

BARRHEAD HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS

For the year ended 31 March 2016

BARRHEAD HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS

For the year ended 31 March 2016

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BARRHEAD HOUSING ASSOCIATION LIMITED

GOVERNING BOARD, EXECUTIVES AND ADVISERS

For the year ended 31 March 2016

Governing Board

Rena McGuire BEM (Chairperson)
Claire Boyd (Vice Chairperson)
Brian Connelly MBE (Secretary)
Michael Mukhtar
David McCready
Laura Hendry

Cllr Tommy Reilly
John Hamilton
Drew McKinney (Appointed 30 September 2015)
Janice McNichol (Appointed 30 September 2015)
Chris Baird (Appointed 30 September 2015)
Gavin McVicar (Resigned 29 October 2015)

Executive Officers

Shirley Robison
Lorraine Dallas
James Ward
Helen Sutherland
Jim Munro
Dougie McIntyre

Chief Executive
Director of Customer Services (Appointed 11 April 2016)
Director of Asset Management (appointed 30 Nov 2015)
Director of Corporate Services
Director of Customer Services (Resigned 10 March 2016)
Director of Property Services (Resigned 28 August 2015)

Registered Office

60-70 Main Street
Barrhead
Glasgow
G78 1SB

External Auditors

Chiene + Tait LLP
61 Dublin Street
EDINBURGH
EH3 6NL

Bankers

Bank of Scotland
112 Main Street
Barrhead
GLASGOW
G78 1RD

Solicitors

TC Young
7 West George Street
GLASGOW
G2 1BA

Registration particulars:

Financial Conduct Authority

Registered Society under the Co-operative and Community Benefit Societies Act 2014
Registered Number 2229R(S)

Scottish Housing Regulator

Housing Scotland Act 2010
Registered Number HCB 70

Scottish Charity Regulator

Charities and Trustee Investment (Scotland) Act 2005
Scottish Charity Number SC 036265

BARRHEAD HOUSING ASSOCIATION LIMITED

REPORT OF GOVERNING BOARD

For the year ended 31 March 2016

The Governing Board present their report and audited financial statements for the year ended 31 March 2016.

Legal Status

Barrhead Housing Association Limited ("Barrhead" or "Association") is registered with the Financial Conduct Authority as a Registered Society under the Co-operative and Community Benefit Societies Act 2014, the Office of the Scottish Charities Regulator (OSCR) as a charity, and with the Scottish Housing Regulator as a Registered Social Landlord.

Principal activity

The principal activity of Barrhead is the provision of housing for let at rents affordable to the client groups for whom it intends to provide. This includes general needs, supported accommodation, amenity/disabled accommodation and sheltered housing.

Our Strategic Aims

Barrhead's strategic aims are set out in its Business Plan and are as follows:

- Strive for excellence across the organisation
- Encourage our customers to get involved in our business
- Be accountable to customers and responsive to their aspirations and needs
- Invest in our properties to provide desirable, safe and secure homes
- Provide quality homes that are affordable for our customers and our overall business
- Provide value for money and be cost aware across all services delivered
- Work in partnership to meet our objectives
- Build new affordable homes if financially viable
- Create opportunities for employment, training and support for our people, particularly our young people and our wider community
- Improve the quality of our customers' lives
- Grow and expand our subsidiary to further the aims of the Association

Our Strategic objectives:

What we want to do:

- Create communities that fit the needs and aspirations of our customers
- Create desirable neighbourhoods by investing in our homes
- Be responsive by developing and improving all areas of our work
- Strive for excellence across the organisation
- Grow our business, our communities and our people

How we want to do it:

- Empower our people to lead the changes we need to make
- Deliver value for money and sound finances
- Deliver personal services to our customers in a 'can do' way
- Be flexible and adaptable to our changing environment
- Prepare for new opportunities

We see these as challenging objectives, which will change the way we deliver our core services of housing, housing support, advice, and consultancy. In particular, we seek to challenge what we currently do and look to improve, rather than simply carry on with existing patterns of work.

BARRHEAD HOUSING ASSOCIATION LIMITED

REPORT OF GOVERNING BOARD (continued)

For the year ended 31 March 2016

Members of the Governing Board

The Members of the Governing Board of the Association during the year to 31 March 2016 and to the date of this report are shown on page 1.

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

Corporate Governance

Barrhead has a Governing Board which is elected by the members of the Association. It is the responsibility of the Board to undertake the strategy and policy setting and overall direction for the Association. The Board also monitors the operational activities of the Association. The members of the Governing Board are unpaid.

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

Our governing body is our Governing Board, which is responsible to the wider membership. The Governing Board 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 standards 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.

The Vice Chair, Claire Boyd and Secretary, Brian Connelly MBE hold the SVQ Governance qualification. All Board members receive an annual appraisal on their performance, which is then reported on to the Governing Board. We have an annual Board member's development budget and programme for continuous learning and offer a variety of networking opportunities including with our FLAIR local housing association partners and the wider housing sector.

Operational Review

The following paragraphs describe the key matters which have affected the main activities undertaken by Barrhead.

Corporate Issues

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

Barrhead is committed to involving staff in decision making and policy making. In the year just ended, staff were fully involved in the business planning process and regular staff meetings were held to keep staff informed of our activities.

Performance Management

Service delivery is underpinned by staff performance. This continues to be a high priority for us. In the last year we have continued with our staff appraisal system and this produces a staff development needs assessment in line with the budget provision. We also continue to review our performance management framework, which influences our reporting performance framework. Investors in People status was first awarded in May 2009. At re-assessment in January 2015, the Association achieved Silver accreditation and also the Investors in Young People Good Practice Award in recognition for our development and training of young people into further education, training and employment.

BARRHEAD HOUSING ASSOCIATION LIMITED

REPORT OF GOVERNING BOARD (continued)

For the year ended 31 March 2016

Operational Review (continued)

Best use of resources

We regularly conduct risk assessments, and take any action necessary to reduce or limit risk. We have continued with a programme of major investment in our housing stock, which is by far our most costly asset. This includes both carrying out improvements, and also considering the requirements for future demand as highlighted in our Asset Management Strategy. We are updating our stock condition information and reviewing our asset management strategy, to ensure that our long-term financial planning reflects our future investment requirements. During the year we have further developed our new Information and Technology system to improve performance throughout the organisation. During the course of the year, we carried out an external validation of our longer term financial planning using consultants. This provided our Board with re-assurance that we are financially stable going forward and also tested our assumptions and risks for the future.

Services

We aim to deliver high quality services, and we set ourselves the goal of achieving continuous improvement in what we do. We continue to monitor and encourage feedback and complaints, which assist us in monitoring the views and expectations of our tenants to help drive our continuous service improvement.

Development Issues

In the year just completed, the Association has spent £2,080,204 (2015 - £1,560,505) on its development programme and acquisition of houses, of which £880,650 (2015 - £837,416) was funded by grants received from the Scottish Government (Housing Association Grant).

Housing Issues

Barrhead continues to work on minimising the period of time taken to re-let or let new properties, to ensure that we maximise our effectiveness in housing people in need, and reduce our costs. The rent loss due to empty properties was £20,762 (2015 - £14,402). We are always striving to reduce this loss further although improvement may be difficult due to the likely impact of welfare reform.

Risks and Uncertainties

Risk Management Policy

The Governing Board has a formal risk management process, which is linked to our Business Plan. This will assess business risks and the implementation of our risk management strategies. This involved identifying the types of risks the Association faces and is likely to face, assessing them in terms of whether they pose a low, medium or high risks and identifying means of mitigating the risks. As part of this process the Governing Board have reviewed the adequacy of the Association's current internal controls. We now report on the top risks to the Board and senior staff update our risk activities at every senior team meeting.

Our top five risks have been identified as follows:

- Welfare Reform and the Introduction of Universal Credit – This could put pressure on our cash flow and potentially increase our rent arrears and our bad debts. This requires to be closely monitored.
- Building New homes – While this has become more attractive with the increase in grant subsidy, longer term growth will depend on our ability to borrow. Different borrowing options require to be explored.
- New Single Contractor – Contracted to provide our repairs and void service for three years. This needs to be closely monitored to ensure it provides the cost control and performance required to meet our Social Housing Charter outcomes.
- Our new IT system - Has been delivered at a significant investment. We need to ensure that we continue to develop the system to ensure it delivers improved information, better analysis and ultimately service improvements to our customers, our senior staff and our governing Board.
- Longer Term Planning – Updating and monitoring of our asset management strategy is a priority to ensure the continuing appropriate investment and improvement in our stock, assessment of housing demands, as well as compliance with SHQS (Social Housing Quality Standard) and EESSH (Energy Efficiency Standard for Social Housing).

We currently review our approach to risk management via internal audit and will work to identify further improvements in our strategy and approach to risk going forward.

BARRHEAD HOUSING ASSOCIATION LIMITED

REPORT OF GOVERNING BOARD (continued)

For the year ended 31 March 2016

Risks and Uncertainties (continued)

Risk Management Policy (continued)

Our policies on internal controls cover the following:

- consideration of the type of risks the Association faces;
- the level of risks which they regard as acceptable;
- the likelihood of the risks concerned materialising;
- the Association's ability to reduce the incidence and impact on the business of risks that do materialise and the costs of operating particular controls relative to the benefit obtained;
- clarified the responsibility of management to implement the Governing Board's policies and to identify and evaluate risks for their consideration;
- communicated that employees have responsibility for internal control as part of their accountability for achieving objectives;
- embedded the control system in the Association's operations so that it is part of the culture of the Association;
- developed systems to respond quickly to evolving risks arising from factors within the Association and to changes in the external environment; and
- included procedures for reporting failings immediately to appropriate levels of management and the Governing Board together with details of corrective action being undertaken.

Internal Financial Control

The Governing Board 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 Governing Board has established with a view to providing effective internal financial control are listed on pages 10 and 11.

Management Structure

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

Budgetary Process

Each year the Governing Board approves the annual budget and rolling three-year strategic business plan. Key top risk areas are identified. Performance is monitored and relevant action taken throughout the year through quarterly reporting to the Governing Board 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.

Credit Payment

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

Financial review

Results for the year

The results for the year are shown in the Statement of Comprehensive Income. Barrhead made a surplus of £1,040,907 (2015: £1,133,604) during the year.

The Association has continued in 2015/16 to review its systems, controls and procedures.

The Association has a clearly defined programme of improvement works which it is in the process of carrying out. The Association is 98.45% compliant with the Scottish Housing Quality Standards and will continue to meet these standards. Our ability to reach 100% will depend on improvements at mixed tenure properties where residents fail to participate in planned upgrades.

BARRHEAD HOUSING ASSOCIATION LIMITED

REPORT OF GOVERNING BOARD (continued)

For the year ended 31 March 2016

Financial review (continued)

General Reserves

The Governing Board members have reviewed the reserves of Barrhead. 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 Association's general reserve increased from £6,014,530 to £7,074,403. These funds are held for future investment in our properties including major repairs and to provide against the risk of loss of revenue in the future.

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 Governing Board. Reviews are carried out during the development period, to monitor expenditure and performance.

Rental Income

Barrhead's Rent Setting Policy is a points 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. This policy follows the generally accepted practice/principles of the housing sector. We have completed an extensive review of our rent setting policy with a rent harmonisation programme commencing from April 2015. This review will take several years to complete, with the majority of rents reviewed in the first 5 year period.

Maintenance policies

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

In addition, the Association has a long-term programme of major improvements to cover for works which have become necessary since the original development was completed, including works required by subsequent legislative changes. This includes replacement or repairs to features of the properties, which have come to the end of their economic lives. The cost of these repairs would be charged to the Income and Expenditure account, unless it was agreed they could be capitalised within the terms outlined in the SORP.

The Association will be required to assess and report to the Regulator on how we will meet the requirement of the new Energy Efficiency Standard for Social Housing, EESH. The first report on EESH was required for 2015/16 and will be updated annually thereafter. These provide targets for 2020 until 2050 on energy efficiency standards.

Treasury Management

Barrhead has an active treasury management function, which operates in accordance with the Treasury Policy approved by the Governing Board. 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. The Association, as a matter of policy, does not enter into transactions of a speculative nature.

Staff matters

Key Management

Our key management has responsibility for planning, directing and controlling the activities of the Association. This consists of the Governing Board, the Chief Executive and 3 senior Directors. The Governing Board is not remunerated for their services. The Chief Executive and Directors' salaries are set, as all staff salaries are, based on the Employers in Voluntary Housing (EVH) salary scales. The Governing Board receives a review of the Chief Executive's remuneration package annually. In addition the salary scales and responsibilities for the Chief Executive and the senior Directors were reviewed in February 2016 by EVH to ensure continued relevance to the set scales. The governing Board accepted the recommendations of EVH's report and these were implemented immediately, with a commitment to review these every 3 years. This will ensure an

BARRHEAD HOUSING ASSOCIATION LIMITED

REPORT OF GOVERNING BOARD (continued)

For the year ended 31 March 2016

Staff matters (continued)

Key Management (continued)

independent review which will recognise the growth and complexities of our business and ensure that the Association can continue to recruit senior staff with the right skills and qualifications. Given the recent change at senior staff level, this was considered appropriate.

Employee Involvement and Health & Safety

Barrhead achieved Investors in People accreditation in May 2009. Bronze status was accredited in January 2012 and Silver status achieved in January 2015 along with an Investors in Young People good practice award. Barrhead is also involved in the Healthy Working Lives accreditation to improve the health and well being of staff. We are re-assessed every year to ensure we continue to meet the Gold Standard.

The Association encourages employee involvement in all major initiatives and maintaining Health & Safety standards in all areas. When appropriate, staff are encouraged to participate in the development and revision of policies and procedures, etc.

Quality and Integrity of Personnel

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

Disabled Employees

Applications for employment by disabled persons are given full and fair consideration for all vacancies in accordance with their particular aptitudes and abilities. In the event of employees becoming disabled, every effort is made to retrain them in order that their employment with the Association may continue. It is the policy of the Association that training, career development and promotion opportunities should be available to all employees.

Future developments

The Association intends to continue with its policy of improving the quality of housing within its area of operation. During the year, the development of 15 affordable new build units at Rankin Court has been taken forward and partnership discussions are now on-going to consider the future supply of new affordable housing for social rent in the East Renfrewshire area. The Association hopes to be part of the further supply of new social housing to meet the current demands for more affordable housing.

Auditor

After a tendering process, Chiene + Tait LLP were appointed as auditors and have indicated their willingness to continue to act as auditor to the Association.

ON BEHALF OF THE GOVERNING BOARD

Rena McGuire BEM
CHAIR

Rena McGuire 2016

4 August 2016

BARRHEAD HOUSING ASSOCIATION LIMITED

STATEMENT OF GOVERNING BOARD RESPONSIBILITIES

For the year ended 31 March 2016

The Governing Board is responsible for preparing the report and financial statements in accordance with applicable law and regulations.

The Co-operative and Community Benefit Societies Act 2014 and social housing legislation require the Governing Board to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Association at the balance sheet date and of its income and expenditure for the year ended on that date. In preparing these financial statements, the Governing Board 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 and the Statement of Recommended Practice 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 its business; and
- prepare a Statement on Internal Financial Control.

The Governing Board is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Association and to enable it to ensure that the financial statements comply with the Co-operative and Community Benefit Societies Act 2014, the Housing Scotland Act 2010 and the Determination of Accounting Requirements (December 2014). The Governing Board is also responsible for safeguarding the assets of the Association and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Governing Board 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.

Information for the Auditor

In so far as the Governing Board is aware:

- there is no relevant audit information of which the Association's auditor is unaware; and
- the Governing Board has taken all steps that it ought to have taken to make its members aware of any relevant audit information and to establish that the Association's auditor is aware of that information.

BY ORDER OF THE GOVERNING BOARD

Rena McGuire *BEM*
CHAIR

Rena McGuire 2016

4 August 2016

BARRHEAD HOUSING ASSOCIATION LIMITED

GOVERNING BOARD'S STATEMENT ON INTERNAL FINANCIAL CONTROLS

For the year ended 31 March 2016

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

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

It is the Governing Board'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 include ensuring that:

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

The Governing Board have reviewed the effectiveness of the system of internal financial control in existence in the Association for the year ended 31 March 2016 and until the below date. No weaknesses were found in internal financial controls which resulted in material losses, contingencies, or uncertainties which require disclosure in the financial statements or in the auditor's report on the financial statements.

The Governing Board had instructed consultants to work with us as a 'critical friend', to advise on controls for improving and reshaping our repairs service, in place of the traditional approach to internal audit. This process will lead to an internal audit for the repairs function next year. During the year, the Governing Board approved the commencement of internal audit for our factoring services and also for a review of our risk management strategy. These will be concluded with a forward plan of improvements to meet recommendations made.

Scottish Housing Regulator – Notifiable Events

The Association is required, along with all other registered social landlords, to notify the Scottish Housing Regulator of unusual events. These could be, for example, around significant performance failures, of major health and safety events, or members being removed from the Governing Board or senior staff leaving the organisation. The list is quite lengthy. During the year, we have had one event that resulted in a Notifiable Event being confirmed to the Scottish Housing Regulator.

The Notifiable Event concerned some irregularities with the recording of petty cash. The ultimate financial loss was not material. As a result of this, the Association's previous external auditors, French Duncan LLP carried out a review of petty cash administration as part of last year's external audit. No further significant issues were found.

BY ORDER OF THE GOVERNING BOARD

Rena McGuire BEM
CHAIR

Rena McGuire
2016

4 August 2016

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF

BARRHEAD HOUSING ASSOCIATION LIMITED



We have audited the financial statements of Barrhead Housing Association Limited for the year ended 31 March 2016 which comprise the Statement of Comprehensive Income, Statement of Changes in Reserves, Statement of Financial Position, Statement of Cash Flows and related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

Respective responsibilities of the Governing Board and Auditor

As explained more fully in the Statement of Governing Board Responsibilities set out on page 8, the Governing Board is responsible for the preparation of financial statements which 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 Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the website of the Financial Reporting Council (FRC) at www.frc.org.uk/apb/scope/private.cfm.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Association's affairs as at 31 March 2016 and of its income and expenditure for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Co-operative and Community Benefit Societies Act 2014, Part 6 of the Housing (Scotland) Act 2010 and the Scottish Housing Regulator Determination of Accounting Requirements (December 2014).

Matters arising 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.

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

23 August 2016



In addition to our audit of the financial Statements, we have reviewed your statement on page 9 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. 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 9 has provided the disclosures required by the relevant Regulatory Standards within the publication 'Our Regulatory Framework' and associated Regulatory Advisory Notes issued by the Scottish Housing Regulator in respect of internal financial controls and is consistent with the information which came to our attention as a result of our audit work on the financial statements.

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

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

23 August 2016

BARRHEAD HOUSING ASSOCIATION LIMITED

STATEMENT of COMPREHENSIVE INCOME

For the year ended 31 March 2016

	Notes	2016 £	2015 (Restated) £
Turnover	2	4,808,158	4,853,493
Operating expenditure	2	(3,330,616)	(3,250,136)
Operating surplus	2	1,477,542	1,603,357
Gain/(loss) on disposal of property, plant and equipment		6,924	(10,322)
Interest receivable		26,901	24,767
Interest and financing costs	4	(470,460)	(484,198)
Surplus before tax		1,040,907	1,133,604
Taxation	5	-	-
Surplus for the year and total comprehensive income for the year		1,040,907	1,133,604

The results for the year relate wholly to continuing activities.

STATEMENT of CHANGES in RESERVES

For the year ended 31 March 2016

	Share Capital £	Income and Expen- diture Reserve £	Restricted Reserve £	Total Reserves £	Total Restricted Fund £	Total Un- restricted Fund £
Balance at 1 April 2015 (restated note 25)	66	6,014,530	25,726	6,040,322	25,726	6,014,530
Issue of Shares	3	-	-	-	-	-
Cancellation of shares	(3)	-	-	-	-	-
Surplus/(deficit) from statement of comprehensive income	-	1,040,907	--	1,040,907	--	1,040,907
Transfer		18,966	(18,966)	-	(18,966)	18,966
Balance at 31 March 2016	66	7,074,403	6,760	7,081,229	6,760	7,074,403

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

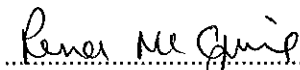
BARRHEAD HOUSING ASSOCIATION LIMITED

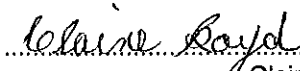
STATEMENT of FINANCIAL POSITION

As at 31 March 2016

	Notes	£	2016 £	2015 (restated) £
Fixed assets				
Tangible fixed assets	7		47,829,879	46,873,875
Investments	8		1	1
			-----	-----
			47,829,880	46,873,876
Current assets				
Debtors	9	236,687		370,150
Cash and cash equivalents		2,711,103		3,178,714
		-----		-----
		2,947,790		3,548,864
Creditors: amounts falling due within one year	10	1,607,723		1,686,203
		-----		-----
Net current assets			1,340,067	1,862,661
			-----	-----
Total assets less current liabilities			49,169,947	48,736,537
Creditors: amounts falling due after more than one year	11		42,088,718	42,696,215
			-----	-----
Total net assets			7,081,229	6,040,322
			=====	=====
Reserves				
Share capital	15		66	66
Income and expenditure reserve	16		7,074,403	6,014,530
Restricted reserves	17		6,760	25,726
			-----	-----
			7,081,229	6,040,322
			=====	=====

These financial statements were approved and authorised for issue by the Governing Board on 4 August 2016 and signed on their behalf by:

Chair, Governing Board Member
Rena McGuire BEM

Vice Chair, Governing Board Member
Claire Boyd

Secretary
Brian Connelly, MBE

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

BARRHEAD HOUSING ASSOCIATION LIMITED**STATEMENT of CASH FLOWS****For the year ended 31 March 2016**

	Notes	2016	2015
		£	(restated) £
Net cash generated from operating activities	18	1,947,351	2,031,399
Cash flow from investing activities			
Purchase of tangible fixed assets		(2,343,947)	(1,733,746)
Proceeds from sale of tangible fixed assets		38,866	-
Housing association grant received (net)		860,263	837,416
Interest received		26,901	24,767
		<u>(1,417,917)</u>	<u>(871,563)</u>
Cash flow from financing activities			
Interest paid	(446,431)		(484,198)
Repayment of borrowings	(550,617)		(548,723)
Shares issued	3		3
		<u>(997,045)</u>	<u>(1,032,918)</u>
Net change in cash and cash equivalents		<u>(467,611)</u>	<u>126,918</u>
Cash and cash equivalents at beginning of the year		3,178,714	3,051,796
Cash and cash equivalents at end of the year		<u>2,711,103</u>	<u>3,178,714</u>

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

BARRHEAD HOUSING ASSOCIATION LIMITED

NOTES to the FINANCIAL STATEMENTS

For the year ended 31 March 2016

1. Accounting Policies

Introduction and accounting basis

The financial statements have been prepared for the first time in accordance with Financial Reporting Standard 102 (FRS 102), the Statement of Recommended Practice for social housing providers "Housing SORP 2014" (SORP 2014) and the Determination of Accounting Requirements 2014. The transition to FRS 102 and SORP 2014 has resulted in a number of changes in accounting policies to those used previously. The nature of these changes and their impact on the figures reported in the comparative period are explained in note 25. The principal accounting policies of the Association are set out below.

Housing Association Grants

Housing Association Grants (HAG) are awarded to reduce the amount of mortgage loan (or other funding) in respect of an approved scheme to the amount which it is estimated can be serviced by the net annual income of the scheme. The amount of HAG is calculated on the qualifying cost of the scheme in accordance with instructions issued from time to time by the grant awarding body. HAG and other grants are repayable under certain circumstances. These include the disposal of the properties to which the grants relate. HAG is recognized using the accrual model and is recognized in income on a systematic basis over the useful life of the related housing asset. The Association uses the useful life of the housing property structure as the basis for amortisation.

Tangible fixed assets - Housing properties (note 7)

Housing properties are initially stated at cost. The cost of such properties includes the following:

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

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

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

Development costs are capitalised to the extent that they are attributable to specific schemes, where such costs are not felt to be excessive.

If expenditure does not qualify for HAG, it may nevertheless be capitalised. Expenditure on schemes, which are subsequently aborted, is written off in the year in which it is recognised that the scheme will not be developed to completion.

Interest on the loan financing the development is capitalised up to the relevant date of completion.

Depreciation

Housing Properties

Housing properties are stated at cost, less accumulated depreciation. The Association depreciates housing properties by major component on a straight line basis over the expected economic useful lives of each identified component. All components are categorised as Housing Properties in note 7. No depreciation is charged on the cost of land.

Component	Useful Economic Life
Kitchen	15 years
Central Heating System	30 years
Boilers	15 years
Bathrooms	20 years
Windows	25 years
Lifts	40 years
Structure	50 years
Roofs	40 years

BARRHEAD HOUSING ASSOCIATION LIMITED

NOTES to the FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2016

1. Accounting Policies (continued)

Depreciation (continued)

Other fixed assets

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

Office premises - over 5 to 30 years
Furniture & equipment - over 5 years

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.

Apportionment of management expenses

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

Lease obligations

Rentals paid under operating leases are charged to the Statement of Comprehensive Income on the accruals basis.

Sale of Housing Properties

Properties are disposed of under the appropriate legislation and guidance. All costs and grants relating to the share of property sold are removed from the financial statements at the date of sale and, except for first tranche sales, any gain or loss is recognised. Any grants received that cannot be repaid from the proceeds of sale are abated and the grants removed from the financial statements. Proceeds of first tranche sales are recognised as turnover and associated costs as operating costs.

Impairment of fixed assets

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

Improvements

Improvements are capitalised where these represent the replacement of separately depreciated components or where these result in an enhancement of the economic benefits of the property. Such enhancement can occur if the improvements result in:-

- an increase in rental income or
- a material reduction in future maintenance costs or
- a significant extension of the life of the property.

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

BARRHEAD HOUSING ASSOCIATION LIMITED

NOTES to the FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2016

1. Accounting Policies (continued)

Pensions

The Association participates in the centralised Scottish Housing Associations' Defined Benefit and Defined Contribution Pension Schemes and retirement benefits to employees of the Association are funded by contributions from all participating employers and employees in the Scheme. Payments are made in accordance with periodic calculations by consulting actuaries and are based on pension costs applicable across the various participating Associations taken as a whole. Accordingly, in respect of current service cost the accounting charge represents the employer contributions payable.

Where the scheme is in deficit and the Association has agreed to a deficit funding arrangement with the scheme trustees, the Association recognizes a liability for this obligation. The amount recognized is the net present value of the deficit reduction contributions payable under the agreement. The unwinding of the discount rate is recognized as a finance cost.

Turnover

Turnover represents rental income and service charges receivable from tenants, grants and management fees for services.

2. Particulars of turnover, operating costs and operating surplus or deficit

	Turnover	Operating costs	Operating Surplus/ (Deficit) 2016	Operating Surplus/ (Deficit) 2015 (restated)
	£	£	£	£
Affordable letting activities (note 3a)	4,611,590	3,128,564	1,483,026	1,454,776
Other activities (note 3b)	196,568	202,052	(5,484)	148,581
Total	4,808,158	3,330,616	1,477,542	1,603,357
	=====	=====	=====	=====
2015 (restated)	4,853,493	3,250,136	1,603,357	
	=====	=====	=====	

Comparative figures have been restated to reflect the adoption of the Housing SORP 2014 and FRS 102 (see note 25).

BARRHEAD HOUSING ASSOCIATION LIMITED

NOTES to the FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2016

3(a). Particulars of turnover operating costs and operating surplus or deficit from affordable letting activities

	General Needs Social Housing	Supported Social Housing Accom- modation	Shared Ownership Housing	Other Social Housing	2016 Total	2015 Total (restated)
	£	£	£	£	£	£
Income from lettings						
Rent receivable net of service charges	3,560,792	113,604	15,530	45,467	3,735,393	3,621,372
Service charges	27,273	16,360	1,625	-	45,258	49,773
Gross income from rents and service charges	3,588,065	129,964	17,155	45,467	3,780,651	3,671,145
Less: Voids	(20,364)	(398)	-	-	(20,762)	(14,402)
Net income from rents and service charges	3,567,701	129,566	17,155	45,467	3,759,889	3,656,743
Grants released from deferred income	791,953	24,777	4,446	17,864	839,040	798,478
Revenue grants from Scottish Ministers	1,217	-	-	-	1,217	-
Other revenue grants	9,400	2,044	-	-	11,444	17,962
Total turnover from affordable letting activities	4,370,271	156,387	21,601	63,331	4,611,590	4,473,183
Management and maintenance administration costs	898,152	44,413	-	12,402	954,967	1,009,319
Service costs	27,273	16,360	1,625	-	45,258	49,772
Planned and cyclical maintenance including major repairs costs	428,050	462	-	-	428,512	310,240
Reactive maintenance costs	371,975	9,498	-	-	381,473	361,622
Bad debts – rents and service charges	25,025	-	-	-	25,025	21,633
Depreciation of affordable letting properties	1,213,409	37,963	5,338	26,270	1,282,980	1,256,161
Tenant Participation	10,349	-	-	-	10,349	9,660
Operating costs for affordable letting activities	2,974,233	108,696	6,963	38,672	3,128,564	3,018,407
Operating surplus for affordable letting activities	1,396,038	47,691	14,638	24,659	1,483,026	1,454,776
2015 (restated)	1,354,023	57,801	17,619	25,333	1,454,776	

Comparative figures have been restated to reflect the adoption of the Housing SORP 2014 and FRS 102 (see note 25).

BARRHEAD HOUSING ASSOCIATION LIMITED

NOTES to the FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2016

3(b). Expenditure on works to existing properties

Capitalised:

Improvements

Component replacements

Charged to revenue

	2016 £	2015 £
	384,020	338,654
	384,020	338,654
	211,163	95,481
	595,183	434,135

3(c). Particulars of turnover, operating costs and operating surplus or deficit from other activities

	Grants from Scottish Ministers	Other revenue grants	Other income	Operating Total Turnover	Other costs - bad debts	Other surplus or operating costs	Operating surplus or (deficit) 2016	Operating surplus or (deficit) (restated) 2015
	£	£	£	£	£	£	£	£
Wider role activities:								
- Creative Pathways	68,517	-	-	68,517	-	93,564	(25,047)	(38,093)
- Craft Café	-	-	-	-	-	6,512	(6,512)	(4,500)
- Community Regeneration Officer	-	-	3,202	3,202	-	8,061	(4,859)	-
Factoring	-	-	-	-	-	2,500	(2,500)	(2,746)
Development administration costs	5,144	-	-	5,144	-	5,144	-	(503)
Other Agency/ Management services	-	-	19,375	19,375	-	19,375	-	-
Big Lottery PCER	-	32,592	2,628	35,220	-	66,896	(31,676)	18,966
Other Income	-	-	65,110	65,110	-	-	65,110	175,457
Total from other activities	73,661	32,592	90,315	196,568	-	202,052	(5,484)	148,581
2015(restated)	14,078	91,185	275,047	380,310	-	231,729	148,581	148,581

Comparative figures have been restated to reflect the adoption of the Housing SORP 2014 and FRS 102 (see note 25).
Note: Other activity headings as noted in the Determination of Accounting Requirements (December 2014) do not apply.

BARRHEAD HOUSING ASSOCIATION LIMITED

NOTES to the FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2016

4. Interest and financing costs

	2016	2015
	£	(restated)
		£
Interest paid on loans in period	446,431	448,173
Finance costs in respect of pension provision	24,029	36,025
	<u>470,460</u>	<u>484,198</u>
	=====	=====

5. Taxation

The Association has charitable status and no Corporation Tax is due on its exempt activities.

6. Employees

	2016	2015
	£	(restated)
		£
(a) Staff costs during year		
Wages and salaries	610,340	633,207
Social security costs	54,839	56,118
Pension costs:		
Current service contributions	31,972	36,255
Past service pension deficit – provision re-measurement costs (note 13)	(4,216)	79,225
	<u>692,935</u>	<u>804,805</u>
	=====	=====

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

	2016	2015
	No	No
Housing management	<u>19</u>	<u>20</u>
	=====	=====

(b) Key management

Key management includes members of the Governing Board, the Chief Executive and 3 senior Directors.

	2016	2015
	£	£
Total Compensation paid to key management personnel	<u>199,866</u>	<u>207,912</u>
	=====	=====

The emoluments of the key managers whose emoluments, excluding pension contributions, were over £60,000 were as follows:

	2016	2015
	No	No
£60,001 to £70,000	<u>1</u>	<u>1</u>
	=====	=====

BARRHEAD HOUSING ASSOCIATION LIMITED

NOTES to the FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2016

6. Employees (continued)

(b) Key management (continued)

	2016	2015
	£	£
Aggregate emoluments payable to key management whose total emoluments (excluding pension contributions but including benefits in kind) are £60,000 or more	65,087	61,378
	=====	=====
Emoluments payable to the Chief Executive	65,087	61,378
Employer's pension contribution	5,892	5,785
	-----	-----
	70,979	67,163
	=====	=====

The Chief Executive is an ordinary member of the Association's pension scheme described in note 14. No enhanced or special terms apply to membership and she has no other pension arrangements to which the Association contributes.

No member of the Governing Board received any emoluments in respect of their services to the Association.

	2016	2015
	£	£
Governing Board Expenses	265	225
	=====	=====

7. Tangible fixed assets

Cost	Housing Properties Held for Letting	Housing Properties In course of Construction	Completed Shared Ownership Properties	Office Premises	Furniture Fittings & Equipment	Total
	£	£	£	£	£	£
At 1 April 2015	59,540,812	156,989	449,272	547,212	400,405	61,094,690
Additions	698,515	1,422,491	-	212,253	10,688	2,343,947
Transfers	95,782	-	(95,782)	-	-	-
Disposals	(2,214)	-	(43,126)	-	-	(45,340)
	-----	-----	-----	-----	-----	-----
At 31 March 2016	60,332,895	1,579,480	310,364	759,465	411,093	63,393,297
	-----	-----	-----	-----	-----	-----
Depreciation						
At 1 April 2015	13,623,653	-	145,705	187,934	263,523	14,220,815
Provided	1,277,642	-	5,338	25,222	47,799	1,356,001
Transfer	26,048	-	(26,048)	-	-	-
Disposals	(788)	-	(12,610)	-	-	(13,398)
	-----	-----	-----	-----	-----	-----
At 31 March 2016	14,926,555	-	112,385	213,156	311,322	15,563,418
	-----	-----	-----	-----	-----	-----
Net book value						
As at 31 March 2016	45,406,340	1,579,480	197,979	546,309	99,771	47,829,879
	=====	=====	=====	=====	=====	=====
As at 31 March 2015 (restated)	45,917,159	156,989	303,567	359,278	136,882	46,873,875
	=====	=====	=====	=====	=====	=====

All housing property and office premises are heritable property.

BARRHEAD HOUSING ASSOCIATION LIMITED

NOTES to the FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2016

8. Investments

	2016	2015
	£	£
Levern Property Services Limited	1	1
	=====	=====

Barrhead's subsidiary, Levern Property Services Limited commenced trading on 1 April 2012. It was incorporated in Scotland on 24 November 2011. The Association holds all of the issued share capital of £1. The company made an after tax profit (and after Gift Aid of £1,000 to the Association) of £265 and had net assets of £2,325 at 31 March 2016.

9. Debtors

	2016	2015
	£	£
Amounts falling due within one year:		
Gross rents in arrears	132,802	110,520
<u>Less: Bad debt provision</u>	(95,774)	(81,741)
	-----	-----
	37,028	28,779
Prepayments and accrued income	45,607	21,708
Other debtors	154,052	319,663
	-----	-----
	236,687	370,150
	=====	=====

10. Creditors: amounts falling due within one year

	2016	2015
	£	(restated)
		£
Loans (note 12)	569,103	561,992
Trade creditors	91,307	284,110
Other creditors	275,828	392,165
Accruals and Deferred Income	451,851	227,671
Pension Deficit Funding Contributions	89,932	86,440
Other taxes and Social Security	13,947	16,042
Rents in advance	115,755	117,783
	-----	-----
	1,607,723	1,686,203
	=====	=====

11. Creditors: amounts falling due after more than one year

	2016	2015
	£	(restated)
		£
Loans (note 12)	11,295,687	11,853,415
Pension deficit funding provision (note 13)	972,120	1,043,112
Deferred Grants (note 14)	29,820,911	29,799,688
	-----	-----
	42,088,718	42,696,215
	=====	=====

BARRHEAD HOUSING ASSOCIATION LIMITED

NOTES to the FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2016

12. Loans

Loans are secured by specific charges on the Association's properties.

	2016	2015
	£	£
In one year or less	569,103	561,992
Between two and five years	2,309,146	2,378,493
In five years or more	8,986,541	9,474,921
	-----	-----
	11,864,790	12,415,406
	=====	=====

Lender	Security	Effective	Maturity	Variable/ Fixed
Nationwide	Standard Security over 403 properties	3.32%	2018	Fixed
Nationwide	Standard Security over 403 properties	4.13%	2022	Fixed
Nationwide	Standard Security over 403 properties	4.71%	2025	Fixed
Nationwide	Standard Security over 403 properties	5.03%	2020	Fixed
Nationwide	Standard Security over 403 properties	Libor + 0.27%	2032	Variable
Santander	Standard Security over 165 properties	4.26%	2016	Fixed
Santander	Standard Security over 165 properties	4.26%	2021	Fixed
Santander	Standard Security over 165 properties	4.26%	2026	Fixed
RBS	Standard Security over 24 properties	Libor + 1.96%	2040	Variable
BoS	Standard Security over 23 properties	Libor + 3.00%	2028	Variable
BoS	Standard Security over 23 properties	5.10%	2028	Fixed

13. Pension Scheme

The Association participates in the Scottish Housing Associations' Pension Scheme (SHAPS), a multi-employer scheme, which provides benefits to some 155 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 actuarial valuation showed assets of £394m, liabilities of £698m and a deficit of £304m. To eliminate this funding shortfall, the trustees and the participating employers have agreed that additional contributions will be paid to the scheme as follows:

BARRHEAD HOUSING ASSOCIATION LIMITED**NOTES to the FINANCIAL STATEMENTS (continued)****For the year ended 31 March 2016****13. Pension Scheme (continued)****Total deficit contributions (whole scheme)**

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

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

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 detailed in these disclosures. The unwinding of the discount rate is recognised as a finance cost.

Assumptions	2016 %	2015 %
Rate of discount - % per annum	2.92 =====	2.22 =====

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 corporate bond yield curve to discount the same recovery plan contributions.

The liability (note 11) recognised is as follows:	2016 £	2015 £
Present value of provision at start of period	1,129,552	1,099,072
Unwinding of the discount factor (interest expense)	24,029	36,025
Deficit contribution paid	(87,313)	(84,770)
Re-measurements – impact of any change in assumptions	(4,216)	79,225
Present value of provision at end of period	1,062,052 =====	1,129,552 =====

The actual contributions payable over the period to 30 September 2017 are:

	£'000	£'000
In one year or less	90	87
Between two and five years	285	278
In five years or more	837	935
	-----	-----
	1,212 =====	1,300 =====

The impact on the Statement of Comprehensive Income is:

Unwinding of the discount factor (interest expense)	24,029	36,025
Re-measurements – impact of any change in assumptions	(4,216)	79,225
Contributions paid in respect of future service	31,972	36,255
	=====	=====

BARRHEAD HOUSING ASSOCIATION LIMITED

NOTES to the FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2016

14. Deferred Income

	2016 £	2015 £
Social Housing Grants		
Balance as at 1 April 2015	29,799,688	29,761,340
Additions in Year	880,650	836,826
Released / Repaid as the result of property disposals	(20,387)	-
Amortisation in Year	(839,040)	(798,478)
	-----	-----
	29,820,911	29,799,688
	=====	=====
Due for release:		
Within one year	839,040	798,478
After more than one year	28,981,871	29,001,210
	-----	-----
	29,820,911	29,799,688
	=====	=====

15. Share Capital

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.

16. Income and expenditure reserve

	2016 £	2015 (restated) £
Opening balance at 1 April 2015 - As previously reported	6,014,530	5,445,348
Prior year adjustments	-	(545,456)
	-----	-----
Opening balance at 1 April 2015 - As restated	6,014,530	4,899,892
Surplus for the year	1,040,907	1,133,604
Net transfer to restricted reserves	18,966	(18,966)
	-----	-----
Closing balance at 31 March 2016	7,074,403	6,014,530
	=====	=====

17. Restricted Funds

	At 1 April 2015 £	Received During Year £	Spent During Year £	At 31 March 2016 £
Big Lottery Fund – PCER	18,966	-	(18,966)	-
Land Sale Net Proceeds	6,760	-	-	6,760
	-----	-----	-----	-----
	25,726	-	(18,966)	6,760
	=====	=====	=====	=====

BARRHEAD HOUSING ASSOCIATION LIMITED**NOTES to the FINANCIAL STATEMENTS (continued)****For the year ended 31 March 2016****18. Reconciliation of surplus for the year to net cash inflow from operating activities**

	2016	2015
	£	£
Surplus for year	1,040,907	1,133,604
<i>Adjustments for non cash items:</i>		
Depreciation of tangible fixed assets	1,356,001	1,321,895
Amortisation of Capital Grants	(839,040)	(798,478)
Decrease/(increase) in debtors	133,463	(229,754)
Increase/(decrease) in creditors	(89,083)	139,950
Pension cost less contributions payable	(91,529)	(5,545)
Shares cancelled	(3)	(26)
<i>Adjustment for investing and financing activities:</i>		
Carrying value of tangible fixed asset disposals	31,942	10,322
Proceeds from the sale of tangible fixed assets	(38,866)	-
Interest receivable	(26,901)	(24,767)
Interest payable	470,460	484,198
	-----	-----
	1,947,351	2,031,399
	=====	=====

19. Capital Commitments

	2016	2015
	£	£
Expenditure authorised by the Governing Board contracted less certified	27,459	1,448,885
Expenditure authorised by the Governing Board not contracted	-	-
	-----	-----
	27,459	1,448,885
	=====	=====

Expenditure will be funded from Housing Association Grant and the Association's cash reserves.

20. Contingent liabilities**Pensions**

Barrhead has been notified by the Pensions Trust of the estimated employer debt on withdrawal from the Scheme based on the financial position of the Scheme as at 30 September 2015. The Association has no current plans to withdraw from the scheme and has made provision for the present value of past service deficit contributions being paid to eliminate the deficit in the scheme.

As at 31 March 2016 the Association had no other contingent liabilities (2015 - £nil).

21. Housing Stock

	2016	2015
	£	£
The number of units in Management at 31 March was as follows:		
General Needs – Rehabilitation	300	300
General Needs - New Build	590	586
	-----	-----
	890	886
Supported Accommodation	12	12
Shared Ownership	6	9
	-----	-----
	908	907
	=====	=====

BARRHEAD HOUSING ASSOCIATION LIMITED

NOTES to the FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2016

22. Auditor's Remuneration

	2016	2015
	£	£
The remuneration of the auditors (including expenses and Non-recoverable VAT for the year)	6,223	6,048
	=====	=====

23. Related Parties

One member of the Governing Board is a tenant of the Association. The terms applicable to them are the same as applicable to all of the tenants. Councillor Tommy Reilly served on the Governing Board during the year. He is a councillor with East Renfrewshire Council. Any transactions with East Renfrewshire Council are made at arm's length, on normal commercial terms and Councillor Reilly cannot use his position to his advantage.

The aggregate rent charged to tenant members of the Governing Board during the year was 4,955 (2015: £4,940) and the aggregate outstanding balance in respect of these rents at the year-end was £Nil.

Levern Property Services Limited ("Levern") is charged for Barrhead staff costs for staff services provided to Levern as well as a proportion of office overheads. The charge in the year was £19,375 (2015:£19,425.) Levern also charges Barrhead for staff services provided. The cost in the year was £Nil (2015:£15,649). At the year end Barrhead included in debtors, £43,587 (2015:£16,440) due from Levern.

24. Commitments Under Operating Leases

At the year end, the total future minimum lease payments Under non- cancellable operating leases were as follows:	2016	2015
	£	£
Not later than one year	-	-
Later than one year and not later than five years	7,005	-
	=====	=====

25. Prior year adjustments - Adjustments following the adoption of FRS 102:

(a) Recognition of grant income and acceleration of depreciation

Previously capital grant received to assist in funding the cost of housing properties was accounted for as a deduction against costs, thereby reducing the depreciable cost of the properties. In line with the Housing SORP 2014 and FRS 102, capital grants received by the Association are now recognised as deferred income and amortised (or released to income) over the lifetime of the related asset. Grant received in advance of the satisfaction of any performance conditions is also held within creditors as deferred income. The resulting prior year adjustment arising on this change of accounting policy is an increase in liabilities of £29,799,688 and an increase in the Income and Expenditure Reserve of £10,058,840 at 31 March 2015, being the balance of unamortised grants and the accumulated amortisation credits respectively at that date.

As a result of this change to the treatment of grants, the depreciable cost of housing properties increased by £39,858,528 and this in turn results in increased depreciation charges. The prior year adjustment to Income and Expenditure Reserve in respect of the accumulated additional charges to 31 March 2015 is £9,410,925.

BARRHEAD HOUSING ASSOCIATION LIMITED

NOTES to the FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2016

25. Prior year adjustments - Adjustments following the adoption of FRS 102: (continued)

(b) Pension liability

The Association participates in the multi-employer defined benefit Scottish Housing Association Pension Scheme. The cost of the scheme is accounted for on a defined contribution basis as it is not possible to separately identify the underlying assets and liabilities of individual participating employers. However as explained in note 13 a past service deficit liability exists and under FRS 102 this liability must be recognised in the financial statements. This has resulted in the recognition of a pension liability of £1.13m at 31 March 2015 with a corresponding charge to the Income and Expenditure Reserve at that date.

(c) Reconciliation of comparative figures

Statement of financial position	Notes	Reported in 2015 financial statements £	Restate- ments £	Restated 2015 figures £
Fixed assets	(a)	16,426,273	30,447,603	46,873,876
Current assets		3,548,864	-	3,548,864
Creditors: amounts falling due within one year	(a)	(1,589,414)	(96,789)	(1,686,203)
Creditors: amounts falling due after more than one year	(a) & (b)	(11,853,415)	(30,842,800)	(42,696,215)
Total net assets		<u>6,532,308</u>	<u>(491,986)</u>	<u>6,040,322</u>
Share capital		66	-	66
Income and expenditure reserve	(a) & (b)	6,506,516	(491,986)	6,014,530
Restricted reserves		25,726	-	25,726
Total reserves		<u>6,532,308</u>	<u>(491,986)</u>	<u>6,040,322</u>

Statement of comprehensive income	Notes	Reported in 2015 financial statements £	Restate- ments £	Restated 2015 figures £
Turnover	(a)	4,052,515	-	4,052,515
Operating expenditure	(a) & (b)	(2,541,153)	89,495	(2,451,658)
Other income		2,500	-	2,500
(Loss) on disposal of property, plant and equipment		(10,322)	-	(10,322)
Interest receivable		24,767	-	24,767
Interest and financing costs	(b)	(448,173)	(36,025)	(484,198)
Total comprehensive income for the year		<u>1,080,134</u>	<u>53,470</u>	<u>1,133,604</u>