficit liability in the financial statements. The Board feel this is the best available estimate of the past service liability.

ABRONHILL HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2016 NOTES TO THE FINANCIAL STATEMENTS (Continued)

1 PRINCIPAL ACCOUNTING POLICIES (Continued.)

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.

Key Judgements made in the application of Accounting Policies

a) Exemptions taken in the transition to FRS 102

The Association has considered and taken advantage of the following exemptions in its first time application of FRS 102:

- i) The Association has not revisited previous accounting estimates
- ii) The Association has not revisited the accounting of previous business combinations

b) The Categorisation of Housing Properties

In the judgement of the Management Committee 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.

c) 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.

Financial Instruments - Basic

The Association recognises basic financial instruments in accordance with Section 11 of Financial Reporting Standard

The Association's debt instruments are measured at amortised cost using the effective interest rate method

ABRONHILL HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2016

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

Notes	2016			2015			
	Turnover £	Operating Costs £	Operating Surplus / (Deficit) £	Turnover £	Operating Costs £	Operating Surplus / (Deficit) £	
Affordable letting activities	3.	926,785	665,429	261,356	925,770	698,716	227,054
Other Activities	4.	9,120	17,821	(8,701)	-	5,289	(5,289)
Total		935,905	683,250	252,655	925,770	704,005	221,765

3. PARTICULARS OF INCOME & EXPENDITURE FROM AFFORDABLE LETTING ACTIVITIES

	General			2016 Total £	Restated 2015 Total £
	Needs Housing £	Supported Housing £	Shared ownership £		
Revenue from Lettings					
Rent Receivable Net of Service Charges	872,649	-	-	872,649	857,721
Service Charges	1,947	-	-	1,947	3,480
Gross income from rent and service charges	874,596	-	-	874,596	861,201
Less: Rent losses from voids	2,200	-	-	2,200	8,896
Net Rents Receivable	872,396	-	-	872,396	852,305
Grants released from deferred income	49,939	-	-	49,939	53,867
Revenue grants from Scottish Ministers	4,450	-	-	4,450	19,598
Total turnover from affordable letting activities	926,785	-	-	926,785	925,770
Expenditure on affordable letting activities					
Management and maintenance administration costs	306,955	-	-	306,955	323,388
Service Costs	1,947	-	-	1,947	3,480
Planned and cyclical maintenance, including major repairs	64,735	-	-	64,735	69,433
Reactive maintenance costs	123,784	-	-	123,784	151,916
Bad Debts - rents and service charges	6,926	-	-	6,926	5,839
Depreciation of affordable let properties	161,082	-	-	161,082	144,660
Operating costs of affordable letting activities	665,429	-	-	665,429	698,716
Operating surplus on affordable letting activities	261,356	-	-	261,356	227,054
2015	227,054	-	-		

The disclosure of turnover, operating costs and operating surplus from affordable letting activities has been restated to reflect the requirements of the Housing SORP 2014. Comparative figures have been restated on the same basis.

ABRONHILL HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2016

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

	£	£	£	£	£	£	£	£	£
Wider Role Activities	-	9,120	-	-	9,120	-	13,583	(4,463)	(4,880)
Other activities	-	-	-	-	-	-	2,179	(2,179)	-
Rechargeable Repair - Bad Debts	-	-	-	-	-	2,059	-	(2,059)	(91)
Total From Other Activities	-	<u>9,120</u>	-	-	<u>9,120</u>	<u>2,059</u>	<u>15,762</u>	<u>(8,701)</u>	<u>(4,971)</u>
2015	-	-	-	-	-	91	5,198	(5,289)	

The disclosure of turnover, operating costs and operating surplus from affordable letting activities has been restated to reflect the requirements of the Housing SORP 2014. Comparative figures have been restated on the same basis.

ABRONHILL HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2016

NOTES TO THE FINANCIAL STATEMENTS (Continued)

5. OFFICERS' EMOLUMENTS

The 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.

2016	2015
£	£

No Officer of the Association received emoluments greater than £60,000.

Emoluments payable to Chief Executive (excluding pension contributions)

-	12,376
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Consideration paid for services of key management personnel paid to third parties

37,756	35,306
--------	--------

6. EMPLOYEE INFORMATION

The average monthly number of full time equivalent persons employed during the year was

2016	2015
No.	No.

4	5
---	---

The average total number of Employees employed during the year was

4	5
---	---

Staff Costs were:

£	£
---	---

Wages and Salaries

123,478	133,244
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Social Security Costs

9,417	11,048
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Other Pension Costs

9,999	9,897
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142,894	154,189
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ABRONHILL HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2016

NOTES TO THE FINANCIAL STATEMENTS (Continued)

7. GAIN ON SALE OF HOUSING STOCK

	2016	2015
	£	£
Sales Proceeds	53,082	-
Cost of Sales	21,059	-
Gain On Sale Of Housing Stock	<u>32,023</u>	<u>-</u>

8. INTEREST PAYABLE & SIMILAR CHARGES

	2016	2015
	£	£
On Bank Loans & Overdrafts	<u>87,596</u>	<u>91,886</u>

9. SURPLUS FOR YEAR

	2016	2015
	£	£
Surplus is stated after charging:-		
Depreciation - Tangible Owned Fixed Assets	161,716	147,395
Auditors' Remuneration - Audit Services	7,530	6,080
Auditors' Remuneration - Other Services	1,194	631
Operating Lease Rentals - Other	1,488	667
Gain on sale of fixed assets	<u>(32,023)</u>	<u>-</u>

10. TAX ON SURPLUS ON ORDINARY ACTIVITIES

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

11. OTHER FINANCE INCOME / CHARGES

	2016	2015
	£	£
Unwinding of Discounted Liabilities	<u>12,496</u>	<u>9,785</u>

ABRONHILL HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2016

NOTES TO THE FINANCIAL STATEMENTS (Continued)

12. NON-CURRENT ASSETS

a) Housing Properties	Housing Properties Held for Letting £	Housing Properties In course of Construction £	Completed Shared Ownership Properties £	Shared Ownership In course of Construction £	Total £
COST					
As at 1st April 2015	5,845,334	-	-	-	5,845,334
Additions	182,684	-	-	-	182,684
Disposals	(41,933)	-	-	-	(41,933)
As at 31st March 2016	<u>5,986,085</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,986,085</u>
DEPRECIATION					
As at 1st April 2015	1,535,788	-	-	-	1,535,788
Charge for Year	153,830	-	-	-	153,830
Disposals	(13,624)	-	-	-	(13,624)
As at 31st March 2016	<u>1,675,994</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,675,994</u>
NET BOOK VALUE					
As at 31st March 2016	<u>4,310,091</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,310,091</u>
As at 31st March 2015	<u>4,309,546</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,309,546</u>

Additions to housing properties includes capitalised development administration costs of £nil (2015 - £nil) and capitalised major repair costs to existing properties of £182,684 (2015 £142,704)

All land and housing properties are freehold.

Total expenditure on existing properties in the year amounted to £247,419. The amount capitalised is £182,684, with the balance charged to the statement of comprehensive income. The amounts capitalised can be further split between component replacement of £182,684 and improvement of £nil.

The Association's Lenders have standard securities over Housing Property with a carrying value of £2,663,431 (2015 - £2,644,913).

ABRONHILL HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2016

NOTES TO THE FINANCIAL STATEMENTS (Continued)

12. NON CURRENT ASSETS (Continued)

b) Other Tangible Assets	Office Premises £	Furniture & Equipment £	Total £
COST			
As at 1st April 2015	67,548	49,256	116,804
Additions	28,456	8,422	36,878
Eliminated on disposal	-	(5,469)	(5,469)
As at 31st March 2016	<u>96,004</u>	<u>52,209</u>	<u>148,213</u>
AGGREGATE DEPRECIATION			
As at 1st April 2015	67,548	46,231	113,779
Charge for year	4,268	3,618	7,886
Eliminated on disposal	-	(5,469)	(5,469)
As at 31st March 2016	<u>71,816</u>	<u>44,380</u>	<u>116,196</u>
NET BOOK VALUE			
As at 31st March 2016	<u>24,188</u>	<u>7,829</u>	<u>32,017</u>
As at 31st March 2015	<u>-</u>	<u>3,025</u>	<u>3,025</u>

13 CAPITAL COMMITMENTS

	2016 £	2015 £
Capital Expenditure that has been contracted for but has not been provided for in the Financial Statements	<u>90,000</u>	<u>154,338</u>

The above commitments will be financed by a mixture of public grant, private finance and the Association's own resources.

14 COMMITMENTS UNDER OPERATING LEASES

	2016 £	2015 £
At the year end, the total future minimum lease payments under non-cancellable operating leases were as follows:-		
Not later than one year	-	667
Later than one year and not later than five years	<u>6,696</u>	<u>-</u>

Lease commitments have been restated under FRS102 to include the timing of the full payment due under the contract.

ABRONHILL HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2016

NOTES TO THE FINANCIAL STATEMENTS (Continued)

15. RECEIVABLES AMOUNTS FALLING DUE WITHIN ONE YEAR

	2016	2015
	£	£
Arrears of Rent & Service Charges	36,648	27,184
Adjustment to discount arrears balances with payment plans to NPV	-	-
Less: Provision for Doubtful Debts	(23,293)	(16,175)
	<u>13,355</u>	<u>11,009</u>
Other Receivables	12,543	21,687
	<u>25,898</u>	<u>32,696</u>

16. PAYABLES AMOUNTS FALLING DUE WITHIN ONE YEAR

	2016	2015
	£	£
Housing Loans	82,611	78,492
Trade Payables	15,719	46,942
Rent in Advance	21,345	21,131
Other Taxation and Social Security	2,750	3,091
Liability for Past Service Contributions	33,719	32,601
Accruals and Deferred Income	107,720	114,995
	<u>263,864</u>	<u>297,252</u>

At the balance sheet date there were pension contributions outstanding of £4,475 (2015 £4,371)

16. PAYABLES AMOUNTS FALLING DUE AFTER ONE YEAR

	2016	2015
	£	£
Liability for Past Service Contributions	165,686	187,437
Housing Loans	1,600,455	1,694,081
	<u>1,766,141</u>	<u>1,881,518</u>
<i>Housing Loans</i>		
Amounts due within one year	82,611	78,492
Amounts due in one year or more but less than two years	86,248	81,881
Amounts due in two years or more but less than five years	282,884	268,119
Amounts due in more than five years	1,231,323	1,344,081
	<u>1,683,066</u>	<u>1,772,573</u>
Less: Amount shown in Current Liabilities	82,611	78,492
	<u>1,600,455</u>	<u>1,694,081</u>
<i>Liability for Past Service Contributions</i>		
Amounts due within one year	33,719	32,601
Amounts due in one year or more but less than two years	33,457	32,417
Amounts due in two years or more but less than five years	101,087	95,077
Amounts due in more than five years	31,142	59,943
	<u>199,405</u>	<u>220,038</u>

The Association has a number of long-term housing loans the terms and conditions of which are as follows:

Lender	Security	Effective Interest Rate	Maturity	Variable / Fixed
RBS	Standard Security over 11 properties	BASE+0.5%	2022	Variable
Co-Op	Standard Security over 180 properties	LIBOR + 0.65%	2029	Variable
Co-Op	Standard Security over 180 properties	6.09 + 0.70%	2029	Fixed

All of the Association's bank borrowings are repayable in a monthly basis with the principal being amortised over the term of the loans

The liability for the past service contributions has been accounted for in accordance with FRS 102 para 28.13A and represents the present value of the contributions payable. The cash out flows have been discounted at a rate of 2.635% (2015 - 3.582%)

ABRONHILL HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2016

NOTES TO THE FINANCIAL STATEMENTS (Continued)

17. STATEMENT OF CASH FLOWS

<i>Reconciliation of operating surplus to balance as at 31st march 2016</i>	2016 £	2015 £
Operating Surplus	252,655	221,765
Depreciation	168,966	147,395
Amortisation of Capital Grants	(49,939)	(53,867)
Change in debtors	6,798	(9,867)
Change in creditors	(59,258)	19,175
Unwinding of Discount on Pension Liability	(12,496)	(9,785)
Share Capital Written Off	(20)	(5)
Balance as at 31st March 2016	<u>306,706</u>	<u>314,811</u>

18. DEFERRED INCOME

<i>Social Housing Grants</i>	2016 £	2015 £
Balance as at 1st April 2015	1,389,329	1,443,196
Amortisation in Year	(49,939)	(53,867)
Balance as at 31st March 2016	<u>1,339,390</u>	<u>1,389,329</u>

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

	2,016 £	2,015 £
Amounts due within one year	49,939	53,867
Amounts due in one year or more	<u>1,289,451</u>	<u>1,335,462</u>
	<u>1,339,390</u>	<u>1,389,329</u>

ABRONHILL HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2016

NOTES TO THE FINANCIAL STATEMENTS (Continued)

19. SHARE CAPITAL

Shares of £1 each Issued and Fully Paid	£
At 1st April 2015	79
Issued in year	3
Cancelled in year	(20)
At 31st March 2016	<u>62</u>

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

20. HOUSING STOCK

The number of units of accommodation in management at the year end was:-	2016	2015
	No.	No.
General Needs - New Build	11	11
General Needs - Rehabilitation	216	218
	<u>227</u>	<u>229</u>

ABRONHILL HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2016

NOTES TO THE FINANCIAL STATEMENTS (Continued)

21. RELATED PARTY TRANSACTIONS

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

Those members that 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.

Governing Body Members cannot use their position to their advantage. Any transactions between the Association and any entity with which a Governing Body Member has a connection with is made at arm's length and is under normal commercial terms.

Transactions with governing body members (and their close family) were as follows:

Rent Received from Tenants on the Committee	£ 8,353
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At the year end total rechargeable repair arrears owed by tenants of the Committee were £639.

22. DETAILS OF ASSOCIATION

The Association is a Registered Society registered with the Financial Conduct Authority and is domiciled in Scotland.

The Association's principle place of business is Unit 10, Abronhill Shopping Centre, Cumbernauld.

The Association is a Registered Social Landlord and Scottish Charity that owns and manages social housing property in Abronhill Shopping Centre.

23. GOVERNING BODY MEMBER EMOLUMENTS

Board members received £44 in the year by way of reimbursement of expenses (2015 - £nil). No remuneration is paid to Board members in respect of their duties in the Association.

24. CURRENT ASSET INVESTMENTS

	2016	2015
	£	£
Short Term Deposits	253,310	252,695

ABRONHILL HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2016

NOTES TO THE FINANCIAL STATEMENTS (Continued)

29. RETIREMENT BENEFIT OBLIGATIONS

General

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

The Scheme is a multi-employer defined benefit scheme. The Scheme is funded and is contracted out of the state scheme.

The Scheme offers six benefit structures to employers, namely:

- Final salary with a 1/60th accrual rate.
- Career average revalued earnings (CARE) with a 1/60th accrual rate
- Career average revalued earnings (CARE) with a 1/70th accrual rate
- Career average revalued earnings (CARE) with a 1/80th accrual rate
- Career average revalued earnings (CARE) with a 1/120th accrual rate, contracted in
- Defined contribution

An employer can elect to operate different benefit structures for their active members (as at the first day of April in any given year) and their new entrants. An employer can only operate one open benefit structure at any one time. An open benefit structure is one which new entrants are able to join.

Abronhill Housing Association Limited has elected to operate the defined contribution scheme for all active members.

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

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

Defined Contribution Scheme

During the accounting period Abronhill Housing Association Limited paid contributions at the rate of 8% of pensionable salaries to the defined contribution scheme. Member contributions were 8% to the defined contribution scheme.

As at the balance sheet date there were 5 active members of the Scheme employed by Abronhill Housing Association Limited. The annual pensionable payroll in respect of these members was £121,940. Abronhill Housing Association Limited continues to offer membership of the Scheme to its employees.

Scheme Assets and Liabilities

It is not possible in the normal course of events to identify the share of underlying assets and liabilities belonging to individual participating employers as the scheme is a multi-employer arrangement where the assets are co-mingled for investment purposes, benefits are paid from the total scheme assets, and the contribution rate for all employers is set by reference to the overall financial position of the scheme rather than by reference to individual employer experience. Accordingly, due to the nature of the Scheme, the accounting charge for the period under FRS102 represents the employer contribution payable.

ABRONHILL HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2016

NOTES TO THE FINANCIAL STATEMENTS (Continued)

29. RETIREMENT BENEFIT OBLIGATIONS (CONTINUED)

The last provisional valuation of the Scheme was performed as at 30th September 2015 by a professionally qualified actuary using the Projected Unit Credit method. The market value of the Scheme's assets at the valuation date was £612m. The valuation revealed a shortfall of assets compared with the value of liabilities of £198m (equivalent to a past service funding level of 76%).

The Scheme Actuary has prepared an Actuarial Report that provides an approximate update on the funding position of the Scheme as at 30th September 2015. Such a report is required by legislation for years in which a full actuarial valuation is not carried out. The funding update revealed a increase in the assets of the Scheme to £612 million and indicated an increase in the shortfall of assets compared to liabilities to approximately £198 million, equivalent to a past service funding level of 76%.

The Scheme operates on a 'last man standing' basis, meaning that in the event of an employer withdrawing from the Scheme and being unable to pay its share of the debt on withdrawal. Then the liability of the withdrawing employer is re-apportioned amongst the remaining employer. Therefore in certain circumstances the Association may become liable for the obligations of a third party.

Based on the provisional valuation the Scheme has provided an estimate of the contributions required to fund the past service deficit. Under the new proposals the Association will make payments of £35,888 from 1 April 2017. Payments are expected to increase by 3% per annum and continue until February 2022. Once finalised the proposals will replace the original plan which was expected to have lasted 10 years.

All employer's in the scheme have entered into an agreement to make additional contributions to fund the Scheme's past service deficit. This obligation has been recognised in terms of Para 28.11A of Financial Reporting Standard 102. At the balance sheet date the present value of this obligation was £199,405 (2015 - £220,038). This was calculated by reference to the terms of the provisional valuation and funding plan and discounting the liability using the yield rate of high quality corporate bond with a similar term. The discount rate used was 2.64% (2015: 3.58%).

The Association made payments totalling £33,129 (2015: £32,164) to the pension scheme during the year.

ABRONHILL HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2016

NOTES TO THE FINANCIAL STATEMENTS (Continued)

30. TRANSITION TO THE FINANCIAL REPORTING STANDARD

In accordance with the Statement of Recommended Practice the Association has adopted the Financial Reporting Standard for UK & Ireland (FRS 102) for the accounting period beginning on 1 April 2015. As a result of this the comparative figures for the period ending 31 March 2015 have been restated in accordance with FRS 102.

The transition to FRS 102 has resulted in a number of changes in accounting policies compared with those used previously.

The following describes the differences between the assets and liabilities and income and expenditure as presented previously, and the amounts as restated to comply with the accounting policies selected in accordance with FRS 102 for the reporting period ending 31 March 2016.

		Reconciliation of Capital & Reserves					
		At 31 March 2015			At 31 March 2014		
Note		As previously Stated	Effect of Transition	As Restated	As previously Stated	Effect of Transition	As Restated
		£	£	£	£	£	£
Non Current Assets	(i)	2,895,257	1,417,314	4,312,571	2,864,796	1,452,514	4,317,310
Current Assets		775,719	-	775,719	769,013	-	769,013
Current Liabilities	(ii)	(264,651)	(32,601)	(297,252)	(214,099)	(31,626)	(245,725)
Non Current Liabilities	(ii)	(1,694,081)	(187,437)	(1,881,518)	(1,787,860)	(210,837)	(1,998,697)
Deferred Income	(i)	-	(1,389,329)	(1,389,329)	-	(1,443,196)	(1,443,196)
		1,712,244	(192,053)	1,520,191	1,631,850	(233,145)	1,398,705
Capital & Reserves		(1,712,244)	192,053	(1,520,191)	(1,631,850)	233,145	(1,398,705)

		Reconciliation of Retained Surpluses for the Year		
		Year Ended 31 March 2015		
Note		As previously Stated	Effect of Transition	As Restated
		£	£	£
Revenue	(i)		852,305	925,770
Operating Costs	(i) & (ii)		(681,417)	(704,005)
Interest Receivable			1,392	1,392
Interest Payable			(91,886)	(91,886)
Other Finance Income / Costs			-	(9,785)
			80,394	121,486
Surplus			80,394	121,486

Notes to the Reconciliations

(i) - Social Housing Grants and Other grants have been accounted for in accordance with the SORP which has meant that grants are no longer deducted from the cost of the capital asset, but are instead treated as deferred income which is recognised in income over the useful life of the related asset.

(ii) - As the Association has entered into an agreement to make contributions to fund a deficit in the SHAPS pension scheme this has been recognised as a liability in accordance with the FRS. This liability was not previously recognised and payments made under this agreement were written off as operating costs. In addition to this the Association has an interest rate swap which was previously unrecognised, but now requires to be recognised at its fair value under FRS 102 Section 12.

(iii) - The liability recognised as a result of (ii) above has been discounted to its present value. The unwinding of the discount is recognised as a finance cost in accordance with FRS 102 para 28.13A