

***GOVANHILL HOUSING ASSOCIATION LIMITED
ANNUAL REPORT AND ACCOUNTS
YEAR TO 31 MARCH 2016***

Financial Conduct Authority. 1791 R (S)

Registered Housing Association No. HCE 117

Registered Charity No. SC010307

GOVANHILL HOUSING ASSOCIATION LIMITED
ANNUAL REPORT AND ACCOUNTS
For the year ended 31 March 2016

CONTENTS

	<i>Page</i>
<i>Financial and operational review</i>	<i>1-2</i>
<i>Management committee members, executive officers and advisers</i>	<i>3</i>
<i>Report of the management committee</i>	<i>4</i>
<i>Corporate governance</i>	<i>5</i>
<i>Statement of the management committee's responsibilities</i>	<i>6</i>
<i>Report of the independent auditors on Corporate Governance Matters</i>	<i>7</i>
<i>Report of the independent auditors on the Financial Statements</i>	<i>8-9</i>
<i>Statement of comprehensive income</i>	<i>10</i>
<i>Statement of financial position</i>	<i>11</i>
<i>Cash flow statement</i>	<i>12</i>
<i>Statement of changes in equity</i>	<i>13</i>
<i>Notes to the financial statements</i>	<i>14 – 37</i>

GOVANHILL HOUSING ASSOCIATION LIMITED
FINANCIAL AND OPERATIONAL REVIEW
For the year ended 31 March 2016

PAGE 1

KEY FINANCIAL HIGHLIGHTS

	<u>2015/16</u>	<u>2014/15</u>	<u>Change</u>
• Surplus for the year	£1,448,264	£942,236	+54%
• Net investment in improving existing tenants homes and also providing new housing	£10,418,873	£5,217,644	+100%
• Financial reserves	£23,157,131	£21,543,867	+7%
• Current ratio	1.22 times	1.17 times	+4%
• Interest cover ratio	4.19 times	3.30 times	+27%

The Association has the following strategic objectives:

- 1. To provide good quality, cost effective housing and services that meet customers' needs, while also raising levels of customer participation, service and satisfaction.*
- 2. To sustain the quality of, and demand for, the Association's existing stock, and develop new affordable housing in Govanhill where this can be done in a financially sustainable way.*
- 3. To contribute to the eradication of sub-standard housing in Govanhill and to continue to campaign for long-term solutions and investment.*
- 4. To work closely with our subsidiaries and other partners to deliver wider regeneration activities that benefit the Govanhill and Merrylee communities.*
- 5. To base our decision making on sound evidence and financial assessments and to provide excellent support to our committee members and staff in their roles.*

In the year under review the Association completed the redevelopment of Belleisle house and spent £10.4 million on the acquisition and improvement of housing properties. This included the strategically important acquisition of 82 properties in South West Govanhill at a cost of £5.2 million fully funded by Glasgow District Council.

The Association has a £15 million loan facility with Barclays plc. This facility was put in place to fund the Association's financing requirements which were identified in its 30-year business plan and agreed with Barclays plc. An additional £3 million was drawn down against the facility during the year. At 31 March 2016 total drawdowns to date against the facility amounted to £10.6 million. 10-year interest rate fixes have been arranged for a number of these loans to reduce the Association's exposure to future increases in interest rates. The financial covenants attached to these loans were all comfortably met and exceeded during the year to 31 March 2016.

The Association has one live development project on the vacant site at 195-201 Victoria Road

where building work is due to commence in 2016/17. In addition to this, feasibility studies have been completed for a number of development opportunities in the area but these had been put on hold given sustainability concerns. The Scottish Government announced in January 2016 that grant subsidy levels per home will be increased to encourage new house building to meet a Government target of 50,000 new homes. The Association intends to examine how this affects previous policy decisions about the possibility of further new developments.

Principal risks and uncertainties:

1. *Loss of rental income due to Welfare Reform measures or housing benefit changes.*
2. *South West Govanhill: potential management issues after works completion.*
3. *Major health and safety or housing stock disaster incident.*
4. *Continued adverse housing and demographic change across the wider Govanhill area.*
5. *Increased proportion of existing and prospective tenants find rent levels are unaffordable.*
6. *Increasing loss of rental income due to voids.*

Corporate Governance:

The Management Committee (MC) is the Association's governing body. It has a minimum of 7 and a maximum of 15 members, including co-optees. Co-opted members are appointed directly by the MC, if the MC decides that this would be beneficial to broaden the skills experience or perspectives the MC can draw on.

Four sub committees support the work of the MC (Housing Services, Development, Finance and General Purposes and Audit.) The committee structure enables proper scrutiny of the Association's major business areas, while also permitting the MC to focus on its role of providing strategic direction and leadership.

Skills audits and committee member reviews are well-established and help members to reflect on their skills and contribution to the MC and identify what support the Association can provide. A committee training policy is in place with priorities agreed annually following committee reviews.

All MC members must abide by the Association's Code of Conduct. The code is supported by comprehensive governance policies and procedures which are reviewed regularly, to make sure that the Association meets good practice and regulatory standards.

GOVANHILL HOUSING ASSOCIATION LIMITED
MANAGEMENT COMMITTEE MEMBERS, EXECUTIVE OFFICERS
AND ADVISERS

PAGE 3

For the year ended 31 March 2016

Management Committee

John McLardie	(Chairperson)
Annie Macfarlane	(Vice Chair)
Elizabeth Klein	(Secretary)
Keith Kintrea	(Treasurer)
Ann Scott	
Henry Rooney	
Mujeeb Ur Rehman	
Ghazala Hakeem	
Linda Higgins	(Resigned 11/08/2015)
Janice McEwan	(Resigned 24/08/2015)
Jean Brogan	(Resigned 9/02/2016)
Isabel Deakin	
Mark Fitzpatrick	
Brian Morgan	(Resigned 27/07/2015)
Myra Salim	(Resigned 3/03/2016)
Barbara Robertson	(Appointed 3/02/2016)
Zobia Haider	(Appointed 2/12/2015)

Executive officers

Anne Lear	(Director)
Malcolm MacDonald	(Finance Manager)
Alan McDonald	(Housing Services Manager)
Kenneth MacDougall	(Development Manager)
Alison Kevan	(Corporate Services and HR Manager)

Registered office

Samaritan House
79 Coplaw Street
Glasgow G42 7JG

Auditors

French Duncan LLP
133 Finnieston Street
GLASGOW G3 8HB

Bankers

Bank of Scotland plc
464 Victoria Road
GLASGOW G42 8PB

Solicitors

TC Young LLP
7 West George Street
GLASGOW G2 1BA

GOVANHILL HOUSING ASSOCIATION LIMITED
REPORT OF THE MANAGEMENT COMMITTEE
For the year ended 31 March 2016

PAGE 4

The management committee has pleasure in presenting their report and the audited accounts for the year ended 31 March 2016.

Legal Status

The Association is a registered social landlord under the Co-operative and Community Benefit Societies Act 2014 and the Housing (Scotland) Act 2010. The Association is constituted under its Rule Book. In 2014 the Association changed its rules in compliance with the SFHA Charitable Model Rules (Scotland) 2013. The Association is a registered Scottish Charity with the number SC010307

Principal activities

The principal activity of the Association is the provision of good quality, affordable rented accommodation for those in housing need.

The management committee and executive officers

The management committee and executive officers of the Association are listed on page 3.

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

Review of business and future developments

The Committee are satisfied with the Company's performance during the year. The surplus for the year was £1,448,264 (2015 - £942,236). The Company's net assets are now £23,158,410 (2015 - £21,545,138). A review of the Association's financial and operational activities for the year is summarised on pages 1 and 2.

Related party transactions

Several members of the Management Committee are tenants. Their tenancies are on the Association's normal tenancy terms and they cannot use their positions to their advantage.

Auditors

A resolution to re-appoint the auditors, French Duncan LLP, will be proposed at the Annual General Meeting.

Statement of disclosure to auditor

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

- (a) so far as the management committee are aware, there is no relevant audit information of which the Association's auditors are unaware, and*
- (b) they have taken all the steps that they ought to have taken as the management committee in order to make themselves aware of any relevant audit information and to establish that the Association's auditors are aware of that information.*

Statement on Internal financial control

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

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

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 mis-statement or loss. Key elements of the Association's systems include ensuring that:

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

The management committee has reviewed the effectiveness of the system of internal control in existence in the Association for the year ended 31 March 2016. 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.

GOVANHILL HOUSING ASSOCIATION LIMITED
STATEMENT OF THE MANAGEMENT COMMITTEE'S RESPONSIBILITIES
For the year ended 31 March 2016

PAGE 6

The management committee is responsible for preparing the financial statements in accordance with the Co-operative and Community Benefit Act 2014.

Statute requires the management committee to prepare accounts for each financial year which give a true and fair view of the state of affairs of the Association as at the end of the financial year and of the surplus or deficit of the Association for that period. In preparing accounts, the management committee is required to fulfil the following obligations:-

- *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 accounts; and*
- *prepare the accounts on the going concern basis unless it is inappropriate to presume that the Association will continue in business.*
- *Prepare a statement on Internal Financial Control.*

The management committee confirms that the accounts comply with the above requirements.

The management committee is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Association and to enable them to ensure that the accounts comply with the Co-operative and Community Benefit Societies Act 2014, the Housing (Scotland) Act 2010, and the Scottish Housing Regulator's Determination of Accounting Requirements December 2014. They are also responsible for safeguarding the assets of the Association and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities. It is also responsible for ensuring the Association's suppliers are paid promptly.

BY ORDER OF THE MANAGEMENT COMMITTEE



Elizabeth Klein
Secretary

Date: 3 August 2016

GOVANHILL HOUSING ASSOCIATION LIMITED
INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF
GOVANHILL HOUSING ASSOCIATION ON CORPORATE GOVERNANCE
MATTERS

PAGE 7

For the year ended 31 March 2016

In addition to our audit of the Financial Statements, we have reviewed your statement on Page 5 concerning the Association's compliance with the information required by the Regulatory Standards in respect of internal financial controls contained 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 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.



FRENCH DUNCAN LLP
Chartered Accountants
Statutory Auditor
133 Finnieston Street
GLASGOW G3 8HB

Date: 10/08/2016

GOVANHILL HOUSING ASSOCIATION LIMITED
INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF
GOVANHILL HOUSING ASSOCIATION LIMITED
For the year ended 31 March 2016

PAGE 8

We have audited the Financial Statements of Govanhill Housing Association Limited for the year ended 31 March 2016 on pages 10 to 37. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 102- The Financial Reporting Standard applicable in the UK and Republic of Ireland.

This report is made solely to the Association's members as a body, in accordance with Section 87 of the Co-operative and Community Benefit Societies Act 2014. Our audit work has been undertaken so that we might state to the Association's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Association and the Association's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of management committee and auditor

As explained more fully in the Committee's Responsibilities Statement set out on page 6, the Committee is responsible for the preparation of the Financial Statements and for being satisfied that they 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

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

Opinion on 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 surplus for the year then ended;*
- *have been properly 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's Determination of Accounting Requirements December 2014; and*
- *have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice.*

GOVANHILL HOUSING ASSOCIATION LIMITED
INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF
GOVANHILL HOUSING ASSOCIATION LIMITED
For the year ended 31 March 2016

PAGE 9

Matters arising on which we are required to report by exception

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

- *the information given in the Management Committee's Report is inconsistent with the financial statements.*
- *proper books of account have not been kept by the Association in accordance with the requirements of the legislation.*
- *a satisfactory system of control over transactions has not been maintained by the Association in accordance with the requirements of the legislation.*
- *the Statement of Comprehensive Income to which our report relates, and the Statement of Financial Position are not in agreement with the books of the Association.*
- *we have not received all the information and explanations necessary for the purposes of our audit.*

We have nothing to report in respect of these matters.



FRENCH DUNCAN LLP
Chartered Accountants
Statutory Auditor
133 Finnieston Street
GLASGOW G3 8HB

Date: 10/08/2016

GOVANHILL HOUSING ASSOCIATION LIMITED
STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 March 2016

PAGE 10

			<i>As restated</i>
	<i>Notes</i>	<i>2016</i> £	<i>2015</i> £
REVENUE	2	13,115,379	11,890,339
<i>Operating costs</i>	2	(11,476,127)	(10,746,999)
OPERATING SURPLUS	2, 10	1,639,252	1,143,340
<i>Gain on sale of housing stock</i>	7	157,172	96,005
<i>Release of negative goodwill</i>	15	103,142	110,364
<i>Interest receivable and other similar income</i>		2,026	2,293
<i>Interest payable and other similar charges</i>	8	(354,365)	(297,766)
<i>Other Finance Charges</i>	9	(98,963)	(112,000)
SURPLUS FOR THE YEAR	24	1,448,264	942,236
OTHER COMPREHENSIVE INCOME			
<i>Actuarial gain / (loss) recognised in the retirement benefit schemes</i>	30	165,000	(247,000)
TOTAL COMPREHENSIVE INCOME		1,613,264	695,236

The notes on pages 14 to 37 form part of these financial statements.

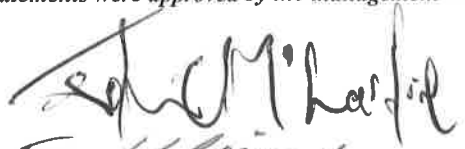
GOVANHILL HOUSING ASSOCIATION LIMITED
STATEMENT OF FINANCIAL POSITION
As at 31 March 2016

PAGE 11

		2016	As restated 2015
	Notes	£	£
NON-CURRENT ASSETS			
Housing properties - depreciated cost	13(a)	89,969,889	82,298,624
New Supplied Share Equity Scheme Loan		282,500	282,500
New Supplied Share Equity Scheme Grant		(282,500)	(282,500)
		0	0
Other tangible fixed assets	13(c)	3,162,420	3,016,458
		93,132,309	85,315,082
INVESTMENT	14	100	100
INTANGIBLE FIXED ASSETS			
Negative goodwill	15	(3,727,426)	(3,830,568)
CURRENT ASSETS			
Stock and work in progress	16	3,839	3,570
Debtors	17	1,104,915	1,095,371
Cash at bank and in hand		3,433,206	4,362,172
		4,541,960	5,461,113
CREDITORS: amounts falling due within one year	18	(3,735,683)	(4,672,912)
NET CURRENT ASSETS		806,277	788,201
TOTAL ASSETS LESS CURRENT LIABILITIES		90,211,260	82,272,815
CREDITORS: amounts falling due after more than one year	19	(13,887,105)	(11,783,578)
PROVISION FOR LIABILITIES			
Retirement benefit scheme deficit	20	(283,000)	(426,000)
DEFERRED INCOME			
Social Housing Grants	21	(49,949,830)	(45,552,411)
Other Grants	21	(2,932,915)	(2,965,688)
		(52,882,745)	(48,518,099)
NET ASSETS		23,158,410	21,545,138
EQUITY			
Share capital	22	1,279	1,271
Restricted reserves	23	16,900	16,900
Revenue reserve	24	23,140,231	21,526,967
		23,158,410	21,545,138

The financial Statements were approved by the management committee, authorised for issue and signed on **3 August 2016**
its behalf on:

Chairperson



J. McLARDIE

Secretary



E. KLEIN

Treasurer



K. KINTREA

The notes on pages 14 to 37 form part of these financial statements.

GOVANHILL HOUSING ASSOCIATION LIMITED
STATEMENT OF CASH FLOWS
For the year ended 31 March 2016

PAGE 12

		<i>As restated</i>	
		2016	2015
	Notes	£	£
NET CASH INFLOW FROM OPERATING ACTIVITIES	25	2,298,232	3,207,693
INVESTING ACTIVITIES			
Acquisition and construction of housing properties		(6,625,245)	(2,347,218)
Improvements to housing properties		(3,793,628)	(2,870,426)
Purchase of other fixed assets		(396,295)	(218,134)
Social housing grants received		5,900,040	2,038,058
Proceeds of disposals of housing properties		183,185	164,745
Sales of commercial properties		0	0
Sales of other fixed assets		0	0
NET CASH (OUTFLOW) FROM INVESTING ACTIVITIES		(4,731,943)	(3,232,975)
NET CASH (OUTFLOW) BEFORE FINANCING		(2,433,711)	(25,282)
FINANCING ACTIVITIES			
Issue of ordinary share capital		8	14
Loan advances received		3,000,000	0
Interest received		2,026	2,293
Interest paid		(354,365)	(409,766)
Loan principal repayments		(247,845)	(96,361)
NET CASH INFLOW / (OUTFLOW) FROM FINANCING		2,399,824	(503,820)
(DECREASE) IN CASH		(33,887)	(529,102)
OPENING CASH AND CASH EQUIVALENTS		3,388,779	3,917,881
CLOSING CASH AND CASH EQUIVALENTS		3,354,892	3,388,779

The notes on pages 14 to 37 form part of these financial statements.

GOVANHILL HOUSING ASSOCIATION LIMITED
STATEMENT OF CHANGES IN EQUITY
For the year ended 31 March 2016

PAGE 13

	<i>Share Capital</i>	<i>Restricted Reserve</i>	<i>Revenue Reserve</i>	<i>Total</i>
	£	£	£	£
<i>Balance as at 1 April 2015 (as restated)</i>	1,271	16,900	21,526,967	21,545,138
<i>Issue of Shares</i>	8	-	-	8
<i>Surplus for Year</i>	-	-	1,613,264	1,613,264
<i>Balance as at 31 March 2016</i>	<u>1,279</u>	<u>16,900</u>	<u>23,140,231</u>	<u>23,158,410</u>

			<i>As Restated</i>	<i>As Restated</i>
	<i>Share Capital</i>	<i>Restricted Reserve</i>	<i>Revenue Reserve</i>	<i>Total</i>
	£	£	£	£
<i>Balance as at 1 April 2014</i>	1,257	16,900	20,831,731	20,849,888
<i>Issue of Shares</i>	14	-	-	14
<i>Surplus for Year</i>	-	-	695,236	695,236
<i>Balance as at 31 March 2015</i>	<u>1,271</u>	<u>16,900</u>	<u>21,526,967</u>	<u>21,545,138</u>

GOVANHILL HOUSING ASSOCIATION LIMITED
NOTES TO THE ACCOUNTS
For the year ended 31 March 2016

PAGE 14

1. PRINCIPAL ACCOUNTING POLICIES

Statement of Compliance

These financial statements were prepared in accordance with Financial Reporting Standard 102 - 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' and the Statement of Recommended Practice for Social Housing Providers 2014. The Association is a Public Benefit Entity in terms of its compliance with Financial Reporting Standard 102.

Information on the impact of first-time adoption of FRS 102 is given in note 26.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the Association's accounting policies (see below).

The following principal accounting policies have been applied:

Revenue

Revenue represents rental and service charge income receivable, fees receivable, income from the sale of properties, fees and revenue based grants receivable from the Scottish Government, local authorities and other agencies.

Retirement Benefits

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

At the time of Second Stage Transfer the Association took on employees who are members of the Strathclyde Pension Scheme. In accordance with FRS 17 – Retirement Benefits, the operating and financing costs of pension and post Retirement schemes (determined by a qualified actuary) are recognised separately in the income and expenditure account. Service costs are systematically spread over the service lives of the employees and financing costs are recognised in the period in which they arise.

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

Mortgages

Mortgage loans are advanced by local authorities, the Scottish Government or private lending 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 Social Housing Grant by the Scottish Government.

Stock and work in progress

Stock and work in progress comprises the costs to the balance sheet date of:

- properties being developed for sale under the New Supply Shared Equity Scheme; and*
- other stocks of postage, stationery and maintenance materials.*

Restricted Reserves

Other

This reserve was created from charitable donations to finance hostel assets and will be used for the replacement of these assets, at the discretion of the management committee, as the need arises.

GOVANHILL HOUSING ASSOCIATION LIMITED
NOTES TO THE ACCOUNTS
For the year ended 31 March 2016

PAGE 15

1. ACCOUNTING POLICIES (continued)

Valuation of Housing Properties

Housing Properties are stated at cost less accumulated depreciation. Housing under construction and Land are not depreciated. The Association depreciates housing properties by major component on a straight line basis over the estimated useful economic lives of each identified component. All components are categorised as Housing Properties within note 13. Impairment reviews are carried out if events or circumstances indicate that the carrying value of the components listed below is higher than the recoverable amount.

<i>Component</i>	<i>Useful Economic Life</i>
<i>Kitchens</i>	<i>15 years</i>
<i>Bathrooms</i>	<i>20 years</i>
<i>Central Heating</i>	<i>20 years</i>
<i>External Windows</i>	<i>30 years</i>
<i>Door entry systems</i>	<i>15 years</i>
<i>Lifts</i>	<i>30 years</i>
<i>Roofs</i>	<i>50 years</i>
<i>Structure</i>	<i>50 years</i>

Depreciation and Impairment of Other Non-Current Assets

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

<i>Computer Equipment</i>	<i>- 33 ⅓% Straight Line</i>
<i>Office Equipment</i>	<i>- 20%-33 ⅓% Straight Line</i>
<i>Hostel Equipment</i>	<i>- 20% Straight Line</i>
<i>Motor Vehicles</i>	<i>- 20% Straight Line</i>

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

Social Housing Grant and Other Grants in Advance/Arrears

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

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

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

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

Development Administration Costs

Development administration costs relating to development activities and improvement of properties are capitalised based on the time spent by staff on this activity.

Capitalisation of Interest

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

GOVANHILL HOUSING ASSOCIATION LIMITED
NOTES TO THE ACCOUNTS
For the year ended 31 March 2016

PAGE 16

1. ACCOUNTING POLICIES (continued)

Sales of Housing Properties

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

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

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

Goodwill

Negative goodwill arose on the acquisition of housing assets and the related rent arrears from Glasgow Housing Association as part of a Second Stage Transfer. The fair value of the assets acquired exceeded the consideration paid by the Association. Negative goodwill is written back to the Statement of Comprehensive Income in equal instalments over a period of 50 years.

Estimation Uncertainty

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

Rent Arrears - Bad Debt Provision

The Association assesses the recoverability of rent arrears through a detailed assessment process which considers: tenant payment history, arrangements in place, and court action.

Life Cycle of Components

The Association estimates the useful lives of major components of its housing property with reference to surveys carried out by external qualified surveyors

Leases/Leased Assets

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

Works to Existing Properties

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

GOVANHILL HOUSING ASSOCIATION LIMITED
NOTES TO THE ACCOUNTS
For the year ended 31 March 2016

PAGE 17

1. ACCOUNTING POLICIES (continued)

Key Judgements made in the application of Accounting Policies

a) Exemptions taken in the transition to FRS 102

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

i) The Association has not revisited previous accounting estimates

b) The Categorisation of Housing Properties

In the judgement of the Management Committee the entirety of the Association's housing stock is held for social benefit and is therefore classified as Property, Plant and Equipment in accordance with FRS 102.

c) Identification of cash generating units

The Association considers its cash-generating units to be 2,554, in which it manages its housing property for asset management purposes

Financial Instruments – Basic

The Association recognises basic financial instruments in accordance with Section 11 of Financial Reporting Standard 102.

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

GOVANHILL HOUSING ASSOCIATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2016

PAGE 18

2. PARTICULARS OF REVENUE, COST OF SALES, OPERATING COSTS AND OPERATING SURPLUS OR (DEFICIT)

		2016		
	Note	Revenue £	Operating costs £	Operating surplus / (deficit) £
Affordable letting activities	3	11,306,288	(9,675,211)	1,631,077
Other activities	4	1,809,091	(1,800,916)	8,175
Total		13,115,379	(11,476,127)	1,639,252

		2015		
	Note	Revenue £	Operating costs £	Operating surplus/ (deficit) £
Affordable letting activities	3	10,690,975	(9,477,498)	1,213,477
Other activities	4	1,199,364	(1,269,501)	(70,137)
Total		11,890,339	(10,746,999)	1,143,340

As restated

GOVANHILL HOUSING ASSOCIATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2016

PAGE 19

3. PARTICULARS OF INCOME AND EXPENDITURE FROM SOCIAL LETTINGS

	General Needs Housing	Supported Social Housing Accommodation	Shared Ownership Housing	Other Shared Equity Housing	2016 Total	Restated 2015 Total
	£	£	£	£	£	£
Revenue from lettings						
Rent receivable net of identifiable service charges	9,374,662	335,570	0	8,073	9,718,305	9,209,585
Service charges receivable	195,985	14,506	0	778	211,269	203,159
Gross rents receivable	9,570,647	350,076	0	8,851	9,929,574	9,412,744
Less rent losses from voids	(248,034)	0	0	0	(248,034)	(145,746)
Net rents receivable	9,322,613	350,076	0	8,851	9,681,540	9,266,998
Amortisation of Social Housing & Other Grants	1,513,979	0	0	3,163	1,517,142	1,393,275
Revenue grants from local authorities and other agencies	107,606	0	0	0	107,606	0
Other Revenue grants	0	0	0	0	0	30,702
Total income from social letting	10,944,198	350,076	0	12,014	11,306,288	10,690,975
Expenditure on social letting activities						
Management and maintenance						
administration costs	(3,073,219)	(33,730)	0	(5,078)	(3,112,027)	(3,103,173)
Service costs	(190,546)	0	0	(778)	(191,324)	(190,256)
Planned and cyclical maintenance including major repairs	(2,417,444)	(38,914)	0	0	(2,456,358)	(2,568,790)
Reactive maintenance	(1,080,945)	(86,156)	0	(1,907)	(1,169,008)	(1,158,755)
Bad debts - rents and service charges	(24,127)	0	0	0	(24,127)	(93,765)
Depreciation of social housing	(2,710,194)	(771)	0	(11,402)	(2,722,367)	(2,362,759)
Impairment of affordable let properties	0	0	0	0	0	0
Operating costs of social letting	(9,496,475)	(159,571)	0	(19,165)	(9,675,211)	(9,477,498)
Operating surplus / (deficit) on social letting activities	1,447,723	190,505	0	(7,151)	1,631,077	1,213,477
2015 as restated	1,101,569	121,762	0	(9,854)	1,213,477	

GOVANHILL HOUSING ASSOCIATION LIMITED
NOTES TO THE STATEMENTS
For the year ended 31 March 2016

PAGE 20

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

As restated

	Grants from Scottish Ministers £	Other revenue grants £	Supporting people income £	Other income £	Total Turnover £	Operating Costs - Bad debts (write off)/ recovery £	Other operating costs £	Operating surplus or (deficit) 2016 £	Operating surplus or (deficit) 2015 £
Wider role activities undertaken to support the community, other than the provision, construction, improvement and management of housing	887,596	99,381	0	0	986,977	0	(999,730)	(12,753)	0
Care and repair	0	0	0	0	0	0	0	0	0
Investment property activities	0	0	0	0	0	0	0	0	0
Factoring	0	0	0	743,433	743,433	(30,099)	(661,012)	52,322	(92,522)
Uncapitalised development administration costs	0	0	0	0	0	12,072	0	12,072	15,207
Support activities	0	0	0	0	0	0	0	0	0
Care activities	0	0	0	0	0	0	0	0	0
Contracted out services undertaken for registered social landlords	0	0	0	0	0	0	0	0	0
Contracted out services undertaken for other organisations	0	0	0	0	0	0	0	0	0
Developments for sale to registered social landlords	0	0	0	0	0	0	0	0	0
Developments and improvements for sale to other organisations	0	0	0	0	0	0	0	0	0
Amortisation of grant on other tangible assets	0	0	0	16,702	16,702	0	0	16,702	13,528
Other activities									
- Management expenses charged to subsidiary companies	0	0	0	50,992	50,992	0	(50,992)	0	0
- Rental of commercial property	0	0	0	7,681	7,681	0	(71,155)	(63,474)	(9,138)
- Hire of conference hall	0	0	0	3,256	3,256	0	0	3,256	2,788
- Sale of other fixed assets	0	0	0	0	0	0	0	0	0
- Donation received	0	0	0	50	50	0	0	50	0
TOTAL FROM OTHER ACTIVITIES	887,596	99,381	0	822,114	1,809,091	(18,027)	(1,782,889)	8,175	(70,137)
TOTAL FROM OTHER ACTIVITIES FOR 2015	227,042	133,150	0	839,172	1,199,364	(5,494)	(1,264,007)	(70,137)	

GOVANHILL HOUSING ASSOCIATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2016

PAGE 21

5. BOARD MEMBERS AND OFFICERS EMOLUMENTS

The officers are defined in the Co-operative and Community Benefit Societies Act 2014 as the members of the management committee, managers and employees of the Association.

No emoluments have been paid to any member of the management committee.

4 officers of the Association received emoluments greater than £60,000.

	2016 £	2015 £
Aggregate emoluments payable to officers with emoluments greater than £60,000 (excluding pension contributions)	266,843	262,640
Emoluments payable to the director (excluding pension contributions)	77,448	75,722
Pension contributions paid on behalf of the director	9,526	9,385
	Number	Number
Total number of officers, including the highest paid officer, who received emoluments (excluding pension contributions) over £60,000 was in the following ranges:	2016	2015
£60,001 - £70,000	3	3
£70,001 - £80,000	1	1
£80,001 - £90,000	0	0
Total expenses reimbursed in so far as not chargeable to United Kingdom income tax: Management Committee	1,550	1,883

6. EMPLOYEE INFORMATION

	2016 £	2015 £
Staff costs during the year:		
Wages and salaries	2,041,834	1,851,586
Social security costs	167,952	153,021
Other pension costs	214,430	201,847
	2,424,216	2,206,454
	Number	Number
The average number of full time equivalent persons employed during the year was	62	55
The average total number of employees employed during the year was	88	78

GOVANHILL HOUSING ASSOCIATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2016

PAGE 22

7. GAIN ON SALE OF HOUSING STOCK

	2016 £	2015 £
Net proceeds of disposals of housing properties	183,185	164,745
Net book value of housing property disposals	(26,013)	(68,740)
Gain on sale of housing stock	157,172	96,005

8. INTEREST PAYABLE AND OTHER SIMILAR CHARGES

	2016 £	2015 £
Bank loans and overdrafts	354,365	297,766
Other loans repayable within five years	0	0
	354,365	297,766

9. OTHER FINANCE CHARGES

	2016 £	2015 £
Unwinding of discounted liabilities	98,963	112,000

10. SURPLUS FOR THE YEAR

	2016 £	2015 £
Surplus is stated after charging:		
Depreciation of tangible owned fixed assets	2,971,928	2,445,245
Auditors' remuneration - audit services	11,880	14,551
- other services	600	690

11. TAXATION

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

12. HOUSING STOCK

	2016 Number	2015 Number
The number of units of accommodation in management at the year end was:		
General needs - new build	208	208
- rehabilitation	2,243	2,168
Supported housing	99	82
Shared ownership	4	4
	2,554	2,462

GOVANHILL HOUSING ASSOCIATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2016

PAGE 23

13(a). NON CURRENT ASSETS

<i>Housing Properties</i>	<i>Housing properties held for letting</i>	<i>Housing properties in the course of construction</i>	<i>Shared equity properties held for letting</i>	<i>2016 Total</i>
	£	£	£	£
COST				
<i>At start of year</i>	108,178,481	902,793	187,681	109,268,955
<i>Additions</i>	9,761,728	657,145	0	10,418,873
<i>Disposals</i>	(27,911)	0	0	(27,911)
<i>Transfers to stock</i>	0	0	0	0
<i>Schemes completed in the year</i>	780,886	(780,886)	0	0
<i>At end of year</i>	118,693,184	779,052	187,681	119,659,917
DEPRECIATION				
<i>At start of year as restated</i>	26,794,052	0	176,279	26,970,331
<i>Charged during year</i>	2,710,193	0	11,402	2,721,595
<i>Eliminated on disposal</i>	(1,898)	0	0	(1,898)
<i>At end of year</i>	29,502,347	0	187,681	29,690,028
NET BOOK VALUE				
<i>At end of year</i>	89,190,837	779,052	0	89,969,889
<i>At start of year (restated)</i>	81,384,429	902,793	11,402	82,298,624

Development administration costs capitalised amounted to £356,718 (2015 - £254,721) for which Social Housing Grants amounting to £0 (2015 - £0) were received in the year.

Capitalised major repairs costs amounted to £3,793,628 (2015 - £2,870,426)

The properties acquired at Second Stage transfer on 31 January 2011 were included at fair value using the EUV-SH basis of valuation.

The Association would not be able to sell the properties at these values without also repaying Social Housing Grant from the proceeds of sale, but Social Housing Grant would be subordinated behind any private loans charged on these properties. Other grants received are repayable under certain circumstances.

13(b).	2016	2015
	£	£
<i>Housing properties comprise:</i>		
<i>Heritable</i>	89,969,889	82,298,624

GOVANHILL HOUSING ASSOCIATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2016

PAGE 24

13(c). NON CURRENT ASSETS

<i>Other Tangible Assets</i>	<i>Heritable office property £</i>	<i>Computer and office equipment £</i>	<i>Hostels equipment £</i>	<i>Commercial premises £</i>	<i>2016 Total £</i>
COST					
<i>At start of year</i>	3,412,446	359,611	34,275	81,990	3,888,322
<i>Transfers</i>	0	0	0	0	0
<i>Additions</i>	9,992	386,303	0	0	396,295
<i>Disposals</i>	0	0	0	0	0
<i>At end of year</i>	3,422,438	745,914	34,275	81,990	4,284,617
DEPRECIATION					
<i>At start of year as restated</i>	516,636	311,886	33,504	9,838	871,864
<i>Charged during year</i>	105,576	141,890	771	2,096	250,333
<i>Disposals</i>	0	0	0	0	0
<i>At end of year</i>	622,212	453,776	34,275	11,934	1,122,197
NET BOOK VALUE					
<i>At end of year</i>	2,800,226	292,138	0	70,056	3,162,420
<i>At start of year (as restated)</i>	2,895,810	47,725	771	72,152	3,016,458

Grants received to fund the acquisition and development of commercial premises are repayable in certain circumstances. Where this arises from the sale of properties, repayment of the grant would be subordinated behind any private loan charged on these properties.

13(d).	<i>Company 2016 £</i>	<i>2015 £</i>
<i>Commercial premises comprise:</i>		
<i>Heritable</i>	70,056	72,152

GOVANHILL HOUSING ASSOCIATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2016

PAGE 25

14. INVESTMENT

	2016	2015
	£	£
At start of year	100	100
New investment	0	0
At end of year	100	100

This represents: a 100% shareholding Govanhill Housing Association Limited has in its subsidiary company, Govanhill Community Development Trust Limited, a company registered in Scotland; and GREAT Gardens a charitable company limited by guarantee, registered in Scotland and controlled by the Management Committee of Govanhill Housing Association Limited.

The results and net assets of the subsidiary companies at 31 March 2016 are as follows:

	2016	2015
	£	£
Govanhill Community Development Trust Limited:		
Profit for the year after tax	10,862	281,809
Net Assets	914,302	903,440

GREAT Gardens Limited:

	2016	2015
	£	£
Net Movement in Funds	6,878	213
Net Assets	151,017	150,804

15. NEGATIVE GOODWILL

	2016	2015
	£	£
At start of year	3,830,568	3,940,932
Amortised in the year	(103,142)	(110,364)
At end of year	3,727,426	3,830,568

16. STOCK AND WORK IN PROGRESS

	2016	2015
	£	£
Postage, stationery and maintenance stock	3,839	3,570

17. DEBTORS

	2016	2015
	£	£
Amounts falling due within one year:		
Rental debtors - housing benefit	60,539	66,879
- other	411,768	451,351
Less: provision for bad debts	(306,376)	(332,861)
Amounts due by subsidiary companies	25,030	21,335
Capital grants receivable	330,170	147,415
Corporation tax	0	0
Other debtors	297,880	623,493
Prepayments and accrued income	285,904	117,759
	1,104,915	1,095,371

GOVANHILL HOUSING ASSOCIATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2016

PAGE 26

18. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

As restated

	2016	2015
	£	£
Housing loans (note 19a)	680,818	250,190
SHAPS pension scheme deficit	280,000	272,000
Amounts due to subsidiary company	25,610	14,083
Bank overdraft	78,316	973,393
Trade payables	935,626	978,123
Liability for past service contribution arrangements	23,621	22,957
Other taxation and social security costs	83,382	72,468
Social Housing Grant in advance	62,555	62,555
Other creditors	868,300	1,173,255
Accruals and deferred income	227,461	386,680
Rent deposits	0	0
Rent in advance	436,316	430,023
Factoring in advance	33,678	37,185
	3,735,683	4,672,912

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

As restated

	2016	2015
	£	£
Housing loans	10,859,105	8,537,578
Non-housing loans	0	0
Liability for past service contribution arrangements	3,028,000	3,246,000
	13,887,105	11,783,578

Included within housing loans is £84,750 of monies held on behalf of sharing owners who participated in the shared equity property.

19(a). Loans are secured by specific charges on the Association's properties and are repayable at varying rates of interest on instalments due as follows:

	2016	2015
	£	£
In one year or less (note 18)	680,818	250,190
Between one and two years	635,088	546,645
Between two and five years	1,913,272	1,639,932
In five years or more	8,310,745	6,351,001
	11,539,923	8,787,768

20. PROVISION FOR LIABILITIES

	2016	2015
	£	£
Retirement benefit scheme deficit - SPF	283,000	426,000

GOVANHILL HOUSING ASSOCIATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2016

PAGE 27

21.DEFERRED INCOME	2016	2015
	£	£
<i>Social Housing Grants</i>		
<i>Balance at start of year</i>	45,552,411	44,900,433
<i>Additions in year</i>	5,888,654	2,043,090
<i>Released/Repaid as a result of property disposal</i>	0	(23,174)
<i>Amortisation in year</i>	(1,491,235)	(1,367,938)
<i>Balance at end of year</i>	49,949,830	45,552,411

Other Grants

<i>Balance at start of year</i>	2,965,688	2,987,958
<i>Additions in year</i>	11,384	18,143
<i>Released/Repaid as a result of property disposal</i>	0	0
<i>Amortisation in year</i>	(44,157)	(40,413)
<i>Balance at end of year</i>	2,932,915	2,965,688

22. SHARE CAPITAL	2016	2015
	£	£
<i>Shares of £1 each fully paid and issued:</i>		
<i>At start of year</i>	377	388
<i>Shares issued during year</i>	8	14
<i>Shares forfeited during year</i>	(10)	(25)
<i>At end of year</i>	375	377
<i>Forfeited shares:</i>		
<i>At start of year</i>	894	869
<i>Transferred from share capital during year</i>	10	25
<i>At end of year</i>	904	894
<i>Total share capital:</i>		
<i>At start of year</i>	1,271	1,257
<i>At end of year</i>	1,279	1,271

Each member of the Association holds one share of £1 in the Association. These shares carry no rights to dividends 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.

GOVANHILL HOUSING ASSOCIATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2016

PAGE 28

23. RESTRICTED RESERVES

	2016 £	2015 £
OTHER		
Charitable reserve at start of year	16,900	16,900
Transferred in year	0	0
Donations received	0	0
Charitable reserve at end of year	16,900	16,900

As restated

24. REVENUE RESERVE

	2016 £
At beginning of year as restated	21,526,967
Retained surplus for the year	1,448,264
Actuarial gain recognised in the retirement benefit scheme	165,000
At end of year	23,140,231

25. STATEMENT OF CASH FLOWS

Reconciliation of operating surplus to balance as at 31 March

	2016 £	2015 £
Operating surplus	1,639,252	1,143,340
Depreciation charges	2,971,928	2,445,245
Amortisation of grants	(1,535,392)	(1,408,351)
(Increase) / decrease in stock	(269)	658
(Increase) / decrease in debtors	(9,544)	1,283,250
(Decrease) in creditors	(480,780)	(352,449)
Unwinding of discount on pension liability	(98,963)	(16,000)
Movement in pension liability	(188,000)	112,000
Net cash inflow from operating activities	2,298,232	3,207,693

GOVANHILL HOUSING ASSOCIATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2016

PAGE 29

26. Transition to the Financial Reporting Standard

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

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

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

Reconciliation of Capital & Reserves

	Note	<u>At 31 March 2015</u>			<u>At 31 March 2014</u>		
		As Previously Stated	Effect of Transition	As Restated	As Previously Stated	Effect of Transition	As Restated
Non-Current Assets	1	28,781,123	56,534,059	85,315,182	26,785,300	52,387,361	79,172,661
Negative Goodwill		(3,830,568)	0	(3,830,568)	(3,940,932)	0	(3,940,932)
Current Assets		5,461,113	0	5,461,113	6,736,309	0	6,736,309
Creditors: amounts falling due within one year		(4,400,912)	(272,000)	(4,672,912)	(4,035,742)	(264,000)	(4,299,742)
Net Current Assets		1,060,201	(272,000)	788,201	2,700,567	(264,000)	2,436,567
Total Assets less current liabilities		26,010,756	56,262,059	82,272,815	25,544,935	52,123,361	77,668,296
Creditors: amounts falling due after more than on year		(8,537,578)	(3,246,000)	(11,783,578)	(8,813,744)	(4,052,000)	(12,865,744)
Deferred income		0	(48,518,099)	(48,518,099)	0	(52,387,361)	(52,387,361)
Provision for liabilities		(426,000)	0	(426,000)	(178,000)	0	(178,000)
Net Assets		17,047,178	4,497,960	21,545,138	16,553,191	(4,316,000)	12,237,191
Capital and Reserves		17,047,178	4,497,960	21,545,138	16,553,191	(4,316,000)	12,237,191

GOVANHILL HOUSING ASSOCIATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2016

PAGE 30

26. Transition to the Financial Reporting Standard (continued)

Reconciliation of Retained Surplus for the Year

	Note	<u>Year Ended 31 March 2015</u>		
		<u>As Previously Stated</u>	<u>Effect of Transition</u>	<u>As Restated</u>
Revenue	1	10,481,988	1,408,351	11,890,339
Operating Costs	1 & 2	(9,541,547)	(1,205,452)	(10,746,999)
Gain on sale of housing stock		96,005	0	96,005
Release of negative goodwill		0	110,364	110,364
Interest Receivable		2,293	0	2,293
Interest Payable		(297,766)	0	(297,766)
Other finance charges		0	(112,000)	(112,000)
Actuarial Loss recognised in the Retirement Benefit Scheme		(247,000)	0	(247,000)
Surplus		493,973	201,263	695,236

Notes to the Reconciliations

1. Social Housing Grants and Other Grants have been accounted for in accordance with the SORP which has meant that grants are no longer deducted from the cost of the capital asset, but are instead treated as deferred income which is recognised in income over the useful life of the related asset.
2. As the Association has entered into an agreement to make contributions to fund a deficit in the SHAPS pension scheme this has been recognised as a liability in accordance with the FRS. This liability was not previously recognised and payments made under this agreement were written off as operating costs.
3. The liability recognised as a result of 2 above has been discounted to its present value. The unwinding of the discount is recognised as a finance cost in accordance with FRS 102 para 28.13A.

GOVANHILL HOUSING ASSOCIATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2016

PAGE 31

27. Related Party Transactions

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

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

- Members are tenants of the Association
- Members are factored owners
- Management Committee members cannot use their position to their advantage. Any transactions between the Association and any entity with which a Management Committee member has a connection is made at arm's length and is under normal commercial terms.

Transactions with Management Committee members are as follows:

Rent received from tenants on the Committee: £32,259

At the year end total rent arrears owed by the tenant members of the Committee were: Nil

Transactions between the Association and its subsidiaries are as follows:

	2016 £		2015 £	
	<u>Purchases</u>	<u>Sales</u>	<u>Purchases</u>	<u>Sales</u>
Govanhill Community Development Trust Limited	95,798	41,867	80,669	38,831
GREAT Gardens Limited	84,280	30,564	97,974	13,611
	<u>Amounts due to:</u>	<u>Amounts due by:</u>	<u>Amounts due to:</u>	<u>Amounts due by:</u>
Govanhill Community Development Trust Limited	0	1,971	0	423
GREAT Gardens Limited	2,552	0	0	6,829

All transactions were carried out under normal commercial terms.

28. Details of Association

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

The Association's principal place of business is Glasgow.

The Association is a Registered Social Landlord and Scottish Charity that owns and manages social housing in Glasgow.

29. Group Accounts Exception.

From the period commencing 1 April 2015 the Association gained exemption from the Financial Conduct Authority for providing Group Accounts. This was obtained under Section 99 of the Co-operative and Community Benefit Societies Act 2014 and had the agreement of the Auditors.

GOVANHILL HOUSING ASSOCIATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2016

PAGE 32

30. RETIREMENT BENEFIT OBLIGATIONS

Scottish Housing Association Pension Scheme

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

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

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

The last formal valuation of the Scheme was performed as at 30th 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 with the value of liabilities of £304 million, equivalent to a past service funding level of 56%.

The Scheme Actuary has prepared an Actuarial Report that provides an approximate update on the funding position of the Scheme as at 30th September 2015. Such a report is required by legislation for years in which a full actuarial valuation is not carried out. The funding update revealed an increase in the assets of the Scheme to £616 million and indicated a decrease in the shortfall of assets compared to liabilities to approximately £198 million, equivalent to a past service funding level of 76%.

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

All employers in the scheme have entered into an agreement to make additional contributions to fund the Scheme's past service deficit. This obligation has been recognised in terms of Para 28.11A of Financial Reporting Standard 102. At the balance sheet date the present value of this obligation was £3,308,000 (2015 - £3,518,000). This was calculated by reference to the terms of the agreement and discounting the liability using the yield rate of high quality corporate bond with a similar term. The discount rate used was 2.29%

The Association made payments totalling £474,262 (2015: £465,847) to the pension scheme during the year.

During the accounting period Govanhill Housing Association Limited paid contributions at the rate of 12.3% of pensionable salaries. Member contributions were paid at a rate of 12.3%.

As at the balance sheet date there were 49 active members of the Scheme employed by Govanhill Housing Association Limited. The annual pensionable payroll in respect of these members was £1,404,283.

Govanhill Housing Association Limited continues to offer membership of the Scheme to its employees.

GOVANHILL HOUSING ASSOCIATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2016

PAGE 33

30. RETIREMENT BENEFIT OBLIGATIONS (continued)

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 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.

Govanhill Housing Association Limited has been notified by The Pensions Trust of the estimated employer debt on withdrawal from the Scottish Housing Associations' Pension Scheme based on the financial position of the Scheme as at 30 September 2015. As of this date the estimated employer debt for Govanhill Housing Association Limited was £8,887,523.

The Pensions Trust Growth Plan

Govanhill Housing Association Limited participates in The Pensions Trust's Growth Plan (the Plan). The Plan is funded and is not contracted-out of the State scheme. The Plan is a multi-employer pension plan.

Contributions paid into the Plan up to and including September 2001 were converted to defined amounts of pension payable from Normal Retirement Date. From October 2001 contributions were invested in personal funds which have a capital guarantee and which are converted to pension on retirement, either within the Plan or by the purchase of an annuity.

The rules of the Plan allow for the declaration of bonuses and/or investment credits if this is within the financial capacity of the Plan assessed on a prudent basis. Bonuses/investment credits are not guaranteed and are declared at the discretion of the Plan's Trustee.

The Trustee commissions an actuarial valuation of the Plan every three years. The purpose of the actuarial valuation is to determine the funding position of the Plan by comparing the assets with the past service liabilities as at the valuation date. Asset values are calculated by reference to market levels. Accrued past service liabilities are valued by discounting expected future benefit payments using a discount rate calculated by reference to the expected future investment returns.

The rules of the Plan give the Trustee the power to require employers to pay additional contributions in order to ensure that the statutory funding objective under the Pensions Act 2004 is met. The statutory funding objective is that a pension scheme should have sufficient assets to meet its past service liabilities, known as Technical Provisions.

If the actuarial valuation reveals a deficit, the Trustee will agree a recovery plan to eliminate the deficit over a specified period of time either by way of additional contributions from employers, investment returns or a combination of these.

The rules of the Plan state that the proportion of obligatory contributions to be borne by the member and the member's employer shall be determined by agreement between them. Such agreement shall require the employer to pay part of such contributions and may provide that the employer shall pay the whole of them.

Govanhill Housing Association Limited paid contributions at the rate of 0% during the accounting period. Members paid contributions at the rate of 6% during the accounting period.

As at the balance sheet date there was 1 active member of the Plan employed by Govanhill Housing Association Limited. Govanhill Housing Association Limited continues to offer membership of the Plan to its employees.

It is not possible in the normal course of events to identify on a reasonable and consistent basis the share of underlying assets and liabilities belonging to individual participating employers. The Plan is a multi-employer scheme, where the assets are co-mingled for investment purposes, and benefits are paid out of the Plan's total assets. Accordingly, due to the nature of the Plan, the accounting charge for the period under FRS102 represents the employer contribution payable.

GOVANHILL HOUSING ASSOCIATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2016

PAGE 34

30. RETIREMENT BENEFIT OBLIGATIONS (continued)

The valuation results at 30 September 2014 were completed in 2015 and have been formalised. The valuation of the Plan was performed by a professionally qualified Actuary using the Projected Unit Method. The market value of the Plan's assets at the valuation date was £793 million and the Plan's Technical Provisions (i.e. past service liabilities) were £970 million. The valuation therefore revealed a shortfall of assets compared with the value of liabilities of £177 million, equivalent to a funding level of 82%.

The leaving employer's share of the buy-out debt is the proportion of the Plan's liability attributable to employment with the leaving employer compared to the total amount of the Plan'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 Plan liabilities, Plan 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.

When an employer withdraws from a multi-employer defined benefit pension scheme which is in deficit, the employer is required by law to pay its share of the deficit, calculated on a statutory basis (known as the buy-out basis). Due to a change in the definition of money purchase contained in the Pensions Act 2011 the calculation basis that applies to the Growth Plan will be amended to include Series 3 liabilities in the calculation of an employer's debt on withdrawal.

The Growth Plan is a "last man standing" multi-employer scheme. This means that if a withdrawing employer is unable to pay its debt on withdrawal the liability is shared amongst the remaining employers. The participating employers are therefore, jointly and severally liable for the deficit in the Growth Plan.

Govanhill Housing Association has been notified by The Pensions Trust of the estimated employer debt on withdrawal from the Plan based on the financial position of the Plan as at 30 September 2015. As of this date the estimated employer debt for Govanhill Housing Association was £25,556.

Strathclyde Pension Fund

As a result of second stage transfer, 7 employees were transferred from Glasgow Housing Association Limited to Govanhill Housing Association Limited on 31 January 2011. Of these 7 employees, 5 are members of the Strathclyde Pension Fund which is a statutory multi-employer defined benefit scheme. It is administered by Glasgow City Council in accordance with the Local Scheme (Scotland) Regulations 1998, as amended.

The main financial assumptions used by the Council's Actuary, Hymans Robertson, in their FRS 102 calculations are as follows:

	31 March 2016	31 March 2015
Assumptions as at:		
Pension increase rate	2.2%	2.4%
Salary increases	4.2%	4.3%
Expected return on assets	3.5 %	3.2 %
Discount rate	3.5%	3.2%

Mortality

Life expectancy is based on the Fund's VitaCurves with improvements in line with the CMI2012 model assuming current rates of improvements have peaked and will converge to a long term rate of 1.5% p.a. for males and a 1.25% p.a. for females. Based on these assumptions, the average future life expectancies at age 65 are summarised below:

	Males	Females
Current pensioners	22.1 years	23.6 years
Future pensioners	24.8 years	26.2 years

GOVANHILL HOUSING ASSOCIATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2016

PAGE 35

30. RETIREMENT BENEFIT OBLIGATIONS (continued)

Scheme Assets

The assets in the scheme and the expected rate of return were:

	Long term rate of return 31 March 2016	Value at 31 March 2016 £	Value at 31 March 2015 £
Equities	3.5%	801,000	798,000
Bonds	3.5%	178,000	138,000
Property	3.5%	133,000	117,000
Cash	3.5%	0	11,000
Total		1,112,000	1,064,000
 Present value of scheme liabilities		 (1,395,000)	 (1,132,000)
 Net pension liability		 (283,000)	 (68,000)

Reconciliation of defined benefit obligation

Year ended:	31 March 2016 £	31 March 2015 £
Opening defined benefit obligation	1,490,000	1,132,000
Current service cost	41,000	41,000
Interest cost	48,000	49,000
Contributions by members	9,000	9,000
Actuarial losses / (gains)	(171,000)	315,000
Past service costs / (gains)	-	-
Liabilities extinguished on settlements	-	-
Liabilities assumed in a business combination	-	-
Exchange differences	-	-
Estimated unfunded benefits paid	-	-
Estimated benefits paid	(22,000)	(56,000)
Closing defined benefit obligation	1,395,000	1,490,000

Reconciliation of fair value of employer assets

Year ended:	31 March 2016 £	31 March 2015 £
Opening fair value of employer assets	1,064,000	954,000
Expected return on assets	(6,000)	57,000
Contributions by members	9,000	9,000
Contributions by the employer	33,000	32,000
Contributions in respect of unfunded benefits	-	-
Actuarial gains / (losses)	-	68,000
Assets distributed on settlements	-	-
Interest Income on plan assets	34,000	-
Exchange differences	-	-
Estimated unfunded benefits paid	(22,000)	(56,000)
Estimated benefits paid	-	-
Closing fair value of employer assets	1,112,000	1,064,000
 Net pension liability	 (283,000)	 (426,000)

GOVANHILL HOUSING ASSOCIATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2016

PAGE 36

30. RETIREMENT BENEFIT OBLIGATIONS (continued)

Analysis of amounts included in Statement of Comprehensive Income

	2016	2016
	£	£
Current service cost	41,000	41,000
Interest cost	48,000	49,000
Expected return on employers assets	(6,000)	(57,000)
Past service cost	-	-
Losses / (gains) on curtailments and settlements	-	-
Charge to staff costs	83,000	33,000

Analysis of amount recognised in Statement of Total Recognised Surpluses and Deficits

	2016	2015
	£	£
Actuarial gain /(loss) recognised in other comprehensive income	165,000	(247,000)

During the accounting period Govanhill Housing Association Limited paid contributions at the rate of 19.4% of pensionable salaries. Member contributions were paid at a rate of between 5.5% and 6.9%.

GOVANHILL HOUSING ASSOCIATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2016

PAGE 37

31. CAPITAL COMMITMENTS

	2016	2015
	£	£
<i>Expenditure contracted less certified</i>	<u>810,000</u>	<u>1,680,000</u>
<i>Funded by:</i>		
<i>Social Housing Grant</i>	0	512,000
<i>Other grants and contributions</i>	110,000	65,000
<i>Reserves</i>	<u>700,000</u>	<u>1,103,000</u>
	<u>810,000</u>	<u>1,680,000</u>
 <i>Expenditure authorised by the management committee not contracted for</i>		
	<u>11,430,000</u>	<u>7,402,000</u>
 <i>Funded by:</i>		
<i>Social Housing Grant</i>	6,220,000	2,940,000
<i>Other grants and contributions</i>	410,000	405,000
<i>Reserves</i>	<u>4,800,000</u>	<u>4,057,000</u>
	<u>11,430,000</u>	<u>7,402,000</u>

Included within capital commitments is both capital and revenue expenditure contracted for at 31 March 2016.