

FERGUSLIE PARK HOUSING ASSOCIATION LIMITED

Report and Financial Statements

For the year ended 31 March 2016

Registration Information

Registered Housing Association Number RSL99

Registered Friendly Society Number 2282R(S)

Charity Number SC034893

FERGUSLIE PARK HOUSING ASSOCIATION LIMITED

Report and Financial Statements

For the year ended 31 March 2016

Contents	Page
Management Committee, Executives and Professional Advisers	1
Report of the Management Committee (incorporating the Strategic Report)	2
Report of the Auditor to the Management Committee on Corporate Governance Matters	6
Report of the Auditor to the Members of the Association	7
Statement of Comprehensive Income	9
Statement of Financial Position	10
Statement of Changes in Capital and Reserves	11
Statement of Cash Flows	12
Notes to the Financial Statements	13

Management Committee, Executives and Professional Advisors

Management Committee

Elaine Carter
Shona McIntyre
Stuart Piggott
Kirsty Parker
Kenny McCafferty
Elaine Stevenson
Jean Rhodes

Chairperson
Vice-Chairperson

James Strang (appointed 8 February 2016)
Charles Lunn (appointed 8 February 2016 and
resigned 31st May 2016)
Julianne Scarlett (appointed 8 February 2016)
Nancy McNally (resigned 4 May 2016)
Jolanta Pawelec (resigned 3 March 2016)
Chris Lauder (resigned 13 February 2016)
Catherine Docherty (resigned 5 February 2016)

Executive Officers

Lynn McCulloch
Liz Whitehill
Robert Craig

Interim Chief Executive and Secretary
Depute Director
Former Chief Executive (left January 2016)

Registered Office

The Tannahill Centre
76 Blackstoun Road
Ferguslie Park
Paisley
PA3 1NT

Auditor

Alexander Sloan
38 Cadogan Street
Glasgow
G2 7HF

Bankers

The Bank of Scotland
The Cross
Paisley
PA1 1DD

Solicitors

T C Young
7 West George Street
Glasgow
G2 2HG

Finance Agent

Scott-Moncrieff
Allan House
25 Bothwell Street
Glasgow
G2 6NL

Internal auditor

Quinn Internal Audit & Business Support Services
120 Kingsknowe Road North
Edinburgh
EH14 2DG

**Report of the Management Committee (incorporating the Strategic Report)
For the year ended 31 March 2016****Principal activities**

The principal activities of the Association are the provision of affordable rented accommodation. The Association was incorporated in Scotland.

Strategy & Objectives

Ferguslie Park Housing Association Limited aims to be an excellent landlord providing high quality affordable housing and community services. In partnership with others, we will strive to create a thriving community in Ferguslie Park. This includes ensuring the long term financial viability of the Association so we can invest in and maintain our houses, services and environment to sustain their value, usefulness and popularity. The Management Committee has decided to complete a thorough review of our objectives and strategy during 2016, particularly in relation to the Tannahill Centre. This new Business Plan will take account of the current priorities of our tenants, the local authority's plans for regeneration in the area and our commitment to be fully compliant with regulatory requirements and good practice.

Review of Business

Following an independent investigation carried out by the Association, the Scottish Housing Regulator appointed a Manager to Ferguslie Park Housing Association Limited in February 2016 in accordance with section 58 of the Housing (Scotland) Act 2010. The Regulator appointed three additional members to the governing body using section 65 of the same Act. The purpose of these appointments is to address the serious risks posed to governance and financial management arising from the issues identified in the investigation. The purpose is also to consider and review these areas of governance and assist and support the governing body to ensure Ferguslie Park Housing Association Limited meets regulatory requirements.

The governing body, the Management Committee, has recognised the serious nature of the issues and the risk they present to tenants' interests. The Committee is working positively and openly with the Regulator to address these issues and return the Association to regulatory compliance.

Since these appointments, a number of further investigations have been carried out and others are reaching a conclusion. The Management Committee has approved a comprehensive Governance Review which identifies where the Association complies with regulatory standards and where it does not. This has resulted in an approved Governance Improvement Plan which will be implemented during 2016/17. Immediate stabilisation has been achieved and there have been changes in Committee membership and senior staff.

For the financial year to 31 March 2016, the Association generated an increased surplus of £896,443 and had closing net assets of £9,432,205. The majority of housing assets remain unencumbered, i.e. not pledged to the bank as security for loans, and the cash balances remain relatively high for an Association of this size. Updates to the financial outlook have been completed since the year end and these demonstrate continuing viability, under reasonable assumptions, over the short, medium and long term.

Despite the challenges faced by the Association during the second half of the year, the Association continued to provide services to the local community and was able to achieve a number of positive outcomes, including;

- Investment of £836,596 in capital improvements to the Association's housing stock mainly through bathroom improvements and boiler replacements;
- Low stock turnover of 7%;
- Net current rent arrears of 5.2%;
- Low void losses of 0.47%;
- Supporting tenants to access £142,000 in additional welfare benefits; and
- Improvements in the Tannahill Centre public area.

The Association's lender remains supportive in offering new terms consistent with the best available in the current market. The current pause in the planned maintenance programme is to allow a review of priorities and is not due to a lack of funds. The Management Committee and the Management Team will continue to keep the bank advised of improvements to date and plans in place for further improvements to the overall governance and financial management of the Association.

**Report of the Management Committee (incorporating the Strategic Report)
For the year ended 31 March 2016****Future Prospects**

This is a good time to review our business as Renfrewshire Council is consulting on the regeneration of an area of Ferguslie Park and has recognised that the Association and The New Tannahill Centre Limited will be full partners in the forthcoming strategy. This brings opportunities for the Association to assist in rehousing local people who may be displaced by the strategy and to build a modest number of new homes which will meet needs but also help to resolve the blight caused by gap sites in the estate. We will agree a new strategy and Business Plan with The New Tannahill Centre Limited in 2016/17 which will review its purpose within the new wider regeneration strategy. We aim to increase the contribution by the centre to the economic and cultural wellbeing of Ferguslie Park.

In the coming year, Ferguslie Park Housing Association Limited expects to;

- Come to early agreement with the bank on a review of its existing bank loans;
- Implement and largely complete its Improvement Plan;
- Quickly consult its tenants about their priorities;
- Adjust its services to respond to tenants' priorities;
- Agree and implement a revised comprehensive planned maintenance programme;
- Review its current structure and decide on its future structure;
- Review the purpose, management and governance of The New Tannahill Centre Limited;
- Be a full partner with the Council in the new regeneration plans for the Tannahill area of Ferguslie Park; and
- Establish the feasibility of proceeding with the acquisition of further Council houses in the centre of the estate.

Key performance indicators

The Association monitors Key Performance indicators, including those required by the Annual Return on The Scottish Social Housing Charter. We also pay particular attention to key financial indicators on gearing and interest cover to ensure compliance with banking covenants. The Management Committee has approved a plan of work for 2016/17 which will include benchmarking our KPIs with other local providers and peers.

Principal risks and uncertainties

Our current status of high engagement with the Scottish Housing Regulator clearly indicates that there are risks to the interests of our tenants due to weaknesses in Governance and Financial Management. The Management Committee is confident that the Improvement Plan now in place will address the weaknesses and issues identified, improve risk management and allow the Group, which consists of the Association and its subsidiary The New Tannahill Centre Limited, to move forward with confidence.

Management Committee and Executive Officers

The Management Committee and executive officers are listed on page 1.

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

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

**Report of the Management Committee (incorporating the Strategic Report)
For the year ended 31 March 2016****Statement of Management Committee's Responsibilities**

Statute requires the Management Committee to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Association and of the surplus or deficit of the Association for that period. In preparing those financial statements, the Management Committee is required to:

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

The Management Committee is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Association. They are also responsible for safeguarding the assets of the Association and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Related Party Transactions

3 (2015: 5) members of the Management Committee are tenants. Their tenancies are on the Association's normal tenancy terms and they cannot use their position to their advantage. Details of transactions with the Management Committee are included in note 22.

Statement on Internal Financial Controls

The Management Committee acknowledges its ultimate responsibility for ensuring that the Association has in place a system of internal control that is appropriate for the business environment in which it operates. The Management Committee also acknowledges that a number of significant weaknesses in this regard have become apparent from the external reviews and investigations carried out on behalf of the Management Committee in the last 6 months. Steps have now been agreed to remedy the identified deficiencies in the systems of internal control and the Association has begun to implement its detailed Governance Improvement Plan.

All financial regulations and procedures are being reviewed and updated to reflect best practice. The Association's Internal Auditor has given assurances on the four areas tested in 2015/16 and are continuing to implement a rolling programme in 2016/17.

At the date of signing the Financial Statements the Management Committee is satisfied that steps have been taken to ensure there is appropriate planning, monitoring and control of the Association's financial and business affairs and that the financial control system in place is satisfactory and appropriate to the size and complexity of the organisation.

It is the governing body's responsibility to establish and maintain the systems of internal financial control. Such systems can only provide reasonable and not absolute assurance against material financial misstatement or loss.

**Report of the Management Committee (incorporating the Strategic Report)
For the year ended 31 March 2016**

Statement on Internal Financial Controls (continued)

Key elements of the Association's systems are all under review and the Management Committee is confident that these will ensure that:

- An appropriate organisational structure is in place with suitably experienced and qualified personnel taking responsibility for important business functions;
- Formal policies and procedures are reviewed, updated and applied;
- Risk management processes are updated and reviewed regularly;
- Forecasts and budgets are prepared which allow the management team and the Management Committee to monitor key business risks, financial operations and progress being made towards achieving the plans set out for the year;
- The Management Committee receives regular reports from the management team and from the internal and external auditors to assist in providing reasonable assurance that internal financial controls are in place and are effective;
- All significant new initiatives, major commitments and investment projects are subject to formal authorisation procedures through the Management Committee;
- Regulatory returns are prepared authorised and submitted properly to the relevant regulatory bodies; and
- Formal procedures are established for instituting appropriate action to correct any weaknesses identified through internal or external audit reports

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

Auditor

In line with good practice the Association will put its external audit out to tender at least every 7 years with the next review being undertaken during the financial year 2016/17. Following the outcome of this tender process, the Association will appoint the external auditor for the year ended 31 March 2017.

Information for the Auditor

As far as the Committee members are aware there is no relevant audit information of which the auditor is unaware and the Committee members have taken all the steps they ought to have taken to make themselves aware of any relevant audit information and to ensure that the auditor is aware of any such information.

Charitable donations

During the year, the Association made no charitable donations (2015 - £nil).

Approval

The Report of the Management Committee (incorporating the Strategic Report) has been approved by the Management Committee and signed on its behalf by:



Lynn McCulloch
Secretary

Dated: 10 August 2016

**Report of the Auditor to the Management Committee on Corporate Governance Matters
For the year ended 31 March 2016**

In addition to our audit of the financial statements, we have reviewed your statement on pages 4 and 5 concerning the Association's compliance with the information required by the Regulatory Standards in respect of internal financial controls contained within the publication "Our Regulatory Framework" and associated Regulatory Advisory Notes which are issued by the Scottish Housing Regulator.

Basis of Opinion

We carried out our review having regard to the requirements on corporate governance matters within Bulletin 2009/4 issued by the Financial Reporting Council. The Bulletin does not require us to review the effectiveness of the Association's procedures for ensuring compliance with the guidance notes, nor to investigate the appropriateness of the reason given for any non-compliance.

Opinion

In our opinion, your Statement on internal financial control on pages 4 and 5 has provided the disclosures required by the relevant Regulatory Standards within the publication "Our Regulatory Framework" and associated Regulatory Advisory Notes issued by the Scottish Housing Regulator in respect of internal financial controls and is consistent with the information which came to our attention as a result of our audit work on the Financial Statements.

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



Alexander Sloan
Senior Statutory Auditor
Chartered Accountants and Statutory Auditor
38 Cadogan Street
Glasgow
G2 7HF

Dated: 10 August 2016

**Report of the Auditor to the Members of the Association
For the year ended 31 March 2016**

We have audited the financial statements of Ferguslie Park Housing Association Limited for the year ended 31 March 2016 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Capital and Reserves, the Statement of Cash Flows and the related notes. The financial reporting framework that has been applied in their preparation is applicable law, FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice) and the Statement of Recommended Practice for Social Housing Providers issued in 2014.

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 Management Committee and the Auditor

As explained more fully in the Statement of Management Committee Responsibilities set out on page 4, the Management Committee 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 (APB'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 Financial Reporting Council's web site at www.frc.org.uk/auditscopeukprivate.

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 including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' and the Statement of Recommended Practice for Social Housing Providers issued in 2014; and
- have been properly prepared in accordance with the Co-operative and Community Benefit Societies Act 2014, Part 6 of the Housing (Scotland) Act 2010 and the Determination of Accounting Requirements 2014 issued by the Scottish Housing Regulator.

Group accounts Section 99 (3) of the Co-operative and Community Benefit Societies Act 2014

We agree with the opinion of the Management Committee of the Association that it would be of no real value to the members of the Association to consolidate or include the accounts of the Association's subsidiary in group accounts required to be prepared under the Co-operative and Community Benefit Societies (Group Accounts) Regulations 1969 for the year ended 31 March 2016, because the subsidiary's transactions in the year were not material.

**Report of the Auditor to the Members of the Association (continued)
For the year ended 31 March 2016**

Matters on which we are required to report by exception

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

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



Alexander Sloan
Senior Statutory Auditor
Chartered Accountants and Statutory Auditor
38 Cadogan Street
Glasgow
G2 7HF

Dated: 10 August 2016

Statement of Comprehensive Income
For the year ended 31 March 2016




	Notes	2016 £	Restated 2015 £
Turnover	3	4,215,169	4,015,057
Operating expenditure	3	(3,233,187)	(3,093,597)
Operating surplus	8	981,982	921,460
Loss on disposal of housing properties		(8,829)	-
Interest receivable and other income		13,120	19,371
Interest and financing costs	9	(89,830)	(110,739)
Surplus before tax		896,443	830,092
Taxation	10	-	-
Surplus for the year		896,443	830,092
Other comprehensive income		-	-
Total comprehensive income for the year		896,443	830,092

The results for the year relate wholly to continuing activities.

Statement of Financial Position
As at 31 March 2016

	Notes	2016 £	Restated 2015 £
Tangible fixed assets			
Housing properties	11a	29,216,694	29,445,204
Other fixed assets	11b	44,366	82,594
		<u>29,261,060</u>	<u>29,527,798</u>
Fixed Asset Investments			
Investment in subsidiaries	13	100	100
Current assets			
Debtors	14	44,752	91,564
Cash and at bank and in hand	15	1,196,627	1,643,271
		<u>1,241,379</u>	<u>1,734,835</u>
Creditors: amounts falling due within one year	16	<u>(3,834,970)</u>	<u>(1,847,141)</u>
Net current assets		<u>(2,593,591)</u>	<u>(112,306)</u>
Total assets less current liabilities		26,667,569	29,415,592
Creditors: amounts falling due after more than one year	17	<u>(17,235,364)</u>	<u>(20,879,833)</u>
Net assets		<u>9,432,205</u>	<u>8,535,759</u>
Capital and reserves			
Share capital	20	63	60
Revenue reserve		9,432,142	8,535,699
Total capital and reserves		<u>9,432,205</u>	<u>8,535,759</u>

The financial statements were authorised for issue by the Management Committee on 10 August 2016 and were signed on its behalf by:

Chair		Elaine Carter
Vice Chair		Shona McIntyre
Secretary		Lynn McCulloch

Statement of Changes in Capital and Reserves
As at 31 March 2016

	Share Capital £	Revenue Reserves £	Total Reserves £
Balance at 1 April 2015 restated	60	8,535,699	8,535,759
Surplus from Statement of Comprehensive Income	-	896,443	896,443
Shares issued during the year	3	-	3
Shares cancelled during the year	-	-	-
	<u>63</u>	<u>9,432,142</u>	<u>9,432,205</u>
Balance at 31 March 2016	<u>63</u>	<u>9,432,142</u>	<u>9,432,205</u>

Statement of changes in Capital and Reserves
As at 31 March 2015

	Share Capital £	Restated Revenue Reserves £	Restated Total Reserves £
Balance at 1 April 2014 restated	79	7,705,607	7,705,686
Surplus from Statement of Comprehensive Income	-	830,092	830,092
Shares issued during the year	1	-	1
Shares cancelled during the year	(20)	-	(20)
	<u>60</u>	<u>8,535,699</u>	<u>8,535,759</u>
Balances at 31 March 2015 restated	<u>60</u>	<u>8,535,699</u>	<u>8,535,759</u>

Statement of Cash Flows
For the year ended 31 March 2016

	Notes	2016 £	2015 £
Net cash generated from operating activities	21	786,088	1,454,470
Cash flow from investing activities			
Purchase of tangible fixed assets		(837,006)	(1,652,532)
Proceeds from sale of tangible fixed assets		19,270	-
Interest received		13,120	19,371
		<u>(804,616)</u>	<u>(1,633,161)</u>
Cash flow from financing activities			
Interest paid		(51,830)	(53,739)
Repayment of borrowings		(376,289)	(372,898)
Issue of share capital		3	1
Cancelled shares		-	(20)
		<u>(428,116)</u>	<u>(426,656)</u>
Net changes in cash and cash equivalent		<u>(446,644)</u>	<u>(605,347)</u>
Cash and cash equivalent at 1 April		1,643,271	2,248,618
Cash and cash equivalent at 31 March		<u><u>1,196,627</u></u>	<u><u>1,643,271</u></u>

The notes form part of these financial statements

**Notes to the Financial Statements
For the year ended 31 March 2016**

1a. General information

The financial statements have been prepared in accordance with FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice) and comply with the requirements of the Determination of Housing Requirements 2014 as issued by the Scottish Housing Regulator and the Statement of Recommended Practice for Social Housing Providers issued in 2014. The principal accounting policies are set out below. These financial statements represent the results of the Association only. The financial statements are prepared in £ sterling.

The Association is defined as a public benefit entity and thus the Association complies with all disclosure requirements relating to public benefit entities. The Association is registered social landlord in Scotland and its registered number is RSL 99. Its registered address is The Tannahill Centre, 76 Blackstoun Road, Ferguslie Park, Paisley, PA3 1NT.

1b. Principal Accounting Policies

Basis of Accounting

The financial statements are prepared on the historical cost basis of accounting and in accordance with applicable accounting standards. The effect of events relating to the year ended 31 March 2016, which occurred before the date of approval of the financial statements by the Management Committee have been included in the statements to the extent required to show a true and fair view of the state of affairs as at 31 March 2016 and of the results for the year ended on that date.

Going Concern

The Association has a healthy cash position and surpluses are expected in 2016/17 and 2017/18 and thus the Management Committee is satisfied that there are sufficient resources in place to continue operating for the foreseeable future. Thus the Management Committee continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Turnover

Turnover represents rental and service charge income receivable, fees receivable and revenue grants receivable from the Scottish Government, local authorities and other agencies. Also included is any income from first tranche shared ownership disposals.

Apportionment of management expenses

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

The costs of planned and cyclical maintenance including major repairs are charged to the Statement of Comprehensive Income in the year in which they are incurred.

Interest receivable

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

Interest payable

Finance costs are charged to the Statement of Comprehensive Income over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

**Notes to the Financial Statements
For the year ended 31 March 2016**

1b. Principal Accounting Policies

Finance Costs

Finance costs are charged to the Statement of Comprehensive Income over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

Housing Properties

Housing Properties are stated at cost, less social housing and other public grants and 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 11a. 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.

- Land - not applicable
- Structure – 50 years.
- Roofs - 30 years.
- Windows - 25 years.
- Kitchens - 15 years.
- Bathrooms - 25 years
- Boilers – 15 years
- Central Heating – 30 years

Depreciation and Impairment of other fixed assets

Other fixed 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:-

Leasehold office premises	Amortised over expected occupancy period
Computer equipment	Straight line over 3 years
Office equipment	20% reducing balance

The carrying value of tangible fixed assets are reviewed for impairment in periods if events or changes in circumstances indicate the carrying value may not be recoverable.

Government Capital Grants

Government Capital Grants, at amounts approved by The Scottish Government or local authority, is paid directly to the Association as required to meet its liabilities during the development process. This is treated as a deferred capital grant and is released to income over the useful life of the assets it relates to on completion of the development phase.

Government Revenue Grants

Government revenue grants are recognised using the accrual method which means the Association recognises the grant in income on a systematic basis over the period in which the Association recognises the related costs for which the grant is intended to compensate.

Non-government capital and revenue grants

Non-government capital grants and revenue grants are recognised using the performance model. If there are no performance conditions attached the grants are recognised as income when the grants are received or receivable.

**Notes to the Financial Statements
For the year ended 31 March 2016**

1b. Principal Accounting Policies

Non-government capital and revenue grants (continued)

A grant that imposes specific future performance related conditions on the recipient as revenue only when the performance related conditions are met.

A grant received before the revenue recognition criteria are satisfied and recognised as a liability.

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 fixed 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 fixed asset disposal 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 fixed asset investment, which is matched with the grant received.

Operating Leases

Costs in respect of operating leases are charged to the Statement of Comprehensive Income on a straight line basis over the lease term.

Capitalisation of Development Administration Costs

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

Capitalisation of interest

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

Property Development Cost

The proportion of the development cost of shared ownership properties expected to be disposed of as a first tranche sale is held in current assets until it is disposed of. The remaining part of the development cost is treated as a fixed asset. Surpluses made on the disposal of first tranche sales are taken to the Statement of Comprehensive Income in accordance with the Statement of Recommended Practice.

Debtors

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

Creditors

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

**Notes to the Financial Statements
For the year ended 31 March 2016**

1b. Principal Accounting Policies (cont'd)

Financial Instruments

The Association only enters into basic financial instruments transactions that result in the recognition of financial assets and liabilities like trade and other accounts receivable and payable, loans from banks and related parties.

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at the present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade payables or receivables, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration, expected to be paid or received. However if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or financed at a rate of interest that is not a market rate or in case of an out-right short-term loan not at market rate, the financial asset or liability is measured, initially, at the present value of the future cash flow discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost.

Financial assets are derecognised when contractual rights to the cash flows from the assets expire, or when the company has transferred substantially all the risks and rewards of ownership.

Financial liabilities are derecognised only once the liability has been extinguished through discharge, cancellation or expiry.

Loans

Mortgage loans are advanced by financial institutions under the terms of individual mortgage deeds in respect of each property or housing scheme. Advances are available only in respect of those developments which have been given approval for Government Capital Grant by the Scottish Government or the local authority.

Rental arrears

Rental arrears represents amounts due by tenants for rental of social housing properties at the year end. Rental arrears are reviewed regularly by management and written down to the amount deemed recoverable. Any provision deemed necessary is shown alongside gross rental arrears in Note 14.

Pension Costs (Note 25)

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

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.

Thus the scheme is accounted for as a defined contribution scheme. However the Association has entered into a past service deficit repayment agreement with the Pension Trust and in accordance with FRS 102, this discounted past service deficit liability has been recognised in the Statement of Financial Position.

**Notes to the Financial Statements
For the year ended 31 March 2016**

2. Judgements in applying policies and key sources of estimation uncertainty

In preparing the financial statements, management is required to make estimates and assumptions which affect reported income, expenses, assets, and liabilities. Use of available information and application of judgement are inherent in the formation of estimates, together with past experience and expectations of future events that are believed to be reasonable under the circumstances. Actual results in the future could differ from such estimates.

The Management Committee are satisfied that the accounting policies are appropriate and applied consistently. Key sources of estimation have been applied as follows:

Estimate

Useful lives of property, plant and equipment

The main components of housing properties and their useful lives

Recoverable amount of rental and other trade receivables

The obligations under the SHAP pension scheme

The allocation of costs for shared ownership

Basis of estimation

The useful lives of property, plant and equipment are based on the knowledge of senior management at the Association, with reference to expected asset life cycles.

The cost of housing properties is split into separately identifiable components. These components were identified by knowledgeable and experienced staff members and based on costing models.

Rental arrears and other trade receivables are reviewed by appropriately experienced senior management team members on a case by case basis with the balance outstanding together with the payment history of the individual tenant being taken into account.

This has relied on the actuarial assumptions of a qualified actuary which have been reviewed and are considered reasonable and appropriate. The past service deficit liability recognised in the financial statements is based on the revised estimated contribution schedule provided to the Association on 3 March 2016 by the Pensions Trust.

Management and administration costs are allocated on the basis of rental income that shared ownership properties represent of the Associations total rental income.

Notes to the Financial Statements
For the year ended 31 March 2016

3. Particulars of Turnover, Operating Expenditure and Operating Surplus or (Deficit)

	Notes	Turnover £	2016 Operating Expenditure £	Operating Surplus £	Turnover £	Restated 2015 Operating Expenditure £	Operating Surplus £
Social lettings	4	4,203,169	3,221,187	981,982	4,003,057	3,081,350	921,707
Other activities	5	12,000	12,000	-	12,000	12,247	(247)
		<u>4,215,169</u>	<u>3,233,187</u>	<u>981,982</u>	<u>4,015,057</u>	<u>3,093,597</u>	<u>921,460</u>

Notes to the Financial Statements
For the year ended 31 March 2016

4. Particulars Income and Expenditure from social letting activities

	General Needs Housing £	Sheltered Housing £	Shared Ownership £	2016 £	Restated 2015 £
Income from rent and service charges					
Rent receivable net of service charges	3,328,964	-	13,631	3,342,595	3,241,065
Service charges	19,430	-	1,474	20,904	18,241
Gross income from rents and service charges	3,348,394	-	15,105	3,363,499	3,259,306
Less: voids	(15,869)	-	-	(15,869)	(14,029)
Net income from rents and service charges	3,332,525	-	15,105	3,347,630	3,245,277
Release of deferred Government capital grants	822,409	-	5,146	827,555	757,780
Stage 3 adaptations grant	27,984	-	-	27,984	-
Total turnover from social letting activities	4,182,918	-	20,251	4,203,169	4,003,057
Expenditure on Social Letting Activities					
Management and maintenance administration costs	1,033,344	-	4,662	1,038,006	1,219,586
Reactive maintenance	817,108	-	-	817,108	575,840
Bad Debts – rents and social charges	44,964	-	-	44,964	34,957
Planned and cyclical maintenance including major repairs	284,102	-	-	284,102	335,338
Depreciation of social housing	1,028,824	-	8,183	1,037,007	915,629
Operating costs of Social Letting	3,208,342	-	12,845	3,221,187	3,081,350
Operating Surplus on Social Letting Activities 2016	974,576	-	7,406	981,982	
Operating Surplus on Social Letting Activities 2015 – as restated	914,637	-	7,070		921,707

Included in depreciation of social housing is £77,212 (2015: £nil) relating to the loss on disposal of components.

Notes to the Financial Statements
For the year ended 31 March 2016

5. Particulars of Turnover, Operating Expenditure and Operating Surplus or Deficit from Other Activities

	Grants from Scottish Ministers	Other revenue grants	Supporting people income	Other income	Total turnover	Operating costs - bad debts	Other costs - other	Operating surplus/ (deficit)
	£	£	£	£	2016 £	2015 £	2016 £	2015 £
Management charge to subsidiary	-	-	-	12,000	12,000	-	(12,000)	-
Total from other activities, 2016	-	-	-	12,000	12,000	-	(12,000)	-
Total from other activities, 2015	-	-	-	12,000	12,000	-	12,247	(247)

Notes to the Financial Statements
For the year ended 31 March 2016

6. Directors' Emoluments

The Directors are defined as the members of the Management Committee, the Chief Executive and any other person reporting directly to the Chief Executive or the Management Committee. The Association considers key management personnel to be the Management Committee and the senior management team of the Association only.

The former Chief Executive left the Association in January 2016. Included in the former Chief Executive's emoluments is an amount for loss of office of £17,551. An interim Chief Executive was appointed in June 2016.

	2016 £	2015 £
Aggregate Emoluments payable to Directors with Emoluments greater than £60,000 (excluding Pension Contributions)	165,567	138,144
Pension contributions made on behalf of Directors with emoluments greater than £60,000 (this does not include past service deficit repayment)	15,564	16,797
Emoluments payable to the former Chief Executive (excluding pension contributions but including amounts for loss of office)	97,727	72,949
Pension contributions to the former Chief Executive	7,425	8,778
Total emoluments to the former Chief Executive	105,152	72,826

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

	2016	2015
£60,001 - £70,000	1	1
£70,001 - £80,000	-	1
£90,001 - £100,000	1	-

7. Employee Information

	2016 £	2015 £
Staff costs during year:		
Wages and salaries	564,975	581,543
Social Security costs	48,697	47,043
Pension costs	32,932	167,542
Temporary, Agency and Seconded Staff	28,837	8,375
	675,441	804,503

The average total number of Employees employed during the year was:

12.5	14
------	----

The SHAPs past service deficit liability is subject to remeasurement each financial year.

	2016 £	Restated 2015 £
Remeasurement – impact of any change in assumptions	(6,000)	126,000

This is included in management and administration costs.

Notes to the Financial Statements
For the year ended 31 March 2016

7. Employee information (cont'd)

During the year past service deficit contributions of £144,098 (2015: £140,040) were paid. Of this payment, £139,000 (2015: £135,000) was a payment in respect of the SHAPS past service deficit liability. The remainder, £5,098 (2015: £5,040) was pension management costs which have been included in the pension contributions total included in staff costs above.

The unwinding of the discount has been charged to finance costs in the Statement of Comprehensive Income. This finance cost was £38,000 (2015: £57,000) in the year.

8. Operating surplus before tax	2016	2015
	£	£
Surplus on Ordinary Activities before taxation is staged after charging:		
Depreciation – tangible owned fixed assets	998,433	954,130
Depreciation – loss on disposal of components	77,212	-
Auditor's Remuneration – audit services	8,000	8,000
Operating Lease Rentals and service charges – land and buildings	47,891	46,110
Operating Lease Rentals - other	4,720	4,619
	<u> </u>	<u> </u>
9. Interest Payable	2016	2015
	£	£
On bank loans and overdrafts	51,830	53,739
Unwinding of the discount on the SHAPs pension liability	38,000	57,000
	<u> </u>	<u> </u>
	<u>89,830</u>	<u>110,739</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. No corporation tax was due in respect of 2015/16 or 2014/15.

11a. Tangible Fixed Assets:				
Housing Properties	Housing properties held for letting	Housing properties under development	Completed shared ownership properties	Total
	£	£	£	£
Cost				
As at 1 April 2015 as restated	46,764,999	565,165	452,920	47,783,084
Additions	836,596	-	-	836,596
Disposals	(618,727)	-	-	(618,727)
Schemes completed	565,165	(565,165)	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
As at 31 March 2016	47,548,033	-	452,920	48,000,953
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Depreciation				
As at 1 April 2015 as restated	18,150,557	-	187,323	18,337,880
Charge for year	951,612	-	8,183	959,795
Disposals	(513,416)	-	-	(513,416)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
As at 31 March 2016	18,588,753	-	195,506	18,784,259
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Net Book Value				
As at 31 March 2016	28,959,280	-	257,414	29,216,694
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Net Book Value				
As at 31 March 2015 as restated	28,614,441	565,165	265,597	29,445,204
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

**Notes to the Financial Statements
For the year ended 31 March 2016**

**11a. Tangible Fixed Assets: - cont'd)
Housing Properties**

Additions to housing properties held for letting includes capitalised development administration costs of £nil (2015: £nil) and capitalised component replacements of £1,401,761 (2015: £1,145,436).

There was one right to buy disposal in the year. The housing unit had a net book value of £28,099 and the net proceeds were £19,270. There were no housing units disposed of in the prior year.

In the year there were component disposals of within a net book value of £77,212. The loss on disposals is included within the depreciation charge in note 4 in accordance with the SORP.

All land and housing properties are freehold.

11b. Tangible Fixed Assets: Other Tangible Assets	Leasehold Office Premises £	Office Furniture & Equipment £	Total £
Cost			
As at 1 April 2015 as restated	244,488	238,211	482,699
Additions	-	410	410
Disposals	-	-	-
As at 31 March 2016	244,488	238,621	483,109
Depreciation			
As at 1 April 2015 as restated	177,063	223,042	400,105
Charge for period	28,385	10,253	38,638
On disposals	-	-	-
As at 31 March 2016	205,448	233,295	438,743
Net Book Value			
As at 31 March 2016	39,040	5,326	44,366
Net Book Value			
As at 31 March 2015 as restated	67,425	15,169	82,594

12. Housing Stock

The number of units of accommodation in management at the year end was:

	2016 No.	2015 No.
General Needs - New build	735	736
- Rehabilitation	68	68
Shared Ownership	7	7
	810	811

**Notes to the Financial Statements
For the year ended 31 March 2016**

13. Fixed Asset Investment

	2016 £	2015 £
Investment in Subsidiary As at 31 March 2016 and 31 March 2015	100	100

The Association has a 100% owned subsidiary, The New Tannahill Centre Limited. In the opinion of the Management Committee the aggregate value of the assets of the subsidiary is not less than the aggregate of the amounts at which those assets are stated in the Association's balance sheet.

The aggregate amount of capital and reserves of The New Tannahill Centre for the year ended 31 March 2016 were as follows:

	2016 £	2015 £
Capital and Reserves	196,950	139,981
Surplus for the year	56,969	15,293

14. Debtors:

	2016 £	2015 £
Arrears of rent and service charges	174,507	188,736
Less: Provision for doubtful debts	(149,646)	(126,000)
	24,861	62,736
Social Housing Grant receivable	-	1,832
Other debtors	16,329	16,439
Amount due from group undertakings	3,562	10,557
	44,752	91,564

15. Cash and cash equivalents

	2016 £	2015 £
Balances held in current accounts	151,910	141,210
Balances held in deposit accounts	1,044,717	1,502,061
	1,196,627	1,643,271

16. Creditors: Amounts falling due within one year	2016	2015
	£	£
Housing loans	2,693,948	347,982
Trade creditors	74,658	421,574
Rent in advance	51,497	64,674
Other taxation and social security costs	11,068	13,561
Accruals and deferred income	119,360	102,570
SHAPS deficit repayment plan	142,012	139,000
Deferred Government capital grants – housing held for letting	737,280	752,470
Deferred Government capital grants – shared ownership	5,147	5,310
	<u>3,834,970</u>	<u>1,847,141</u>

At the balance sheet date there were pension contributions outstanding of £16,133 (2015: £nil).

17. Creditors: Amounts falling due after more than one year	2016	2015
	£	£
Housing Loans	-	2,722,255
SHAPS deficit repayment plan	756,558	866,570
Deferred Government capital grants – housing held for letting	16,364,762	17,171,979
Deferred Government capital grants – shared ownership	114,044	119,029
	<u>17,235,364</u>	<u>20,879,833</u>

The loans are repayable in instalments over the following period:

	2016	2015
	£	£
Within one year	2,693,948	347,982
Between one and two years	-	336,647
Between two and five years	-	636,629
In five years or more	-	1,748,979
	<u>2,693,948</u>	<u>3,070,237</u>
Less: amount shown in current liabilities	2,693,948	347,982
	<u>-</u>	<u>2,722,255</u>

Due to a breach of the financial management and governance standards imposed by the Scottish Housing Regulator, there was an event of default under the various facility letters issued in connection with all four bank loans, which totalled £2,693,948 at the year-end. As a result, the loans have been shown as due within one year. The Association is currently in positive talks with its lender, the Royal Bank of Scotland regarding the refinancing of these term loans. The bank has stated that it is looking to work with the Association and has issued indicative terms for the refinancing of the loan. Below we have detailed the current terms.

There are four loans of which two loans totalling £1,782,367 at 31 March 2016 have an interest rate of BASE plus a current margin of 0.275%. The third loan with a balance of £298,564 has an interest rate of 3 month LIBOR plus a current margin of 0.3%. The fourth loan totalling £613,017 at 31 March 2016 has a fixed interest rate of 5.435%. Housing loans are secured by specific charges on the Association's housing properties.

18. Deferred Government capital grants	2016	Restated 2015
	£	£
Gross deferred Government capital grant		
At 1 April 2015	34,617,586	34,617,586
Additions in the year	-	-
Elimination on disposal of asset grant funded	(397,111)	-
	<u>34,220,475</u>	<u>34,617,586</u>
At 31 March 2016	<u>34,220,475</u>	<u>34,617,586</u>

Notes to the Financial Statements
For the year ended 31 March 2016

18. Deferred capital grants (cont'd)

	2016 £	Restated 2015 £
Amortisation		
At 1 April 2015	16,568,798	15,811,018
Amortisation in year	742,428	757,780
Eliminated on disposal	(311,984)	-
	<u>16,999,242</u>	<u>16,568,798</u>
At 31 March 2016		
	<u>16,999,242</u>	<u>16,568,798</u>
Net grant at 31 March	<u>17,221,233</u>	<u>18,048,788</u>
Split:		
< 1 year	742,427	757,780
1-2 years	742,429	757,780
2-5 years	2,227,284	2,273,340
> 5 years	13,509,093	14,259,888
	<u>17,221,233</u>	<u>18,048,788</u>

Capital Government grants may be repayable on the sale of housing properties.

19. Financial instruments

	2016 £	2015 £
Financial Assets		
Financial assets measured at amortised cost	<u>44,752</u>	<u>91,564</u>
Financial Liabilities		
Financial liabilities measured at amortised cost	<u>3,838,033</u>	<u>4,664,625</u>

Financial assets measured at amortised cost comprises rental arrears, grants receivable, other debtors and amounts due from group undertakings.

Financial liabilities measured at amortised cost comprises bank loans, trade creditors, rent and service charges in advance, the SHAPs post service deficit liability and accruals.

20. Share Capital

	2016 No	2015 No
Shares of £1 each issued and fully paid		
At 1 April 2015	60	79
Issued in year	3	1
Cancelled in year	-	(20)
	<u>63</u>	<u>60</u>
At 31 March 2016		
	<u>63</u>	<u>60</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.

Notes to the Financial Statements
For the year ended 31 March 2016

21. Net cash flow from operating activities

	2016 £	Restated 2015 £
Surplus for the year	896,443	830,092
Adjustments for non cash items:		
Carrying amount of tangible fixed asset disposals	28,099	-
Depreciation of tangible fixed assets	1,075,645	954,130
SHAPS past service deficit liability (finance cost and remeasurement)	32,000	183,000
Decrease in trade and other debtors	46,812	8,691
(Decrease) in trade and other creditors	(345,796)	336,969
Adjustments for investing and financing activities:		
Proceeds from sale of tangible fixed assets	(19,270)	-
Interest payable	51,830	53,739
Interest received	(13,120)	(19,371)
Release of deferred Government capital grants	(827,555)	(757,780)
SHAPS past service deficit payment	(139,000)	(135,000)
Net cash inflow from operating activities	<u>786,088</u>	<u>1,454,470</u>

22. Related Party Transactions

Subsidiary – The New Tannahill Centre Limited

The Association has a 100% owned subsidiary, The New Tannahill Centre Limited. The relationship between the Association and its subsidiary is set out in an independence agreement between both parties.

The Association is a tenant of the New Tannahill Centre and during the year it paid rent and service charges to its subsidiary amounting to £39,909 plus VAT (2015: £38,425 plus VAT). In addition the Association contributed £11,814 (2015: £9,788) for the employment of an additional security guard.

The Association provided a secured loan to The New Tannahill Centre Limited in a prior year. Interest of £264 (2015: £435) was received by the Association in the year with capital repayments of £6,995 (2015: £6,995). The balance outstanding at the end of the year is £3,562 (2015: £10,557) and is included in debtors. The New Tannahill Centre paid the Association £12,000 (2015: £12,000) in the year for Board and administrative support.

Management Committee

The related party relationships of the members of the Management Committee is summarised as follows:

3 (2015: 5) members are tenants of the Association.
Nil (2015: 1) member is an employee of the subsidiary.

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. The total rent received in the year relating to tenant Board members is £12,269 (2015: £12,098). The total rent arrears relating to tenant Board members included within debtors at the year-end is £934 (2015: £937). The total rent paid in advance at the year-end by tenant Board members was £nil (2015: £nil).

Three family members of Board members are tenants of the Association. The rent charged in the year in respect of these three family members was £11,431 with total arrears at the year-end of £1,937.

**Notes to the Financial Statements
For the year ended 31 March 2016**

22. Related Party Transactions (continued)

Key management

The emoluments of key management (excluding pension contributions) was £165,567 (2015: £138,144)

23. Capital Commitments

	2016 £	2015 £
Capital expenditure that has been contracted for but has Not been provided for in the financial statements	-	-
Capital expenditure that has been authorised by the Management Committee but has not yet been contracted for	-	-

24. Legislative Provisions

The Association is incorporated under The Co-operative & Community Benefit Societies Act 2014.

25. Retirement Benefit Obligations

General

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

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

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

An employer can elect to operate different benefit structures for their active members (as at the first day of April in any given year) and their new entrants. The DC option can be introduced by the employer on the first day of any month after giving a minimum of three months' prior notice.

Ferguslie Park Housing Association Limited has elected to operate the final salary with a 1/60th accrual rate for existing new entrants.

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

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

During the accounting period Ferguslie Park Housing Association Limited paid contributions at the rate of 12.3% of pensionable salaries. Member contributions were 12.3%. There was an additional annual employer past service deficit contribution of £139,000 made in the year ended 31 March 2016 (2015 - £135,000). The past service deficit contribution for 2016/17 is £143,490.

**Notes to the Financial Statements
For the year ended 31 March 2016**

25. Retirement Benefit Obligations (cont'd)

As at the balance sheet date there were 6 (2015: 7) active members of the Scheme employed by Ferguslie Park Housing Association Limited. The annual pensionable payroll in respect of these members was £183,464. Ferguslie Park Housing Association Limited continues to offer membership of the Scheme to its employees.

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.

Thus the scheme is accounted for as a defined contribution scheme. However the Association has entered into a past service deficit repayment agreement with the Pension Trust and per FRS 102, this discounted past service deficit liability has been recognised in the Statement of Financial Position.

The last formal valuation of the Scheme was performed as at 30 September 2012 by a professionally qualified actuary using the "projected unit credit" method. The market value of the Scheme's assets at the valuation date was £394 million. The valuation revealed a shortfall of assets compared to liabilities of £304 million, equivalent to a past service funding level of 56.4%.

The key valuation assumptions used to determine the assets and liabilities of the Scheme as at 30 September 2012 are detailed below:

Financial Assumptions

The key financial assumptions underlying the valuation as at 30 September 2012 were as follows:

	% p.a.
Investment return pre-retirement	5.3
Investment return post-retirement – non-pensioners	3.4
Investment return post-retirement – pensioners	3.4
Rate of Salary increases	4.1
Rate of price inflation:	
RPI	2.6
CPI	2.0

The valuation was carried out using the SAPS (S1PA). All pensioners Year of Birth Long Cohort with 1% p.a. minimum improvement for non-pensioners and pensioners.

The joint contribution rates required from employers and members to meet the cost of future benefit accrual for the Career average 1/80ths benefit structure was assessed as 16.9%.

This is split between employers and members. Accordingly the contribution rates for the Final Salary with 1/60th accrual from 1 April 2015 is 12.3% employer contributions and 12.3% member contributions.

2015 valuation

As highlighted at the 2015 Employer Forums, the triennial valuation has been undertaken against a challenging economic backdrop for defined benefit (DB) schemes like SHAPS. That said, the deficit has reduced from £304m as at 30 September 2012 to £198m as at 30 September 2015; an improvement in the funding position from 56% to 76%.

Notes to the Financial Statements
For the year ended 31 March 2016

25. Retirement Benefit Obligations (cont'd)

A summary of the headline provisional valuation results is set out in the table below:

Valuation	2012	2015
Assets (£ million)	394	612
(Liabilities) (£ million)	(698)	(810)
(Deficit) (£ million)	(304)	(198)*
Funding level	56%	76%
Aggregate annual deficit contributions for the year from 1 April 2017 (£ million)	28.7	28.7
	(26.3 on inception from 1 April 2014)	
Annual increases to deficit contributions	3.0%	3.0%
Proposed deficit contribution (recovery) plan) and date	30 September 2027	28 February 2022

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

The Trustees have recently supplied Ferguslie Park Housing Association Limited with an estimated updated contribution figure to the past service deficit. From 1 April 2017, Ferguslie Park Housing Association Limited will be required to pay £152,068 (net of administration costs) per annum as a contribution to the past service deficit. This will increase by 3% per year. The deficit is now expected to be removed from the Scheme by 28 February 2022 (previously 30 September 2027). The past service deficit liability recognised in the financial statements is based on the revised estimated contribution schedule provided to the Association on 3 March 2016 by the Pensions Trust.

Past service deficit repayment liability

	2016 £	Restated 2015 £
Provision at start of period	1,005,570	957,570
Unwinding of the discount factor (interest expense)	38,000	57,000
Deficit contribution paid	(139,000)	(135,000)
Remeasurements – impact of any changes in assumptions	(6,000)	126,000
Remeasurements – amendments to the contributions schedule	-	-
Provision at end of period	898,570	1,005,570
Liability split as:		
< 1 year	142,012	139,000
1-2 years	147,132	143,490
2-5 years	447,551	457,000
> 5 years	161,875	266,080
	898,570	1,005,570

Statement of Comprehensive Income Impact

	2016 £	2015 £
Interest expense	38,000	57,000
Remeasurements – impact of any change in assumptions	(6,000)	126,000
Assumptions	2016	2015
Rate of discount	2.29%	2.22%

Notes to the Financial Statements
For the year ended 31 March 2016

25. Retirement Benefit Obligations (cont'd)

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 band yield curve to discount the same recovery plan contributions.

Following a change in legislation in September 2005 there is a potential debt on the employer that could be levied by the Trustee of the Scheme. The debt is due in the event of the employer ceasing to participate in the Scheme or the Scheme winding up. The debt for the Scheme as a whole is calculated by comparing the liabilities for the Scheme (calculated on a buyout basis i.e. the cost of securing benefits by purchasing annuity policies from an insurer, plus an allowance for expenses) with the assets of the Scheme. If the liabilities exceed assets there is a buy-out debt.

The leaving employer's share of the buy-out debt is the proportion of the Scheme's liability attributable to employment with the leaving employer compared to the total amount of the Scheme's liabilities (relating to employment with all the currently participating employers). The leaving employer's debt therefore includes a share of any "orphan" liabilities in respect of previously participating employers. The amount of the debt therefore depends on many factors including total Scheme liabilities, Scheme investment performance, the liabilities in respect of current and former employees of the employer, financial conditions at the time of the cessation event and the insurance buy-out market. The amounts of debt can therefore be volatile over time.

The Association has been notified by 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 is £5,398,167.

26. Revenue commitments

	2016	Restated
	£	2015
		£
Office premises		
< 1 year	-	-
1-2 years	-	-
2-5 years	-	-
> 5 years	41,012	46,110
	<u>41,012</u>	<u>46,110</u>
	<u><u>41,012</u></u>	<u><u>46,110</u></u>

Notes to the Financial Statements
For the year ended 31 March 2016

26. Revenue commitments

<i>Equipment</i>	2016 £	Restated 2015 £
< 1 year	-	-
1-2 years	3,120	4,619
2-5 years	1,469	-
> 5 years	-	-
	<u>4,589</u>	<u>4,619</u>

27. Transition to FRS 102

The Association has adopted Financial Reporting Standard 102 (FRS 102) and the Housing SORP 2014: Statement of Recommended Practice for social housing providers (SORP 2014) for the year ended 31 March 2016. This has led to a number of changes in accounting policy, judgements and estimates and necessitates the prior year comparative amounts to be restated using these new policies in order that they give a comparable view of the prior year position.

The following changes to accounting policies and estimates have been applied:

In accordance with FRS 102 the Association does not present an Income and Expenditure Account as was presented in the financial statements to 31 March 2015 as items that previously appeared in this statement are now included in the Statement of Comprehensive Income.

As permitted by FRS 102 the Association has renamed the Balance Sheet as the Statement of Financial Position.

As prescribed by FRS 102 the Association now prepares a Statement of Changes in Equity and Reserves whereas in the financial statements to 31 March 2015 capital and reserves were analysed as part of the notes to the financial statements.

Depreciation has been restated based on gross cost, where as previously depreciation was calculated on the net of cost and capital grant. As part of the reassessment of fixed assets, streetscaping work previously capitalised and fully grant funded was written off.

The SHAPs past service deficit liability has been recognised in the Statement of Financial Position.

Scottish Housing Grant (SHG) is now recognised in line with the accrual model. The accrual model results in the grant being recognised over the expected useful life of the housing property structure and other components but not land.

Designated reserves are no longer shown separately in the financial statements and instead are combined with the revenue reserve.

Restated statement of financial position as at 1 April 2014

	£
Capital and reserves as at 1 April 2014 per signed financial statements	6,479,083
Effect of the restatement of accumulated depreciation on properties held for letting and shared ownership units	(13,626,845)
Effect of the amortisation of Government grants in respect of housing units and shared ownership units	15,811,018
Effect of the recognition of SHAPS past service repayment deficit liability	(957,570)
Restated capital and reserves as at 1 April 2014	<u><u>7,705,686</u></u>

**Notes to the Financial Statements
For the year ended 31 March 2016**

27. Transition to FRS 102

Restated statement of comprehensive income for year ended 31 March 2015

	£
Surplus per signed financial statements for year ended 31 March 2015	725,657
Effect of increased depreciation of housing properties and shared ownership units	(579,388)
Effect of the amortisation of Government grants in respect of housing units and shared ownership units	731,823
Effect of movement in SHAPS past service repayment deficit liability	(48,000)

Restated Surplus for the year ended 31 March 2015

830,092

Restated statement of financial position at 31 March 2015

	£
Capital and reserves as at 31 March 2015 per signed financial statements	7,204,721
Effect of increased depreciation of housing properties and shared ownership units in 2014/15.	(579,388)
Effect of the amortisation of Government grants in respect of housing units and shared ownership units in 2014/15.	731,823
Effect of movement in SHAPS past service repayment deficit liability in 2014/15.	(48,000)
Effect of the restatement of accumulated depreciation on properties held for letting and shared ownership units at 1 April 2014.	(13,626,845)
Effect of the amortisation of Government grants in respect of housing units and shared ownership units at 1 April 2014.	15,811,018
Effect of the recognition of SHAPS past service repayment deficit liability at 1 April 2014.	(957,570)

Restated capital and reserves as at 31 March 2015

8,535,759