

NEW GORBALS HOUSING ASSOCIATION LIMITED
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2014

Registered Housing Association No.: HAL211

Financial Conduct Authority No.: 2309S

Charity No.: SC041164

BAKER TILLY UK AUDIT LLP
Chartered Accountants

Glasgow

NEW GORBALS HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2014

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Registration Particulars:

Financial Conduct Authority	Co-operative and Community Benefit Societies Act 2014 Registered Number: 2309S
Scottish Housing Regulator	Housing (Scotland) Act 2010 Registered Number: HAL211
Office of Scottish Charity Regulator	Charity and Trustee Investment Act (Scotland) 2005 Scottish Charity Number: SC041164

NEW GORBALS HOUSING ASSOCIATION LIMITED

REPORT OF COMMITTEE OF MANAGEMENT

31 MARCH 2014

The Committee of Management present their 23rd Annual Report together with the audited accounts for the year ended 31 March 2014.

Principal Activity

The principal activity of the Association is the provision of social housing:

- to improve the quality of the housing and management service for the people of the Gorbals area;
- to consolidate tenant control and involvement in the Association;
- to contribute to meeting the needs of people living in the Gorbals area;
- to provide housing at affordable and sustainable rent levels;
- to develop through conversions and new buildings other types of housing such as those for the elderly and single people, and for those seeking low cost home ownership.

Review

New Gorbals was first registered as a housing association on 8th May 1989 and 25 years and are proud to say that we continue to be at the forefront of the regeneration of the Gorbals.

We have now invested over £180 million as we strive towards building our 1000th new home and have completed the modernisation of 1,500 homes along with a wide range of major environmental and capital improvement projects.

Over these 25 years, we have also placed a high priority on providing and developing top quality services to our tenants, local home owners and housing applicants.

This year has seen a further expansion in services including additional welfare rights advice through participation in the new Navigate South Project.

Navigate South also enables us to refer residents to G-Heat for specialist advice on energy efficiency, help with switching utility companies and sourcing the cheapest gas and electricity tariffs.

This year we have also teamed up with Jobs Business Glasgow and had a dedicated employment advisor working along with our staff to maximise job training and learning opportunities for our tenants and others.

New Gorbals also became the first housing association in South Glasgow to introduce the new Housing Options service. This service allows our staff to spend more time with those in housing need and find the best solution to their current circumstances. Housing Options also allows us immediate access to other key services in the city which is crucial in helping prevent homelessness and helping new and existing tenants sustain their tenancy during difficult times.

As ever, core services also continued to be delivered during the year which saw the completion of the Link Building at 305/341 Caledonia Road, ongoing development of 201 new build homes in Laurieston and the successful implementation of a new repairs and maintenance contract.

NEW GORBALS HOUSING ASSOCIATION LIMITED

REPORT OF COMMITTEE OF MANAGEMENT

31 MARCH 2014 (Continued)

Turnover

Turnover of £10,328,158 (2013 £10,437,026) relates to the income from the letting of properties at affordable rents and the provision of factoring services.

Financing and Liquidity

During the year further loans of £nil (2013: £nil) were drawn down. Under the terms of the financing agreement, there are a number of financial and operational covenants that limit the Association's operating and financial flexibility. A failure to comply with any of these covenants could result in default under the agreement and an acceleration of repayment of the debt outstanding.

Treasury Management

The Association has an active treasury management function, which operates in accordance with the Treasury Policy approved by the Committee of Management. In this way the Association manages its borrowing arrangements to ensure that it is always in a position to meet its financial obligations as they fall due, whilst minimising excess cash and liquid resources held.

The Association, as a matter of policy, does not enter into transactions of a speculative nature. At 31 March 2014 £23,207,672(77.68%) (2013 £23,345,309 (76.9%)) of borrowings were subject to fixed rates of interest in excess of two years. At 31 March 2014 the Association had £nil (2013: £nil) in undrawn loan facilities.

Transfers to Designated Resources

The results for the year are shown in the Income and Expenditure Account on page 9.

Members of Committee of Management

The Members of the Committee of the Association during the year to 2014 were as follows:

(Chairperson)	R. Shannon	(Member)	L. Malone
(Vice Chairperson)	T. Smart	(Member)	D. Denham
(Secretary)	J. Miller	(Member)	A. Reilly
(Member)	S. Cameron	(Member)	N. McDaid (Resigned March 2014)
(Member)	E. Peden	(Member)	G. McFadyen
(Member)	K. Adams- Mckenzie	(Member)	E. Bradley
(Member)	W. Sharkey	(Member)	S. Mandaniya
(Member)	A. Graham	(Member)	J. Stewart (Removed October 2013)

NEW GORBALS HOUSING ASSOCIATION LIMITED

REPORT OF COMMITTEE OF MANAGEMENT

31 MARCH 2014 (Continued)

Fixed Assets

Changes in fixed assets in the year are set out in notes 7 and 8 of the financial statements.

Future Developments

The Association will continue with its policy of improving the quality of housing and housing services within its area of activity working with its existing and new partners.

Credit Payment Policy

The Association's policy concerning the payment of its trade creditors complies with the Confederation of British Industry guidelines. The Association's standard payment terms are 30 days.

Estate Maintenance

The Association acts as factor to over one thousand owner-occupiers in the Gorbals area. Accounts are issued each year to recover the costs of common maintenance.

Maintenance Policies

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

In addition the Association has a long-term programme of major repairs to cover for works which have become necessary since the original development was completed, including works required by subsequent legislative changes. This includes replacement or repairs to features of the properties, which have come to the end of their economic lives. -In line with the SORP 2010, replacements to building components (as identified in Note 1) are capitalised in the accounts as they occur. All other major repairs are charged to the Income and Expenditure account.

Employee Involvement and Health & Safety

The Association encourages employee involvement in all major initiatives.

Quality and Integrity of Personnel

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

NEW GORBALS HOUSING ASSOCIATION LIMITED

REPORT OF COMMITTEE OF MANAGEMENT

31 MARCH 2014 (Continued)

Going Concern

The Committee of Management has reviewed the results for this year and has also reviewed the projections for the next five years. It, therefore, has a reasonable expectation that the Association has adequate resources to continue in operational existence for the foreseeable future. For this reason, the going concern basis has been adopted in these financial statements.

Budgetary Process

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

Rental income

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

Disabled employees

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

Information for auditors

As far as the Committee members are aware there is no relevant audit information of which the auditors are 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 auditors are aware of any such information.

Auditors

Baker Tilly UK Audit LLP has indicated its willingness to continue in office as auditors to the Association.

On behalf of the Committee of Management

187 Crown Street
Gorbals
Glasgow



Secretary

Date: ...8/9/14.....

NEW GORBALS HOUSING ASSOCIATION LIMITED

STATEMENT OF COMMITTEE RESPONSIBILITIES

31 MARCH 2014

The Committee of Management is responsible for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Under the legislation relating to Co-operative and Community Benefit Society the Committee of Management are required 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 of that period. In preparing those financial statements the Committee of Management are required to:

- select suitable accounting policies and apply them consistently;
- observe the methods and principles in the RSL SORP;
- make reasonable and prudent judgements and estimates;
- 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 Committee of Management is also responsible for:

- keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the RSL and enable them to ensure that the financial statements comply with the Co-operative and Community Benefit Societies Act 2014 , the Housing (Scotland) Act 2010 and the Determination of Accounting Requirements – April 2012;
- safeguarding the Association's assets; and
- taking reasonable steps for the prevention and detection of fraud.

NEW GORBALS HOUSING ASSOCIATION LIMITED

COMMITTEE OF MANAGEMENT'S STATEMENT ON INTERNAL FINANCIAL CONTROL

31 MARCH 2014

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

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

It is the Committee of Management's responsibility to establish and maintain systems of internal financial control. Such systems can only provide reasonable and not absolute assurance against material financial mis-statement or loss. Key elements include ensuring that;

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

NEW GORBALS HOUSING ASSOCIATION LIMITED

COMMITTEE OF MANAGEMENT'S STATEMENT ON INTERNAL FINANCIAL CONTROL

**31 MARCH 2014
(Continued)**

The Committee of Management have implemented a system of internal financial control in the Association during the year ended 31 March 2014. This was reviewed between the year-end and the below date. The proper implementation of this will ensure that there are no weaknesses in internal financial controls, which could result in material losses, contingencies, or uncertainties, which require disclosure in the financial statements, or in the auditors' report on the financial statements.

By order of the Committee of Management

A handwritten signature in cursive script, appearing to read "J. M. O.", is written over a dotted line.

Date: 31/3/14

NEW GORBALS HOUSING ASSOCIATION LIMITED

AUDITORS' REPORT TO THE MEMBERS OF

NEW GORBALS HOUSING ASSOCIATION LIMITED

We have audited the financial statements of New Gorbals Housing Association for the year ended 31 March 2014 on pages 9 to 32. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

Respective responsibilities of the Committee and auditor

As explained more fully in the Committee's Responsibilities Statement set out on page 5, the Committee are 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

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at <http://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 2014 and of its income and expenditure for the year then ended; and
- have been prepared in accordance with the requirements of the Co-operative and Community Benefit Societies Act 2014, Part 6 of the Housing (Scotland) Act 2010 and the Determination of Accounting Requirements – April 2012.

Matters on which we are required to report by exception

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

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

Baker Tilly UK Audit LLP

BAKER TILLY UK AUDIT LLP
Statutory Auditor
Chartered Accountants
Breckenridge House
274 Sauchiehall Street
Glasgow
G2 3EH

Date: 15/5/14.....

NEW GORBALS HOUSING ASSOCIATION LIMITED

INCOME & EXPENDITURE ACCOUNT

FOR THE YEAR ENDED 31 MARCH 2014

	Notes	2014 £	2013 £
Turnover	2	10,533,083	10,437,026
Less: Operating costs	2	8,867,336	(10,757,919)
Operating Surplus/(Deficit)	2	1,665,747	(320,893)
Gain on sale of fixed assets		83,643	69,809
Interest receivable		407,529	448,659
Interest payable	4	(1,249,169)	(1,254,416)
Other finance income	14	-	4,000
Surplus/(Deficit) on ordinary activities before tax		907,750	(1,052,841)
Taxation on surplus on ordinary activities	5	-	-
Surplus/(Deficit) for year after tax	18	907,750	(1,052,841)

The results for 2013 and 2014 relate wholly to continuing activities.

**STATEMENT OF TOTAL RECOGNISED SURPLUSES AND DEFICITS FOR THE
YEAR ENDING 31 MARCH 2014**

	2014 £	2013 £
Surplus /(Deficit) for the year	907,750	(1,052,841)
Actuarial loss on pension scheme (note 14)	(192,000)	(221,000)
Total surpluses and deficits recognised since last reporting period	715,750	(1,273,841)

NEW GORBALS HOUSING ASSOCIATION LIMITED

BALANCE SHEET

AS AT 31 MARCH 2014

	Notes	2014	2013
		£	£
Tangible Fixed Assets			
Housing properties			
- gross cost less depreciation	7	114,661,595	95,335,293
SHG and other grants	7	<u>(79,722,292)</u>	<u>(72,482,956)</u>
		34,939,303	22,852,337
Other fixed assets	8	<u>999,043</u>	<u>893,756</u>
		<u>35,938,346</u>	<u>23,746,093</u>
Current Assets			
Stock	9	-	159,458
Debtors	10	1,824,308	12,103,034
Cash at hand and in Bank		<u>16,839,193</u>	<u>16,953,057</u>
		18,663,501	29,215,549
Current Liabilities			
Creditors due within one year	11	<u>(4,381,212)</u>	<u>(3,671,974)</u>
Net current assets		<u>14,282,289</u>	<u>25,543,575</u>
Total assets less current liabilities		50,220,635	49,289,668
Creditors due after more than one year	12	(29,516,136)	(29,705,915)
Pension liability	14	<u>(646,000)</u>	<u>(433,000)</u>
Net Assets		<u>20,058,499</u>	<u>19,150,753</u>
Capital and Reserves			
Share capital	17	171	175
Designated reserves	6	18,504,128	18,504,128
Revenue reserve	18	1,554,200	646,450
Total shareholders' funds		<u>20,058,499</u>	<u>19,150,753</u>

These financial statements were approved by the Committee of Management and authorised for issue on 21/4/14 and signed on their behalf by:

Secretary:

John McLean

Member:

W. Sharkey

Member:

Raymond Stewart

NEW GORBALS HOUSING ASSOCIATION LIMITED

CASH FLOW STATEMENT

YEAR TO 31 MARCH 2014

	2014	2013
	£	£
Net cash (outflow)/inflow from operating activities	13,555,466	1,392,880
Returns on investments and servicing of finance		
Interest received	407,529	448,659
Interest paid out	<u>(1,249,169)</u>	<u>(1,254,416)</u>
Net cash outflow from returns on investments and servicing of finance	(841,640)	(805,757)
Investing activities		
Proceeds of Disposal	(36,289)	-
Payments to acquire housing properties	(20,040,281)	(12,672,938)
Purchase of other fixed assets	(166,647)	(115,682)
HAG and other grants received	7,286,690	7,046,083
Sales of tangible fixed assets – properties	<u>47,354</u>	<u>75,248</u>
Net cash outflow from investing activities	(13,003,881)	(5,667,289)
Net cash (outflow)/inflow before financing	<u>(290,055)</u>	<u>(5,080,166)</u>
Financing		
Issue of share capital	9	7
Loans repaid	(322,583)	(815,074)
Loans received		-
Net cash (outflow)/inflow from financing	<u>(322,574)</u>	<u>(815,067)</u>
(Decrease)/Increase in cash	<u><u>(505,629)</u></u>	<u><u>(5,895,233)</u></u>

Further details are given in note 19.

NEW GORBALS HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 MARCH 2014

1. Principal Accounting Policies

The Association is incorporated under the Co-operative and Community Benefit Societies Act 2014 and is registered with the Financial Conduct Authority. The accounts have been prepared in compliance with The Determination of Accounting Requirements – April 2012 and The Statement of Recommended Practice (SORP), “Accounting by Registered Social Housing Providers Update 2010” and applicable Accounting Standards. The Association has adopted early the requirements of the SORP Update 2010 in respect of “Commercial acquisitions”.

a) Basis of Preparation

The accounts are prepared under the historical cost convention and on a going concern basis.

b) Turnover

Turnover relates to the income from the letting of properties at affordable rents, and the supply of factoring services. In addition, last year a dowry was received in respect of the stock transfer and recognised as turnover in line with the statement of recognised produce: Accounting by Registered Social Housing Landlords Update 2010.

c) Fixed assets - Housing land and buildings

Properties included in housing properties are stated at cost. The cost of such properties includes the following:

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

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

Shared ownership properties are included in housing properties at cost, less any provisions needed for depreciation or impairment.

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

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

If expenditure does not qualify for HAG, it is nevertheless capitalised.

Expenditure on schemes which are subsequently aborted is written off in the year in which it is recognised that the scheme will not be developed to completion.

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

NEW GORBALS HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 MARCH 2014

(Continued)

d) Housing Association Grants

Housing Association Grants (HAG) are used to reduce the bank loan in respect of an approved scheme. The amount of HAG is calculated on the qualifying cost of the scheme in accordance with instructions issued by the grant awarding body. HAG and other grants are repayable under certain circumstances. These include the disposal of the properties to which the grants relate.

e) Depreciation

Housing Land and Buildings

Housing Properties are stated at cost, less social housing and other public grants and less accumulated depreciation.

Depreciation is charged on a straight line basis over the expected economic useful lives of each major component that makes up the housing property as follows;

Land	Not depreciated
Structure	Over 50 years
Windows	Over 45 years
Central heating - pipework	Over 45 years
Roof	Over 40 years
Lifts	Over 30 years
Bathroom	Over 25 years
District Boilers	Over 20 years
Electric Heating	Over 15 years
Boilers	Over 15 years
Kitchens	Over 15 years
Overbath Shower	Over 7 years

Other Fixed Assets

A full year's depreciation is charged in the year of acquisition but no charge is made in the year of disposal. Depreciation is charged at rates estimated to write off costs less the estimated residual value over the expected useful life, as follows:

Office Premises	- 2% Reducing Balance
Furniture and Fittings & equipment	- 25% straight line

f) Impairment of fixed assets

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

Impairment of assets would be recognised in the income and expenditure account.

NEW GORBALS HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 MARCH 2014

(Continued)

g) Major Repairs Reserve

Accrued major repair expenditure, being the Association's commitment to undertake major repairs to its properties, is set aside in a designated reserve.

h) Cyclical Maintenance Reserve

The reserve is based on the Associations' Liability to maintain the housing properties in accordance with a planned program of works.

i) Pension

The Association participates in the centralised Scottish Federation of Housing Association's (SHAPs) 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 to the independently administered Pensions Trust in accordance with periodic calculations by consulting actuaries and are based on pension costs applicable across the various participating Associations taken as a whole.

The expected cost to the Association of pensions is charged to income so as to spread the cost of pensions over the service lives of the employees in the scheme taken as a whole.

The Association, as a result of staff transferring during the GHA stock transfer, is now an admitted member of Strathclyde Pension Fund (SPF). The basis of admittance is that of a closed scheme and only transferred employees who already are or wish to join can be a member of this scheme. Retirement benefits to these employees are funded by the contributions from all participating employers and employees in the Fund. Payments are made to the independently administered Fund in accordance with periodic calculations by consulting actuaries and are based on pension costs applicable across the various participating member employers. As a closed scheme a slightly higher calculated rate is payable by the Association to reflect the limited future membership of the scheme.

The Association has fully adopted accounting standard FRS17 'Retirement Benefits' for the SPF Scheme. The impact of this standard has been reflected throughout the financial statements.

The SPF Scheme is a defined benefit scheme which is externally funded and contracted out of the State Earnings Related Pension Scheme. The contributions are determined by qualified actuaries on the basis of periodic valuations using the projected unit method.

For defined benefit schemes the amount charged to the Income and Expenditure account in respect of pension costs and other post retirement benefits is the estimated regular cost of providing the benefits accrued in the year, adjusted to reflect variations from that cost. The interest cost and expected return on assets are included within other finance costs.

Defined benefit schemes are funded, with the assets held separately from the company in separate trustee administered funds. Full actuarial valuations, by a professionally qualified actuary, are obtained at least every three years, and updated to reflect current conditions at each balance sheet date. The pension scheme assets are measured at fair value. The pension scheme liabilities are measured using the projected unit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency.

NEW GORBALS HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 MARCH 2014

(Continued)

i) Pension (cont.)

A pension scheme asset is recognised on the balance sheet only to the extent that the surplus may be recovered by reduced future contributions or to the extent that the trustees have agreed a refund from the scheme at the balance sheet date. A pension scheme liability is recognised to the extent that the company has a legal or constructive obligation to settle the liability.

A reserve equal to the amount of any pension liability is established.

j) Apportionment of Management Expenses

Direct employee administration and operating costs have been apportioned to the income and expenditure account cost centres on the basis of the time spent by the staff that are directly engaged in each of the operations dealt with in those accounts.

k) Allocation of Owner Occupier Income

Monies charged and received from owner-occupiers for common feu maintenance is credited into the income and expenditure account within the accounting period in which it is charged.

l) Sale of housing properties

Properties are disposed of under the appropriate legislation and guidance. All costs and grants relating to the share of property sold are removed from the financial statements at the date of sale, except for first tranche sales. Any grants received that cannot be repaid from the proceeds of sale are abated and the grants removed from the financial statements.

First tranche Shared Ownership disposals are credited to turnover on completion, the cost of construction of these sales is taken to operating costs. Disposals of subsequent tranches are treated as fixed asset disposals with the gain or loss on disposal taken to the income and expenditure account, in accordance with the Statement of Recommended Practice.

Disposals under shared equity schemes are accounted for in the income and expenditure account. The remaining equity in properties sold before 1 April 2008 is treated as a fixed asset investment, which is matched with the grant received. For properties sold after 1 April 2008 the standard security over the remaining equity lies with the Scottish Government and is therefore not reflected in the Association's balance sheet.

m) Improvements

In previous years, improvements are capitalised where these result in an enhancement of the economic benefits of the property. Such enhancement can occur if the improvements result in:-

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

Works to existing properties, which fail to meet the above criteria, are charged to the income and expenditure account.

NEW GORBALS HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 MARCH 2014

(Continued)

m) **Improvements (cont.)**

The adoption of Component Accounting during the year represents a change in accounting policy. Previously the major components of the Association's housing properties were deemed to be land and buildings. The major components are now deemed to be Land, Structure, Roofs, Windows, Kitchens, Bathrooms and Central Heating. Each component has a substantially different economic life and is depreciated over this individual life. Depreciation rates are shown in Note 1(e). The new accounting policy is compliant with the SORP 2010.

n) **Value added tax**

The Association is VAT registered. However, a large proportion of the Association's income, namely rents, is exempt for VAT purposes and therefore gives rise to a partial exemption calculation. Expenditure as a result is shown inclusive of VAT.

o) **Stock**

Stock represents new sums spent to date on shared equity properties. No element of profit is included in the valuation of stock.

2. **Particulars of turnover, operating costs and operating surplus**

	Note	Turnover £	Operating Costs £	Operating (Deficit)/ Surplus £	2013 Total £
Social lettings	3a	9,218,735	(7,752,736)	1,465,999	(290,103)
Other Activities	3b	1,314,348	(1,114,600)	199,748	(30,790)
		<u>10,533,083</u>	<u>(8,867,336)</u>	<u>1,665,747</u>	<u>(320,893)</u>
2013		<u>10,437,026</u>	<u>10,757,919</u>	<u>(320,893)</u>	

NEW GORBALS HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS AS AT 31 MARCH 2014 (Continued)

3a. Particulars of income and expenditure from lettings

	General Needs Housing £	Supported Housing £	Shared Ownership £	2014 Total £	2013 Total £
Income from lettings					
Rent receivable net of identifiable service charges	8,579,868	272,719	36,941	8,889,528	8,829,294
Service Charges	331,842	57,721	7,541	397,104	394,226
Gross income from rents and service charges	8,911,710	330,440	44,482	9,286,632	9,223,520
Less: Voids	(64,804)	(3,093)	-	(67,897)	(121,546)
	8,846,906	327,347	44,482	9,218,735	9,101,974
Grants from the Scottish Ministers	-	-	-		-
Total Income from Social Letting Activities	8,846,906	327,347	44,482	9,218,735	9,101,974
Expenditure on Letting Activities					
Service costs	1,781,205	31,858	7,171	1,820,234	2,166,352
Management and maintenance administration costs	2,813,330	115,310	28,036	2,956,676	2,821,172
Planned and cyclical maintenance including major repair costs	613,259	24,664	-	637,923	2,151,415
Reactive maintenance costs	1,585,292	54,286	-	1,639,578	1,514,735
Bad debts – rents and service charges	13,325	456	-	13,781	6,724
Depreciation of social housing	648,472	22,490	13,579	684,541	731,679
Operating costs for social letting activities	7,454,883	249,064	48,789	7,752,836	9,392,077
Operating Surplus/(Deficit) for social letting	1,392,023	78,283	(4,307)	1,465,999	(290,103)
Operating Deficit for social letting – 2013	(433,618)	148,308	(4,793)	(290,103)	

The amount of service charges receivable on housing accommodation not eligible for Housing Benefit was £Nil (2013 - £nil).

NEW GORBALS HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS
AS AT 31 MARCH 2014
(Continued)

3b Particulars of turnover, operating costs 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 operating costs	Operating surplus or deficit	Operating surplus or deficit for previous period of account
	£	£	£	£	£	£	£	£	£
Wider Action/wider role	-	-	-	-	-	-	-	-	-
Care and repair of property	-	-	-	-	-	-	-	-	-
Factoring	-	-	-	900,206	900,206	(1,763)	(889,946)	8,497	12,036
Development activities	-	-	-	-	-	-	-	-	-
Support activities	-	-	-	-	-	-	-	-	-
Care activities	-	-	-	-	-	-	-	-	-
Agency services for RSLs	-	-	-	-	-	-	-	-	-
Other agency/management services	-	-	-	121,138	121,138	-	-	121,138	-
Developments for sale to RSLs	-	-	-	-	-	-	-	-	-
Developments and improvements for sale to non Registered social landlords, (including first tranche shared ownership sales)	-	-	-	71,030	71,030	-	-	71,030	-
Commercial Rents	-	-	-	204,925	204,925	-	(204,925)	-	-
Other activities	-	-	-	17,049	17,049	-	(17,966)	(917)	(42,826)
Total from other activities	-	-	-	1,314,348	1,314,348	(1,763)	(1,111,941)	199,748	(30,790)
2013	-	-	-	1,335,052	1,335,052	(3,444)	(1,362,398)	(30,790)	

NEW GORBALS HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 MARCH 2014
(Continued)

4. Interest payable

	2014	2013
	£	£
Total interest incurred	1,249,169	1,254,416
Capitalised interest	-	-
	-	-

5. Taxation

The Association gained charitable status in the year ending 31 March 2010 and is no longer liable for tax on its ordinary activities.

6. Designated Reserves

	Opening Balance	Transfer from Reserve	Closing Balance
	£	£	£
Major Repair Reserve	18,252,688	-	18,252,688
Cyclical and current maintenance reserve	251,440	-	251,440
	18,504,128	-	18,504,128

The major repair reserve is expected to be released in line with our major repair programme in 2013/14 and 2014/15. Major repairs spend amounted to £6,548,852 in financial year 2013/2014.

NEW GORBALS HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

As at 31 MARCH 2014
(Continued)

7. Tangible Assets – Housing properties

	Housing Properties held for letting £	Shared Ownership Properties £	Housing Properties under Construction	Total £
Cost				
At 1 April 2013	87,491,807	1,784,388	11,156,903	100,433,098
Additions during the year	5,579,094	-	14,461,187	20,040,281
Disposals	(41,761)	-	-	(41,761)
Transfers	-	-	-	-
At 31 March 2014	<u>93,029,140</u>	<u>1,784,388</u>	<u>25,618,090</u>	<u>120,431,618</u>
Depreciation				
At 1 April 2013	4,943,869	153,936	-	5,097,805
Provided during the year	670,961	13,579	-	684,540
Disposals	(12,322)	-	-	(12,322)
At 31 March 2014	<u>5,602,508</u>	<u>167,515</u>	<u>-</u>	<u>5,770,023</u>
Cost less depreciation	<u>87,426,632</u>	<u>1,616,873</u>	<u>25,618,090</u>	<u>114,661,595</u>
Grants				
At 1 April 2013	62,592,957	1,141,591	8,748,408	72,482,956
Additions during the year	-	-	7,286,690	7,286,690
Disposals	(47,354)	-	-	(47,354)
Transfers	-	-	-	-
At 31 March 2014	<u>62,545,603</u>	<u>1,141,591</u>	<u>16,035,098</u>	<u>79,722,292</u>
Net Book Value				
As at 31 March 2014	<u>24,881,029</u>	<u>475,282</u>	<u>9,582,992</u>	<u>34,939,303</u>
As at 31 March 2013	<u>19,954,981</u>	<u>488,861</u>	<u>2,408,495</u>	<u>22,852,337</u>

None of the Associations properties is held under a lease.

The Association would not be able to sell its properties without the repayment of Social Housing Grant.

Total major repair costs during the year were £6,548,852 (2013: £2,413,664), of which £6,326,577 (2013: £786,735) was capitalised. Of the amount capitalised £5,761,381 (2013: £786,735) related to replacement of components and £787,460 (2013: £nil) related to improvements, with a number of these contracts still ongoing.

NEW GORBALS HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

**AS AT 31 MARCH 2014
(Continued)**

8. Other Fixed Assets

	Office premises £	Furniture, fittings and office equipment £	Total £
Cost			
At 1 April 2013	972,311	573,347	1,545,658
Additions during the year	93,806	72,841	166,647
At 31 March 2014	<u>1,066,117</u>	<u>646,188</u>	<u>1,712,305</u>
Depreciation			
At 1 April 2013	149,799	502,103	651,902
Provided during the year	11,089	50,271	61,360
At 31 March 2014	<u>160,888</u>	<u>552,374</u>	<u>713,262</u>
Net Book Value			
As at 31 March 2014	<u>905,229</u>	<u>93,814</u>	<u>999,043</u>
As at 31 March 2013	<u>822,512</u>	<u>71,244</u>	<u>893,756</u>

There are no fixed assets held under lease agreements.

9. Stock – New supplied shared equity proportion

	2014 £	2013 £
Cost	-	397,961
Less grants receivable from Scottish Ministers	-	(238,503)
	<u>-</u>	<u>159,458</u>

10. Debtors

	2014 £	2013 £
Amounts falling due within one year:		
Gross rents arrears	813,359	892,350
Less: bad debt provision	(161,914)	(148,133)
	<u>651,445</u>	<u>744,217</u>
Prepayments and accrued income	40,437	54,212
Other debtors	1,132,426	11,304,605
	<u>1,824,308</u>	<u>12,103,034</u>

NEW GORBALS HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 MARCH 2014

(Continued)

	2014	2013
	£	£
11. Creditors due within one year		
Bank overdraft	1,462,865	964,100
Loans	557,664	591,206
Trade creditors	535,384	421,760
Accruals and deferred income	517,734	396,777
Other taxation and social security	48,401	49,388
Rents in advance	115,513	128,552
Other creditors	310,823	513,775
Capital works and retentions	832,828	606,416
	4,381,212	3,671,974
12. Creditors due after more than one year	2014	2013
	£	£
Loans	29,253,556	29,542,588
Deferred income	262,580	163,327
	29,516,136	29,705,915

Loans are secured by specific charges on the Association's properties at varying rates of interest ranging from 1.54% to 6.72% (2013: 1.10% to 6.72%).

In one year or less	557,664	591,206
Between one and two years	572,510	609,538
Between two and five years	1,672,991	1,773,618
In five years or more	27,008,055	27,159,432
	29,811,220	30,133,794

NEW GORBALS HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 MARCH 2014

(Continued)

13. Employees

	2014	2013
Staff costs during year	£	£
Wages and salaries	1,960,462	1,794,805
Social security costs	171,538	157,508
Other pension costs	232,347	249,126
	2,364,347	2,201,439

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

	No	No
Housing/Administrative and Finance Staff	53	55

The Directors are defined as the members of the Committee of Management, the Housing Association Director and any other person reporting directly to the Housing Association Director or the Committee of Management whose total emoluments exceed £60,000 per year.

	£	£
Aggregate Emoluments payable to Directors (including pension contributions and benefits in kind)	416,674	399,657
Emoluments payable to Highest Paid Director (excluding pension contributions)	74,588	71,244

The emoluments of the directors whose emoluments, including pension contributions, were over £60,000

	2014	2013
	No	No
£60,001 to £70,000	4	5
£70,001 to £80,000	2	1

The Director is an ordinary member of the Association's pension scheme described in note 14. No enhanced or special terms apply to memberships and he has no other pension arrangements to which the Association contribute. The Association's contributions for the Director in the year amounted to £7,160 (2013 - £6,839).

Total expenses reimbursed insofar as not chargeable to UK Income Tax

- Director	-	-
- Committee of Management	-	-

No member of the Committee of Management received any emoluments in respect of their services to the Association.

NEW GORBALS HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 MARCH 2014

(Continued)

14. Pension Fund – Scottish Housing Associations Pension Scheme

New Gorbals Housing Association Limited participates in the Scottish Housing Associations' Pension Scheme ('the Scheme'). The Scheme is funded and is contracted-out of the State Pension scheme.

It is not possible in the normal course of events to identify the share of underlying assets and liabilities belonging to an individual participating employer as the Scheme is a multi-employer arrangement where the assets are co-mingled for investment purposes, benefits are paid from the total Scheme assets, and the contribution rate for all employers is set by reference to the overall financial position of the Scheme rather than by reference to individual employer experience. Accordingly, due to the nature of the Scheme, the accounting charge for the period under FRS17 represents the employer contribution payable.

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

The 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 with the value of liabilities of £304 million, equivalent to a past service funding level of 56.4%.

The Scheme Actuary has prepared an Actuarial Report that provides an approximate update on the funding position of the Scheme as at 30 September 2013. 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 £470 million and indicated a decrease in the shortfall of assets compared to liabilities to approximately £272 million, equivalent to a past service funding level of 63%.

New Gorbals Housing Association participates in the Scottish Housing Associations' Pension Scheme.

The Scheme is a multi-employer defined benefit scheme. The Scheme is funded and is contracted-out of the State Pension 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 (DC) option.

An employer can elect to operate different defined 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.

NEW GORBALS HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 MARCH 2014

(Continued)

New Gorbals has elected to operate the final salary with a 1/60th accrual rate benefit option for all staff.

During the accounting period New Gorbals Housing Association Limited paid contributions at the rate of 9.6% of pensionable salaries. Member contributions are also 9.6%.

As at the balance sheet date there were 23 active members of the Scheme employed by New Gorbals Housing Association Limited. The annual pensionable payroll in respect of these members was £840,642.

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

The key valuation assumptions used to determine the assets and liabilities of the Scottish Housing Associations' Pension Scheme are:

2012 Valuation Assumptions	% 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 pension increases	
- Pension accrued pre 6 April 2005 in excess of GMP	2.0
- Pension accrued post 6 April 2005 (for leavers before 1 October 1993 pension increases are 5.0%)	1.7
Rate of price inflation	2.6

Mortality Tables	
Non-pensioners	44% of S1PMA (males) and S1PFA (females) projected using CMI_2011 with a long term improvement of 1.50% p.a. for males and 1.25% p.a. for females
Pensioners	90% of S1PMA (males) and S1PFA (females) projected using CMI_2011 with a long term rate of improvement of 1.50% p.a. for males and 1.25% p.a. for females

Contribution Rates for Future Service (payable from 1 April 2014)	%
Final salary 1/60ths	24.6
Career average revalued earnings 1/60ths	22.4
Career average revalued earnings 1/70ths	19.2
Career average revalued earnings 1/80ths	16.9
Career average revalued earnings 1/120ths	11.4

Additional deficit contributions are payable from 1 April 2014 and will increasing by 3% per annum each 1 April thereafter. Technical Provisions liabilities as at 30 September 2012 will be used as the reference point for calculating the additional contributions.

NEW GORBALS HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 MARCH 2014

(Continued)

14. Pensions Fund – Strathclyde Pension Fund

Some of the Association's employees belong to the Strathclyde Pension Fund which is administered by Glasgow City Council and is a defined benefit scheme. The assets of the scheme are held separately from those of the Association in investments under the overall supervision of the Fund Trustees. The last full actuarial valuation was carried out at 31 March 2012. The next full actuarial valuation is due as at 31 March 2015. The following information was updated for FRS 17 purposes to 31 March 2012 by a qualified independent actuary

The assumptions that have the most significant effect on the results of the valuation are those relating to the rate of return on investments and the rates of increases in salaries and pensions. The principal actuarial assumptions (expressed as weighted averages) at the year end were as follows:

	2014	2013
Discount rate	4.3%	4.5%
Expected rate of return on plan assets	6.0%	5.2%
Future salary increases	5.2%	5.1%
Inflation	2.9%	2.8%

In valuing the liabilities of the pension fund at 31 March 2012, mortality assumptions have been made as indicated below. The assumptions relating to longevity underlying the pension liabilities at the balance sheet date are based on standard mortality tables and include an allowance for future improvements in longevity. The assumptions are equivalent to expecting a 65-year old to live for a number of years as follows:

- Current pensioner aged 65: 21.0 years (male), 23.4 years (female)
- Future retiree upon reaching 65: 23.3 years (male), 25.3 years (female).

NEW GORBALS HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 MARCH 2014

(Continued)

14. Pension Fund – Strathclyde Pension Fund (continued)

The assumptions used by the actuary are chosen from a range of possible actuarial assumptions which, due to the timescale covered, may not necessarily be borne out in practice.

The present value of the defined benefit obligation is as follows:

Defined Benefit Plans	2014 £000's	2013 £000's
Opening defined benefit obligation	2,163	1,645
Current service cost	88	65
Interest cost	100	81
Actuarial losses/(gains)	220	352
Contributions by members	23	23
Estimated benefits paid	(4)	(3)
Closing defined benefit obligation	<u>2,590</u>	<u>2,163</u>

Movements in fair value of plan assets

Defined Benefit plans	2014 £000's	2013 £000's
Opening fair value of plan assets	1,730	1,418
Expected return on plan assets	92	85
Actuarial gains	28	131
Contributions by the employer	75	76
Contributions by the members	23	23
Estimated benefits paid	(4)	(3)
Closing fair value of plan assets	<u>1,944</u>	<u>1,730</u>

Expense recognised in the income and expenditure account

	2014		2013	
	£000's	% of pay	£000's	% of pay
Current service cost	88	25.7%	65	19.6%
Interest on defined benefit pension plan obligation	100	29.3%	81	24.4%
Expected return on defined benefit pension plan asset	(92)	(27.0%)	(85)	(25.6%)
	<u>96</u>		<u>61</u>	
Actual return on plan assets	<u>120</u>		<u>217</u>	

NEW GORBALS HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 MARCH 2014

(Continued)

14. Pension Fund – Strathclyde Pension Fund (continued)

The total amount recognised in the statement of total recognised gains and losses in respect of actuarial gains and losses is as follows:

	2014 £000's	2013 £000's
Opening Actuarial Gains and Losses	(260)	(39)
Increase/(Decrease) in irrecoverable surplus from membership fall and other factors		
Actuarial (Losses)/Gains recognised in STRGL	(192)	(221)
Cumulative Actuarial Gains and Losses	(452)	(260)

The fair value of the plan assets and the return on those assets were as follows

	2014		2013	
	£000's	%	£000's	%
Equities	1,478	76	1,315	76
Corporate bonds	233	12	242	14
Property	136	7	121	7
Cash	97	5	52	3
	1,944		1,730	

Movement in surplus during the year

	2014 £'000's	2013 £'000's
(Deficit) at beginning of year	(433)	(227)
Adjustment to opening deficit	-	-
Current service cost	(88)	(65)
Employer contributions	75	76
Net return on assets	20	4
Actuarial (losses)/gain	(192)	(221)
(Deficit) at end of the year	(646)	(433)

NEW GORBALS HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 MARCH 2014

(Continued)

14. Pension Fund – Scottish Housing Associations Pension Scheme (continued)

History of experience of gains and losses

	2014	2013
Difference between expected and actual return on scheme assets - amount £000's	28	22
- % of scheme assets	0.00%	0.00%
Experience gain/(loss) arising on scheme		
- amount £000's	(1)	(1)
- % of scheme liabilities	0.01%	0.01%
Total amount of actuarial gain/(loss)		
- amount £000's	(192)	(221)
- % of scheme liabilities	0.01%	0.01%

The amounts recognised in the balance sheet are as follows:

	2014 £000's	2013 £000's
Present value of scheme liabilities	(2,590)	(2,163)
Fair value of scheme assets	1,944	1,730
(Deficit)	(646)	(433)

New Gorbals Housing Association Limited expects to contribute £92,626 (2013 - £77,930) to the Strathclyde Pension Fund in the coming year.

15. Related Parties

Tenants, sharing owners and owners who are members of the Committee of Management are not treated differently to any other tenants or owners. City Councilors who are members of the Committee of Management declare their interests relating to relevant decisions taken by the Association or the City Council.

16. Auditors' Remuneration

	2014 £	2013 £
The remuneration of the auditors (including expenses and including VAT for the year)	11,664	11,220
Remuneration of the auditors in respect of services other than those of auditors- VAT	21,382	27,362
	33,046	38,582

NEW GORBALS HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 MARCH 2014

(Continued)

17. Share Capital	2014	2013
	£	£
Shares of £1 fully paid and issued at beginning of year	175	172
Shares issued during year	3	7
Shares cancelled during the year	(7)	(4)
	171	175

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.

18. Revenue reserve

	2014	2013
	£	£
At 1 April 2013	646,450	199,291
(Deficit)/Surplus for year	800,750	(1,052,841)
Transfer From designated reserves	-	1,500,000
At 31 March 2014	1,447,200	646,450

19. Notes to the Cash Flow Statement

	2014	2013
	£	£
(a) Reconciliation of operating surplus to net cash inflow from operating activities		
(Deficit)/Surplus for year before taxation	907,750	(1,052,841)
Profit on sale of fixed assets	65,728	(69,809)
Add: Interest payable	1,249,169	1,254,416
Less: Interest receivable	(407,529)	(448,659)
Less: Other finance income	-	(4,000)
Operating surplus for the year	1,815,118	(320,893)
Depreciation	745,900	772,446
Cancellation of share capital	(4)	(4)
Decrease/(Increase) in debtors	10,278,726	110,370
Increase in creditors	244,015	719,334
(Decrease)/Increase in deferred income	99,253	(205,480)
Decrease/(Increase) in stock	159,458	111,107
Increase in pension liability	213,000	206,000
Net cash (outflow)/inflow from operating activities	13,555,466	1,392,880

NEW GORBALS HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 MARCH 2014

(Continued)

19. Notes to the Cash Flow Statement (cont.)

(b) Reconciliation of net cash flow to movement in net debt

(Decrease)/Increase in cash for the year	(505,629)	(5,895,233)
Loans received		-
Loan repayments	322,574	815,074
Change in net debt	<u>(183,055)</u>	<u>(5,080,159)</u>
Net debt as at 1 April 2013	(14,144,837)	(9,064,678)
Net debt as at 31 March 2014	<u>(14,327,892)</u>	<u>(14,144,837)</u>

(c) Analysis of Changes in net debt

	As at 31 March 2013 £	Cash Flow £	Other Changes £	As at 31 March 2014 £
Cash at bank and in hand	16,953,057	(6,864)	-	16,946,193
Bank Overdrafts	(964,100)	(498,765)	-	(1,462,865)
Debt due within one year	(591,206)	33,542	-	(557,664)
Debt due after one year	(29,542,588)	289,032	-	(29,253,556)
	<u>(14,144,837)</u>	<u>(183,055)</u>	<u>-</u>	<u>(14,327,892)</u>

20. Capital Commitments

	2014 £	2013 £
Expenditure authorised by the Committee of Management less certified	<u>13,400,000</u>	<u>14,000,000</u>

This will be funded by £7.3m of Housing Association Grant funding and £6.1m of private finance.

21. Contingent Liabilities

Communities Scotland Stock Transfer

Various financial provisions were incorporated in the legal documentation when the Association acquired housing stock from Communities Scotland in 2002. The Association is required to account for major repair, capital expenditure and sales of properties under the Right to Buy legislation. At 31 March 2014, the Association had not breached these provisions.

Housing Association Grant allocated to components (as detailed in Note 1 (d)) that have subsequently been replaced by the Association are recognised in the Income and Expenditure account, with the cost of the replacement and any additional funding for this replacement being capitalised. The recycled grant recognised in the Income and Expenditure account at 31 March 2014 was £Nil (2013: £1,492).

At 31 March 2014, the Association had no other contingent liabilities (2013 - £nil).

NEW GORBALS HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 MARCH 2014

(Continued)

22. Unit numbers

	2014	2013
	£	£
General needs	2345	2,423
Supported	84	84
Shared ownership	24	24
	<u>2,453</u>	<u>2,531</u>

24. Commitments under Operating Lease

At 31 March 2014 the association had annual commitments under non-cancellable operating leases as set out below.

	2014		2013	
	Land and buildings £	Other Items £	Land and buildings £	Other Items £
Operating leases which expire:				
Within 1 year	10,000	-	10,000	-
Within 2 to 5 years	7,000	-	17,000	-
	<u>17,000</u>		<u>27,000</u>	