

NEW GORBALS HOUSING ASSOCIATION LTD
REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2016

New Gorbals Housing Association Ltd

**Report and Financial Statements
For the year ended 31 March 2016**

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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 |
| Charity Number | SC041164 |

New Gorbals Housing Association Ltd

Committee of Management, Executives and Advisers For the year ended 31 March 2016

Committee of Management

| | |
|---------------|-------------------------------|
| (Chairperson) | R. Shannon |
| (Secretary) | J. Miller |
| (Vice Chair) | K.Adams MacKenzie |
| (Member) | S. Cameron |
| (Member) | E. Peden |
| (Member) | T. Smart |
| (Member) | W. Sharkey |
| (Member) | A. Reilly |
| (Member) | E. Bradley |
| (Member) | S. Mandaniya |
| (Member) | L. Malone |
| (Member) | D. Nixon |
| (Member) | I. McCreddie |
| (Member) | R. Murray (Resigned Dec 2015) |
| (Member) | D. Denham (Resigned Feb 2016) |

Executive Officers

Fraser Stewart - Director

Registered Office

187 Crown St
Glasgow
G5 9XT

Auditor

RSM UK Audit LLP
Third Floor
Centenary House
69 Wellington Street
Glasgow
G2 6HG

Bankers

Bank of Scotland
21/23 Argyle Street
Glasgow
G2 8BU

Solicitors

T C Young
7 West George Street
Glasgow
G2 1BA

New Gorbals Housing Association Ltd

Report of the Committee of Management For the year ended 31 March 2016

The Committee of Management presents their report and audited financial statements for the year ended 31 March 2016.

Principal Activities

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 conversion and new buildings other types of housing such as those for the elderly and single people, and for those seeking low cost home ownership.

Objectives

The Association's overall vision and mission is:

- To provide the highest possible quality housing, environment and services to all of our customers
- To maximise our contribution to the overall regeneration of the Gorbals, addressing wherever possible the needs of those in the community who are disadvantaged.

Our core values are based on:

- Being representative of, and accountable to, the local community
- Being open and accessible
- Being fair and equitable, and treating every individual with courtesy and respect
- Being innovative and creative, and working in partnership with others, to achieve the best possible outcomes
- Delivering services which are customer-focused and which provide the best quality possible for our tenants
- Promoting and implementing an approach to our community engagement and development work founded on the strengths and potential of the Gorbals community

Strategy for Achieving Objectives

The Management Committee has set six strategic objectives for 2016-19. These are:

Strategic Objective 1

Complete the physical regeneration of the Gorbals

Key priorities 2016-19

- Completion of Laurieston 1A and 1B
- Begin Gorbals Parish Church Site
- Demolition of Norfolk Court
- Completion of the Crown Street regeneration, including the Association's offices, the north and south "triangular sites" and the new civic street connecting Crown Street with Laurieston Road.
- Complete investment programme at Riverside High Rise blocks (concierge station, corridors and foyers)
- Work with partner organisations to promote environmental improvement, transport and economic development strategies for key locations (O2 environs; Gorbals Street corridor; Eglinton Street corridor and North Laurieston)
- Progress other identified development opportunities, where these will contribute to the Association's regeneration objectives and can be accommodated within the Business Plan

Strategic Objective 2

Preserve the affordability of rents, and support our tenants in dealing with welfare cuts and the high cost of energy

Key priorities 2016-19

- Obtain and assess tenant feedback on the affordability of the Association's rents
- Regularly test affordability for different household types, also comparing our rents with those charged by local peer RSLs and by private landlords in the Gorbals area
- Reduce fuel poverty by completing Fuel Efficiency Project (windows, boilers, District Heating)
 - > Installation of District Heating and additional external wall insulation to Riverside MSFs (308 units)
 - > Electric storage conversion to gas combi boilers in Silverfir Court (94 units)
 - > Provision of advice and education in efficient and economic use of home energy.
- Advise and support tenants adversely affected by Welfare Reform measures
 - > Help tenants safeguard household incomes and manage risks to NGHA rental streams
 - > Partnership working to support tenants (e.g. bank accounts and digital inclusion)

Strategic Objective 3

Provide high quality, value for money services, and manage our assets effectively

Key priorities 2016-19

- Delivery of housing options service, to maximise choice for new housing applicants
- Introduce a housing options service for older people, and contribute to the multi-agency Housing Access Team to improve the homeless referrals process
- Complete 100% stock condition survey and develop revised asset management strategy which:
 - > Integrates 5 year cash flows and one year detailed budgets with maintenance planning and implementation of contract works
 - > Establishes systems for reviewing the management and financial performance of existing stock.
- Conduct spending reviews for the following areas, to maximise value for the Association and service users:
 - > Repairs and cyclical maintenance (including options for insourcing and analysis of data from stock condition data for 100% of stock; review of voids approach and standards; implement more targeted cyclical programmes; reduce 100% replacement and restoration to repair/renewal as required, where practicable)
 - > Estate Based Services and security
 - > Close cleaning
- Analysis of 2016 benchmarking data (ARC and Quality and Efficiency Forum) to identify priority areas for further development/improvement

Strategic Objective 4

Strengthen our engagement and communication with tenants and the wider community

Key priorities 2016-19

- Develop and implement a comprehensive Communications Strategy including review and updating of NGHA website and increased NGHA social media presence
- Develop and implement priority actions from 2015 tenant satisfaction survey
- Complete NGHA rebranding exercise
- Review and update the Association's Tenant and Owner Participation Policy and Procedures
- Review of Complaints Handling Procedure

**Strategic Objective 5
To make Gorbals a Thriving Place**

Key priorities 2016-19

- Appoint Community Co-ordinator
- Implement year 1 of high-intensity and sustained programme of community engagement
- Establish Social, Economic and Community Development Committee, to oversee the Association's involvement in Thriving Places activities
- Maintain excellent partnership working with all public and voluntary bodies involved in Thriving Places
- Take lead role in Gorbals Regeneration Group as Hub Organisation for Thriving Place initiative

**Strategic Objective 6
To be a cost-effective and well-managed organisation, achieving high standards of governance and of financial probity and competence**

Key priorities 2016-19

- Maintain compliance with all loan covenants, terms and conditions
- Complete review of governance policies and implement procedures for compliance
- Review and improve methods for committee and senior staff communications and for internal communications among the whole staff team
- Conduct annual committee member reviews and implement the Committee Development Plan
- Provide support to our Management Committee members through training and other development opportunities
- Ongoing review of staffing needs and structures (for example, as posts become vacant and in response to requests for part-time working)
- Provide property management and business support services under contract to our subsidiary New Gorbals Property Management Ltd
- Appointment of new internal auditor and approval of new audit plan
- Continue to review the costs and affordability of the SHAPS pension scheme and meet auto enrolment requirements
- Integration of new asset management software with NGHAs repairs and financial systems
- Comply with Financial Reporting Standard 102 for 2016/17
- Improve the efficiency of our systems and processes for invoicing, payments and management accounting
- Review procurement policy and procedures across the Association in response to commencement of Procurement Reform (Scotland) Act 2014 and the EU Procurement Directives

Development and Performance

The financial statements reflect the introduction of Financial Reporting Standard 102 ('FRS 102') and the Statement of Recommended Practice for registered social landlords 2014 for the first time. Comparative figures have been updated accordingly. See note 23 to the financial statements for further detail.

Turnover

Turnover of £13,793,258 (2015 £15,081,646) 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 £3,000,000 (2015: £6,100,000) 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 2016 £29,015,577 (76.79%) (2015 £29,254,464 (82.74%)) of borrowings were subject to fixed rates of interest in excess of two years.

Fixed Assets

Changes in fixed assets in the year are set out in notes 11A and 11B of the financial statements.

Future Developments

The Association still has a number of development opportunities to complete (in Laurieston and Hutchestontown). Our focus is now moving on to ensure value for money on all services and improving the service delivery to our tenants with new avenues are being explored in these areas.

The Association is financially stable and future opportunities of expansion or review of service will not be carried out unless it is financially viable and will not impact on the Associations future obligations to our tenants.

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, 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 Ltd

**Report of the Committee of Management
For the year ended 31 March 2016**

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.

Disclosure of Information to the Auditor

The members of the Committee of Management at the date of approval of these financial statements have confirmed, as far as they are aware, that there is no relevant information of which the auditors are unaware. They confirm that they have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that it has been communicated to the auditors.

Auditor

A resolution for the reappointment of RSM UK Audit LLP (formerly Baker Tilly UK Audit LLP) as auditors of the Association will be proposed at the Annual General meeting.
By Order of the Committee of Management

Secretary *Jae Mills*
Date: *5/9/16*

**Statement of Committee of Management's Responsibilities
For the year ended 31 March 2016**

The Co-operative and Community Benefit Societies Act 2014 and registered social housing legislation require the Committee of Management to ensure that financial statements are prepared for each financial year, which give a true and fair view of the Association's state of affairs and of the surplus or deficit of the Association for that period. In preparing those financial statements, the Committee of Management is required to:

- select suitable accounting policies and 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 being disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is not appropriate to presume that the Association will continue in business.

The Committee of Management is responsible for the keeping of proper accounting records which disclose with reasonable accuracy, at any time, the financial position of the Association. The Committee of Management must ensure that the financial statements comply with the Co-operative and Community Benefit Societies Act 2014, the Housing (Scotland) Act 2010 and the Registered Housing Associations Determination of Accounting Requirements 2014. It is 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 has general responsibility for taking reasonable steps to safeguard the assets of the RSL and to prevent and detect fraud and other irregularities.

New Gorbals Housing Association Ltd

**Committee of Management's Statement of Internal Financial Control
For the year ended 31 March 2016**

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

- the reliability of financial information used within the Association, or for publication;
- the maintenance of proper accounting records; 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 or failure to meet objectives. Key elements of the Association's systems include ensuring that:

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

The effectiveness of the Association's system of internal financial control has been reviewed by the Committee of Management 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 these financial statements or in the auditor's report on the financial statements.

By Order of the Committee of Management

Secretary
Date:


5/11/16

New Gorbals Housing Association Ltd

**Report by the auditors to the members of New Gorbals Housing Association Ltd on Internal Financial Controls
For the year ended 31 March 2016**

In addition to our audit of the Financial Statements, we have reviewed your statement on page 10 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 through enquiry of certain members of the Management Committee and Officers of the Association and examination of relevant documents. 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 10 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.

RSM UK Audit LLP

RSM UK AUDIT LLP
Statutory Auditor
Chartered Accountants
Third Floor
Centenary House
69 Wellington Street
Glasgow
G2 6HG

Date: *15/9/16*

**Independent Auditor's Report to the members of New Gorbals Housing Association Ltd
For the year ended 31 March 2016**

We have audited the financial statements of New Gorbals Housing Association Ltd for the year ended 31 March 2016 on pages 13 to 41. 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), 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 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 of Management and auditor

As explained more fully in the Statement of Committee of Management's Responsibilities set out on page 9, the Committee of Management 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 2016 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 – December 2014.

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.

RSM UK Audit LLP

RSM UK AUDIT LLP
Statutory Auditor
Chartered Accountants
Third Floor
Centenary House
69 Wellington Street
Glasgow
G2 6HG

Date: *15/9/16*

New Gorbals Housing Association Limited

Statement of Comprehensive Income For the year ended 31 March 2016

| | Notes | 2016 £ | 2015 £ |
|---|-------|---------------------|---------------------|
| Turnover | 2 | 13,793,258 | 15,081,646 |
| Operating expenditure | | <u>(11,223,382)</u> | <u>(13,007,997)</u> |
| Operating Surplus | | 2,569,876 | 2,073,649 |
| Gain on disposal of property, plant and equipment | 9 | 105,923 | 166,206 |
| Interest receivable | 6 | 90,821 | 77,412 |
| Interest and financing costs | 7 | <u>(1,415,560)</u> | <u>(1,033,253)</u> |
| Surplus Before Tax | | 1,351,060 | 1,284,014 |
| Taxation | | - | - |
| Surplus for the Year | | <u>1,351,060</u> | <u>1,284,014</u> |
| Actuarial gain/(loss) in respect of pension schemes | 21 | 532,000 | (398,000) |
| Total Comprehensive Income for the Year | | <u>1,883,060</u> | <u>886,014</u> |

The results relate wholly to continuing activities of the Association.

The accompanying notes form part of these financial statements.

New Gorbals Housing Association Limited

**Statement of Financial Position
As at the 31 March 2016**

| | Notes | 2016 £ | 2015 £ |
|---|-------|----------------------|----------------------|
| Fixed Assets | | | |
| Housing properties | 11.A | 117,020,477 | 110,465,768 |
| Other fixed assets | 11.B | 1,196,775 | 1,114,178 |
| Investment in subsidiary | 11.C | 1 | - |
| | | <u>118,217,253</u> | <u>111,579,946</u> |
| Current Assets | | | |
| Trade and other debtors | 12 | 2,179,231 | 9,632,433 |
| Cash and cash equivalents | | 15,772,524 | 7,067,592 |
| | | <u>17,951,755</u> | <u>16,700,025</u> |
| Current Liabilities | | | |
| Creditors: amounts falling due within one year | 13 | (9,219,992) | (5,782,330) |
| Net Current Assets | | <u>8,731,763</u> | <u>10,917,695</u> |
| Total Assets Less Current Liabilities | | | |
| | | <u>126,949,016</u> | <u>122,497,641</u> |
| Creditors: Amounts falling due after more than one year | 14 | (100,914,869) | (97,798,310) |
| Provisions for liabilities: | | | |
| Pension provision | 17 | (2,324,000) | (2,876,000) |
| Other provisions | 17 | (54,557) | (50,803) |
| | | <u>(103,293,426)</u> | <u>(100,725,113)</u> |
| Total Net Assets | | <u>23,655,590</u> | <u>21,772,528</u> |
| Reserves | | | |
| Income and expenditure reserve | 18 | 23,655,435 | 21,772,367 |
| Share Capital | 18 | 155 | 161 |
| Total Reserves | | <u>23,655,590</u> | <u>21,772,528</u> |

The financial statements on pages 13 to 41 were approved by the Committee of Management and authorised for issue on 5 April 2016 and are signed on its behalf by:

Committee member *Raymond Shannon*
 Committee member *Kuska Adams-Mackenzie*
 Secretary *Joe Mills*

New Gorbals Housing Association Limited**Statement of Cashflows
For the year ended 31 March 2016**

| | Notes | 2016 £ | 2015 £ |
|---|--------------|--------------------|--------------------|
| Net cash generated from/(used in) operating activities | 19 | 9,490,978 | (6,311,118) |
| CASH FLOW FROM INVESTING ACTIVITIES | | | |
| Purchase of tangible fixed assets | | (9,332,980) | (10,772,813) |
| Proceeds from sale of tangible fixed assets | | 224,381 | 845,823 |
| Grants received | | 7,214,332 | 1,881,212 |
| Interest received | | 90,821 | 77,412 |
| Net Cash used in Investing Activities | | (1,803,446) | (7,971,366) |
| Cash Flow from Financing Activities | | | |
| Issue of share capital | | 7 | 3 |
| Interest paid | | (1,415,560) | (1,033,253) |
| New secured loans | | 3,000,000 | 6,100,000 |
| Repayments of borrowings | | (567,047) | (556,175) |
| Net Cash from Financing Activities | | 1,017,400 | 4,510,575 |
| Net Increase/(Decrease) in Cash and Cash Equivalents | | 8,704,932 | (9,771,909) |
| Cash and cash Equivalents at Beginning of Year | | 7,067,592 | 16,839,501 |
| Cash and Cash Equivalents at End of Year | 19 | 15,772,524 | 7,067,592 |

1. ACCOUNTING POLICIES

Legal Status

The Association is registered under the Co-operative and Community Benefit Societies Act 2014 and is registered with the Scottish Housing Regulator under the Housing (Scotland) Act 2010.

The address of the Association's registered office and principal place of business is 187 Crown Street, Glasgow, G5 9XT.

The Association's principal activities are detailed in the Committee of Management's Report. The nature of the Associations operations are detailed in the Committee of Management's Report.

New Gorbals Housing Association Limited is a Public Benefit Entity.

Basis of Accounting

These financial statements have been prepared in accordance with UK Generally Accepted Accounting Practice (UK GAAP) including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102"), the Housing SORP 2014 "Statement of Recommended Practice for Registered Housing Providers" and the comply with the Determination of Accounting Requirements 2015, and under the historical cost convention, modified to include certain financial instruments at fair value.

The financial statements are prepared in Sterling (£).

Critical Accounting Estimates and Areas of Judgement

Preparation of the financial statements requires management to make critical judgements and estimates concerning the future. Estimates and judgements are continually evaluated and are based on historical experience, advice from qualified experts and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The resulting accounting estimates and assumptions will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are included below.

Critical accounting estimates

Useful lives of housing property - management reviews its estimate of the useful lives of depreciable assets at each reporting date based on industry averages and our review of our stock. Uncertainties in these estimates relate to the length of time certain components in our homes will last, with varying levels of use potentially lengthening or shortening the lives of these components.

Recoverable amount of rent arrears and debtors – management considers the reasonable likelihood of rent arrears and debtors being recoverable based on past experience. While every effort is made not to over-estimate the amounts which will be recovered by the Association in the future, the actual amounts which might be received are often outwith the Associations' control.

Obligations under a defined benefit pension scheme – the rate used to discount the past service deficit defined benefit obligations to their present value is based upon market yields for high quality corporate bonds with terms consistent with those of the benefit obligations. Our commitment to the SHAPS of £1,944,000 for the next 11.5 years has been discounted at a rate of 2.29% amounting to a net present value of £1,700,000 at 31 March 2016.

ACCOUNTING POLICIES
For the year ended 31 March 2016

Change in Accounting Policy

These financial statements are the first financial statements of New Gorbals Housing Association prepared in accordance with Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (FRS 102). The financial statements of New Gorbals Housing Association for the year ended 31 March 2015 were prepared in accordance with previous UK GAAP. Some of the FRS 102 recognition, measurement, presentation and disclosure requirements and accounting policy choices differ from previous UK GAAP.

Consequently, management have amended certain accounting policies to comply with FRS 102. Comparative figures have been restated to reflect the adjustments made. Reconciliations and descriptions of the effect of the transition to FRS 102 on; (i) reserves at the date of transition to FRS 102; (ii) reserves at the end of the comparative period; and (iii) income or expenditure for the comparative period reported under previous UK GAAP are given in note 23.

Going Concern

The Association should:

- reach a conclusion about the ability of the RSL to continue as a going concern;
- make balanced, proportionate and clear disclosures about going concern for the financial statements to give a true and fair view;
- disclose if the period they have reviewed in making their assessment of going concern is less than twelve months from the date of approval of the financial statements; and
- explain their justification for limiting the review period.

On that basis the Committee of Management has a reasonable expectation that the Association has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Turnover and Revenue Recognition

Turnover relates to the income from the letting of properties at affordable rents, together with revenue grants receivable in the period. Rental income is recognised from the point when properties under development reach practical completion or otherwise become available for letting, net of any voids. Revenue grants are receivable when the conditions for receipt of agreed grant funding have been met.

Government Grants

Government grants include grants receivable from the Scottish Government, local authorities and other government bodies. Government grants are recognised at the fair value of the asset received or receivable when there is reasonable assurance that the grant conditions will be met and the grants will be received. Reasonable assurance is normally obtained when the grant has been awarded in writing.

Government grants received for housing properties are recognised in income over the useful economic life of the structure of the asset and, where applicable, the individual components of the structure (excluding land) under the accruals model.

On disposal of an asset for which government grant was received, if there is no obligation to repay the grant, then any unamortised grant remaining is derecognised as a liability and recognised as income. Where there is a requirement to repay a grant a liability is included in the Statement of Financial Position to recognise this obligation.

ACCOUNTING POLICIES
For the year ended 31 March 2016

Other Grants

Grants received from non-government sources are recognised using the performance model. Grants are recognised as income when the associated performance conditions are met.

Tangible Fixed Assets – Housing Properties

Housing properties are properties for the provision of social housing or to otherwise provide social benefit and are principally properties available for rent and shared ownership.

Completed housing and shared ownership properties are stated at cost less accumulated depreciation and impairment losses.

Cost includes the cost of acquiring land and buildings, and expenditure incurred during the development period.

Works to existing properties which replace a component that has been treated separately for depreciation purposes, along with those works that enhance the economic benefits of the assets, are capitalised as improvements. Such enhancements can occur if improvements result in either:

- An increase in rental income;
- A material reduction in future maintenance costs; or
- A significant extension to the life of the property.

Depreciation of Housing Properties

Freehold land or assets under construction are not depreciated.

The Association separately identifies the major components of its housing properties and charges depreciation so as to write-down the cost of each component to its estimated residual value, on a straight line basis over the following years:

| | |
|---------------------------|----------|
| Land | Nil |
| Assets under construction | Nil |
| Structure | 50 years |
| Windows | 45 years |
| Central Heating pipework | 45 years |
| Roof | 40 years |
| Lifts | 30 years |
| Bathrooms | 25 years |
| District Boilers | 20 years |
| Electric Heating | 15 years |
| Boilers | 15 years |
| Kitchens | 15 years |
| Overbath Showers | 7 years |

Impairments of Fixed Assets

An assessment is made at each reporting date of whether there are indications that a fixed asset (including housing properties) may be impaired or that an impairment loss previously recognised has fully or partially reversed. If such indications exist, the RSL estimates the recoverable amount of the asset.

Shortfalls between the carrying value of fixed assets and their recoverable amounts, being the higher of fair value less costs to sell and value-in-use of the asset based on its service potential, are recognised as impairment losses in the income and expenditure account.

ACCOUNTING POLICIES
For the year ended 31 March 2016

Impairments of Fixed Assets (continued)

Recognised impairment losses are reversed if, and only if, the reasons for the impairment loss have ceased to apply. Reversals of impairment losses are recognised in income and expenditure. On reversal of an impairment loss, the depreciation or amortisation is adjusted to allocate the asset's revised carrying amount (less any residual value) over its remaining useful life.

Sales of Housing Accommodation

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 Share 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 Statement of Comprehensive Income, in accordance with the Statement of Recommended Practice.

Other Tangible Fixed Assets

Tangible fixed assets are initially measured at cost, net of depreciation and any impairment losses. Depreciation is provided on all tangible fixed assets, other than freehold land and investment properties, at rates calculated to write off the cost or valuation of each asset to its estimated residual value on a straight line basis over its expected useful life, as follows:

| | |
|----------------------------------|---------------|
| Freehold buildings | over 50 years |
| Computers and office equipment | over 4 years |
| Furniture, fixtures and fittings | over 4 years |

Residual value is calculated on prices prevailing at the reporting date, after estimated costs of disposal, for the asset as if it were at the age and in the condition expected at the end of its useful life.

Borrowing Costs

General and specific borrowing costs directly attributable to the acquisition and construction of qualifying properties are added to the cost of those properties until such a time as the properties are ready for their intended use or sale.

All other borrowing costs are expensed as incurred.

Taxation

The Association has charitable status and is registered with the Office of Scottish Charities Regulator and is therefore exempt from paying Corporation Tax on charitable activities.

Value Added Tax (VAT)

The Association is VAT registered, however a large proportion of income, namely rents, is exempt for VAT purposes therefore giving rise to a Partial Exemption calculation. Expenditure is shown inclusive of VAT.

Deposits and Liquid Resources

Cash comprises cash in hand and deposits repayable on demand less overdrafts repayable on demand. Liquid resources are current asset investments that are disposable without curtailing or disrupting the business and are readily convertible into known amounts of cash at or close to their carrying value.

Employee Benefits

The costs of short-term employee benefits are recognised as a liability and an expense.

Employees are entitled to carry forward up to 5 days of any unused holiday entitlement and 14 hours flexi at the reporting date. The cost of any unused entitlement is recognised in the period in which the employee's services are received.

The best estimate of the expenditure required to settle an obligation for termination benefits is recognised immediately as an expense when the RSL is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

Retirement Benefits

Defined benefit plans

The Association participates in two funded multi-employer defined benefit schemes, the Scottish Housing Association Pension Scheme (SHAPS) and the Strathclyde Pension Fund (SPF)

SHAPS is a funded multi-employer scheme. Contributions are recognised in income and expenditure in the period to which they relate as there is insufficient information available to use defined benefit accounting. A liability is recognised for contributions arising from an agreement with the multi-employer plan that determines how the RSL will fund a deficit. Contributions are discounted when they are not expected to be settled wholly within 12 months of the period end. The rate used to discount the contributions to their present value is based on market yields for high quality corporate bonds.

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 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 Statement of Comprehensive Income 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 Association 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.

A pension scheme asset is recognised in the Statement of Financial Position 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.

ACCOUNTING POLICIES
For the year ended 31 March 2016

Financial Instruments

The Association has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102, in full, to all of its financial instruments.

Financial assets and financial liabilities are recognised when the Association becomes a party to the contractual provisions of the instrument, and are offset only when the Association currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Financial assets

Debtors

Debtors which are receivable within one year and which do not constitute a financing transaction are initially measured at the transaction price. Trade debtors are subsequently measured at amortised cost, being the transaction price less any amounts settled and any impairment losses.

Where the arrangement with a trade debtor constitutes a financing transaction, the debtor is initially and subsequently measured at the present value of future payments discounted at a market rate of interest for a similar debt instrument.

A provision for impairment of debtors is established when there is objective evidence that the amounts due will not be collected according to the original terms of the contract. Impairment losses are recognised in profit or loss for the excess of the carrying value of the trade debtor over the present value of the future cash flows discounted using the original effective interest rate. Subsequent reversals of an impairment loss that objectively relate to an event occurring after the impairment loss was recognised, are recognised immediately in income and expenditure.

Financial liabilities

Trade creditors

Trade creditors payable within one year that do not constitute a financing transaction are initially measured at the transaction price and subsequently measured at amortised cost, being the transaction price less any amounts settled.

Where the arrangement with a trade creditor constitutes a financing transaction, the creditor is initially and subsequently measured at the present value of future payments discounted at a market rate of interest for a similar instrument.

Borrowings

Borrowings are initially recognised at the transaction price, including transaction costs, and subsequently measured at amortised cost using the effective interest method. Interest expense is recognised on the basis of the effective interest method and is included in interest payable and other similar charges.

Commitments to receive a loan are measured at cost less impairment.

Derecognition of financial assets and liabilities

A financial asset is derecognised only when the contractual rights to cash flows expire or are settled, or substantially all the risks and rewards of ownership are transferred to another party, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party. A financial liability (or part thereof) is derecognised when the obligation specified in the contract is discharged, cancelled or expires.

**ACCOUNTING POLICIES
For the year ended 31 March 2016**

Provisions

Provisions are recognised when the RSL has an obligation at the reporting date as a result of a past event which it is probable will result in the transfer of economic benefits and that obligation can be estimated reliably.

Provisions are measured at the best estimate of the amounts required to settle the obligation. Where the effect of the time value of money is material, the provision is based on the present value of those amounts, discounted at the pre-tax discount rate that reflects the risks specific to the liability. The unwinding of the discount is recognised within interest payable and similar charges.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2016

2. PARTICULARS OF TURNOVER, OPERATING COSTS AND OPERATING SURPLUS OR DEFICIT

| | Notes | Turnover £ | Operating costs £ | 2016 Operating Surplus £ | 2015 Operating Surplus £ |
|--|-------|-------------------|-------------------------|-----------------------------------|-----------------------------------|
| Affordable letting activities | 3 | 11,782,104 | 9,809,365 | 1,972,739 | 1,832,638 |
| Other activities | 4 | 2,011,154 | 1,414,017 | 597,137 | 241,011 |
| Total | | 13,793,258 | 11,223,382 | 2,569,876 | 2,073,649 |
| Total for previous reporting period | | 15,081,646 | 13,007,997 | 2,073,649 | |

New Gorbals Housing Association Limited

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 March 2016

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

| | General Needs Social Housing £ | Supported Social Housing Accommodation £ | Shared Ownership Housing £ | Total 2016 £ | Total 2015 £ |
|---|---|--|-------------------------------------|--------------------|--------------------|
| Rent receivable net of service charges | 9,434,589 | 290,415 | 38,625 | 9,763,629 | 9,364,342 |
| Service charges | 376,645 | 60,195 | 7,174 | 444,014 | 415,527 |
| Gross income from rents and service charges | 9,811,234 | 350,610 | 45,799 | 10,207,643 | 9,779,869 |
| Less voids | (52,043) | (3,320) | (189) | (55,552) | (55,472) |
| Net income from rents and service charges | 9,759,191 | 347,290 | 45,610 | 10,152,091 | 9,724,397 |
| Grants released from deferred income | 1,607,588 | - | 22,425 | 1,630,013 | 1,642,157 |
| Total turnover from affordable letting activities | 11,366,779 | 347,290 | 68,035 | 11,782,104 | 11,366,554 |
| Management and maintenance administration costs | 2,289,545 | 55,790 | 23,085 | 2,368,420 | 2,676,354 |
| Service costs | 1,599,881 | 38,455 | 15,913 | 1,654,249 | 1,927,291 |
| Planned and cyclical maintenance including major repairs costs | 921,685 | 22,154 | - | 943,839 | 1,060,594 |
| Reactive maintenance costs | 2,198,602 | 52,847 | - | 2,251,449 | 1,724,037 |
| Bad debts - rents and service charges | 69,625 | 1,674 | - | 71,299 | 8,180 |
| Depreciation of affordable let properties | 2,457,461 | 30,836 | 31,812 | 2,520,109 | 2,137,460 |
| Operating Costs for affordable letting activities | 9,536,799 | 201,756 | 70,810 | 9,809,365 | 9,533,916 |
| Operating surplus or deficit for affordable letting activities | 1,829,980 | 145,534 | (2,775) | 1,972,739 | 1,832,638 |
| Operating surplus or deficit or affordable letting activities for previous reporting period | 1,772,407 | 42,602 | 17,629 | 1,832,638 | |

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 March 2016

4. 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 reporting period |
|--|---|----------------------------|--------------------------------|------------------|-------------------|---------------------------------|-----------------------------|------------------------------------|---|
| | £ | £ | £ | £ | £ | £ | £ | £ | £ |
| Wider role activities undertaken to support the community, other than the provision, construction, improvement and management of housing | - | 284,578 | - | - | 284,578 | - | (180,715) | 103,863 | 57,163 |
| Care and repair | - | - | - | - | - | - | - | - | - |
| Factoring | - | - | - | 944,770 | 944,770 | (1,814) | (932,427) | 10,529 | 53,420 |
| Support activities | - | 185,075 | - | - | 185,075 | - | (185,075) | - | - |
| Care activities | - | - | - | - | - | - | - | - | - |
| Contracted out activities undertaken for registered social landlords | - | - | - | - | - | - | - | - | 2,644 |
| Developments for sale to registered social landlords | - | - | - | - | - | - | - | - | - |
| Developments and improvements for sale to other organisations | - | - | - | - | - | - | - | - | - |
| Uncapitalised development administration costs | - | - | - | - | - | - | - | - | - |
| Other activities | - | - | - | 596,731 | 596,731 | - | (113,986) | 482,745 | 127,784 |
| Total from other activities | - | 469,653 | - | 1,541,501 | 2,011,154 | (1,814) | (1,412,203) | 597,137 | 241,011 |
| Total from other activities for the previous reporting period | - | - | - | 3,715,091 | 3,715,091 | (7,022) | (3,467,058) | 241,011 | |

Included in other activities is £426,661 of grant income which relates to the OFGEM redress grant received in the year of £4,800,000, to complete energy efficiency measures. The remaining £4,373,339 is held within short term creditors as it is envisaged that it is spent during 2016/17.

New Gorbals Housing Association Limited

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 March 2016

| 5. ACCOMMODATION IN MANAGEMENT | 2016 Units | 2015 Units |
|---|-----------------------|-----------------------|
| General needs housing | 2,387 | 2,664 |
| Shared ownership | 23 | 24 |
| Supported housing | 84 | 84 |
| TOTAL UNITS IN MANAGEMENT | 2,494 | 2,772 |
| | | |
| 6. INTEREST RECEIVABLE AND SIMILAR INCOME | 2016 £ | 2015 £ |
| Interest on bank deposits | 90,821 | 77,412 |
| | 90,821 | 77,412 |
| | | |
| 7. INTEREST PAYABLE AND SIMILAR CHARGES | 2016 £ | 2015 £ |
| Interest arising on: | | |
| Bank loans and overdrafts | 1,455,298 | 1,235,253 |
| Defined benefit pension charge | 102,395 | 58,000 |
| Less: Interest capitalised on housing properties under construction | (142,133) | (260,000) |
| | 1,415,560 | 1,033,253 |
| | | |
| 8. OPERATING SURPLUS OR DEFICIT | 2016 £ | 2015 £ |
| Operating surplus is stated after charging/(crediting): | | |
| Depreciation of housing properties | 2,494,041 | 1,978,002 |
| Depreciation of other tangible fixed assets (note 11.B) | | |
| - owned | 83,173 | 69,920 |
| (Surplus)/deficit on disposal of tangible fixed assets (note 9) | (105,923) | (166,206) |
| Fees payable to RSM UK Audit LLP and its associates in respect of both audit and non-audit services are as follows: | | |
| | 2016 £ | 2015 £ |
| Audit services - statutory audit of the Association | | |
| <i>Other services:-</i> | | |
| Audit-related assurance services | 14,976 | 12,600 |
| Taxation compliance services | 15,136 | 10,582 |
| All other non-audit services | 1,440 | - |
| | 31,552 | 23,182 |

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 March 2016

9. SURPLUS OR DEFICIT ON SALE OF FIXED ASSETS – HOUSING PROPERTIES

| | 2016 | 2015 |
|--------------------------------|------------------|------------------|
| | £ | £ |
| Disposal proceeds | 224,381 | 845,823 |
| Carrying value of fixed assets | <u>(118,458)</u> | <u>(679,617)</u> |
| | 105,923 | 166,206 |

10. EMPLOYEES

| | 2016 | 2015 |
|--|--------------|--------------|
| | No. | No. |
| The average monthly number of full time equivalent persons (including key management personnel) employed by the Association during the year was: | | |
| Office and management/Administration | 23 | 22 |
| Housing support and care | 35 | 32 |
| Development | 5 | 5 |
| | <u>63</u> | <u>59</u> |
| | 2016 | 2015 |
| | £'000 | £'000 |
| Staff costs for the above persons: | 2,080 | 2,015 |
| Wages and salaries | 182 | 176 |
| Social security costs | 369 | 318 |
| Other pension costs and current service cost (note 21) | 28 | - |
| | <u>2,659</u> | <u>2,509</u> |

The key management personnel are defined as the members of the Management Committee, the Director and any other person reporting directly to the Directors or the Management Committee.

There number of key management personnel who received emoluments (excluding employer pension contributions) in excess of £60,000 during the reporting period fell within the following bands:

| | No. | No. |
|---|----------------|----------------|
| £60,000 - £70,000 | 1 | 1 |
| £70,001 - £80,000 | 1 | 1 |
| £80,001 - £90,000 | - | - |
| £90,001 - £100,000 | - | - |
| | <u>2016</u> | <u>2015</u> |
| | £ | £ |
| Aggregate emoluments for the above key management personnel (excluding pension contributions) | <u>141,115</u> | <u>139,700</u> |
| The emoluments of the Chief Executive (excluding pension contributions) | <u>77,447</u> | <u>76,673</u> |
| Aggregate pension contributions in relation to the above key management personnel | <u>17,357</u> | <u>17,183</u> |

No payment or fees or other remuneration was made to the Board members during the year.

New Gorbals Housing Association Limited

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 March 2016

11.A TANGIBLE FIXED ASSETS – HOUSING PROPERTIES

| | Social housing properties held for letting £ | Housing properties for letting under construction £ | Completed shared ownership housing properties £ | Total housing properties £ |
|--|---|--|--|-------------------------------------|
| Cost | | | | |
| 1 April 2015 | 120,133,389 | 8,372,059 | 1,784,388 | 130,289,836 |
| Additions | - | 6,225,726 | - | 6,225,726 |
| Properties acquired | 448,574 | - | - | 448,574 |
| Works to existing properties | 978,463 | 1,514,445 | - | 2,492,908 |
| Schemes completed | 3,600,236 | (3,600,236) | - | - |
| Disposals | (119,238) | - | (53,189) | (172,427) |
| 31 March 2016 | 125,041,424 | 12,511,994 | 1,731,199 | 139,284,617 |
| Depreciation and impairment | | | | |
| 1 April 2015 | 19,200,145 | - | 623,923 | 19,824,068 |
| Depreciation charged in year | 2,457,467 | - | 36,574 | 2,494,041 |
| Released on disposal | (42,906) | - | (11,063) | (53,969) |
| 31 March 2016 | 21,614,706 | - | 649,434 | 22,264,140 |
| Net book value | | | | |
| 31 March 2016 | 103,426,718 | 12,511,994 | 1,081,765 | 117,020,477 |
| 31 March 2015 | 100,933,244 | 8,372,059 | 1,160,465 | 110,465,768 |

EXPENDITURE ON WORKS TO EXISTING PROPERTIES

| | 2016 £ | 2015 £ |
|---|------------------|------------------|
| Replacement component spend capitalised | 2,492,908 | 1,672,205 |
| Amounts charged to income and expenditure | 943,839 | 1,060,594 |
| Total major repairs spend | 3,436,747 | 2,732,799 |

FINANCE COSTS

| | 2016 £ | 2015 £ |
|--|-----------|-----------|
| Aggregate amount of finance costs included in the cost of housing properties | 550,594 | 355,000 |

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 March 2016

11.B TANGIBLE FIXED ASSETS – OTHER

| | Freehold property £ | Computers and Office Equipment £ | Furniture, fixtures and fittings £ | Total £ |
|------------------------------------|---------------------------|--|---|------------------|
| Cost | | | | |
| 1 April 2015 | 1,211,812 | 273,585 | 411,964 | 1,897,361 |
| Additions | 91,931 | 56,007 | 17,834 | 165,772 |
| 31 March 2016 | <u>1,303,743</u> | <u>329,592</u> | <u>429,798</u> | <u>2,063,133</u> |
| Depreciation and impairment | | | | |
| 1 April 2015 | 181,906 | 191,559 | 409,720 | 783,185 |
| Depreciation charged in year | 26,075 | 50,596 | 6,502 | 83,173 |
| 31 March 2016 | <u>207,981</u> | <u>242,155</u> | <u>416,222</u> | <u>866,358</u> |
| Net book value | | | | |
| 31 March 2016 | <u>1,095,762</u> | <u>87,437</u> | <u>13,576</u> | <u>1,196,775</u> |
| 31 March 2015 | <u>1,029,906</u> | <u>82,025</u> | <u>2,246</u> | <u>1,114,178</u> |

11.C INVESTMENT IN SUBSIDIARY UNDERTAKINGS

New Gorbals Housing Association Ltd's subsidiary undertaking is New Gorbals Property Management Limited and 100% of the ordinary share capital £1 is owned directly by the Association. The subsidiary was incorporated on 25 January 2016 and as such will not file its first set of financial statements until the year ended 31 March 2017.

12. DEBTORS

| | 2016 £ | 2015 £ |
|---|------------------|------------------|
| Amounts falling due within one year: | | |
| Rent and service charges receivable | 1,030,674 | 1,031,423 |
| Less: net present value adjustment | (10,140) | (12,763) |
| Less: provision for bad and doubtful debts | (192,789) | (180,573) |
| | <u>827,745</u> | <u>838,087</u> |
| HAG receivable | 228,174 | 1,364,430 |
| Other debtors | 1,026,343 | 7,156,347 |
| Prepayments and accrued income | 96,969 | 273,569 |
| | <u>2,179,231</u> | <u>9,632,433</u> |

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 March 2016

13. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

| | 2016 | 2015 |
|--|------------------|------------------|
| | £ | £ |
| Debt (note 16) | 668,247 | 567,533 |
| Rent and service charges received in advance | 190,496 | 160,764 |
| Deferred capital grants (note 15) | 6,003,352 | 1,630,013 |
| Trade creditors | 989,490 | 2,193,196 |
| Other taxation and social security costs | 30,664 | 50,743 |
| Other creditors | 1,177,754 | 1,127,233 |
| Accruals and deferred income | 159,989 | 52,848 |
| | <u>9,219,992</u> | <u>5,782,330</u> |

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

| | 2016 | 2015 |
|----------------------------------|--------------------|-------------------|
| | £ | £ |
| Debt (note 16) | 37,119,751 | 34,787,511 |
| Deferred capital grant (note 15) | 63,795,118 | 63,010,799 |
| | <u>100,914,869</u> | <u>97,798,310</u> |

| | 2016 | 2015 |
|--|-------------------|-------------------|
| | £ | £ |
| Included in creditors are: | | |
| Amounts repayable other than by instalments falling due after more than five years | - | - |
| Amounts repayable by instalments falling due after more than five years | <u>34,430,932</u> | <u>32,502,046</u> |

15. DEFERRED CAPITAL GRANT

| | 2016 | 2015 |
|--|-------------------|-------------------|
| | £ | £ |
| As at 1 April | 64,640,812 | 65,039,001 |
| Grant received in the year | 7,214,332 | 1,243,968 |
| Capital grant released | (2,056,674) | (1,642,157) |
| As at 31 March | <u>69,798,470</u> | <u>64,640,812</u> |
| Amounts to be released within one year | 6,003,352 | 1,630,013 |
| Amounts to be released in more than one year | <u>63,795,118</u> | <u>63,010,799</u> |
| | <u>69,798,470</u> | <u>64,640,812</u> |

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 March 2016

16. DEBT ANALYSIS - BORROWINGS

| | 2016 £ | 2015 £ |
|--|-------------------|-------------------|
| Creditors: amounts falling due within one year: | | |
| Bank overdraft | - | - |
| Bank loans | 668,247 | 567,533 |
| Finance lease liabilities | - | - |
| | <u>668,247</u> | <u>567,533</u> |
| Creditors: amounts falling due after more than one year: | | |
| Bank loans | 37,119,751 | 34,787,511 |
| Finance lease liabilities | - | - |
| | <u>37,119,751</u> | <u>34,787,511</u> |
| Total | <u>37,787,998</u> | <u>35,355,045</u> |

Borrowings are denominated and repaid in pounds sterling, have contractual interest rates that are either fixed rates or variable rates linked to LIBOR that are not leveraged, and do not contain conditional returns or repayment provisions other than to protect the lender against credit deterioration or changes in relevant legislation or taxation.

Bank borrowings mature annually at £668,247 per annum from 31 March 2016 until 31 March 2019, £29,015,577 (2015: £29,254,464) bear average fixed-rate coupons of 4.68% per annum (2015: 4.68% per annum) and £8,772,412 (2015: £6,100,581) bear average variable-rate coupons of 2.14% above LIBOR (2015: 1.70% above LIBOR). The Association makes quarterly repayments of the bank borrowings.

Bank borrowings of £37.8m (2015: £35.3m) are secured against the Association's housing properties.

Based on the lender's earliest repayment date, borrowing are repayable as follows:

| | 2016 £ | 2015 £ |
|---|-------------------|-------------------|
| Due within one year | 668,247 | 567,533 |
| Due in one year or more but less than two years | 684,073 | 582,866 |
| Due between two and five years | 2,004,741 | 1,702,600 |
| Due more than five years | 34,430,932 | 32,502,046 |
| | <u>37,787,993</u> | <u>35,355,045</u> |

17. PROVISIONS

| | Holiday pay £ | SHAPS Pension £ | SPF £ | Total £ |
|---|------------------|-----------------------|----------------|------------------|
| 1 April 2015 | 50,803 | 1,809,000 | 1,067,000 | 2,926,803 |
| Utilised in the year | (50,803) | (140,000) | 72,000 | (118,803) |
| Additional provision in year | 54,557 | 38,000 | (515,000) | (422,443) |
| Reversed in year | - | - | - | - |
| Increase due to change in discount rate | - | (7,000) | - | (7,000) |
| 31 March 2016 | <u>54,557</u> | <u>1,700,000</u> | <u>624,000</u> | <u>2,378,557</u> |

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 March 2016

17. PROVISIONS (continued)

Holiday Pay

This represents holiday accrued as a result of services rendered in the current period and which employees are entitled to carry forward. The provision is measured as the statutory cost payable for the period of absence.

Pension

The SHAPS provision represents the net present value of the commitment to the multi-employer pension scheme in respect of past deficits.

The SPF provision relates to the Strathclyde Pension Fund which the Association is a member of as a result of staff transferring during the GHA stock transfer.

18. SHARE CAPITAL & RESERVES

The Association is limited by guarantee and consequently has no share capital. Each of the Association's members agrees to contribute £1 in the event of the Association winding up.

| | 2016 | 2015 |
|------------------------|---------------|---------------|
| | Number | Number |
| Number of members | | |
| 1 April 2015 | 161 | 171 |
| Joined during the year | 7 | 3 |
| Left during year | (13) | (13) |
| 31 March 2016 | <u>155</u> | <u>161</u> |

RESERVES

Reserves of the Association represent the following:

| | 2016 | 2015 |
|--------------------------------|-------------------|-------------------|
| | £ | £ |
| Income and Expenditure Account | | |
| 1 April 2015 | 21,772,367 | 20,886,353 |
| Surplus for the year | 1,883,060 | 886,014 |
| 31 March 2016 | <u>23,655,435</u> | <u>21,772,367</u> |

Restricted Reserves of £4,373,339 are included in the income and expenditure reserve. This relates solely to OFGEM redress grant received in the year of £4,800,000, to complete energy efficiency measures. £426,661 has been spent to date as can be seen per Note 4.

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 March 2016

19. RECONCILIATION OF SURPLUS TO NET CASH GENERATED FROM /(USED IN) OPERATIONS

| | 2016 | 2015 |
|---|------------------|--------------------|
| | £ | £ |
| Surplus for the year | 1,883,060 | 886,014 |
| Adjustments for non-cash items: | | |
| Depreciation of tangible fixed assets | 2,577,216 | 2,207,380 |
| Amortisation of capital grants | (2,056,674) | (1,642,157) |
| Increase/(decrease) in provisions | (548,246) | 520,803 |
| (Gain)/loss on disposal of tangible fixed assets | (105,923) | (166,206) |
| Interest receivable | (90,821) | (77,412) |
| Interest payable | 1,415,560 | 1,033,253 |
| Share cancelled | (13) | (13) |
| Operating cash flows before movements in working capital | 3,074,159 | 2,761,662 |
| Increase in investments | 1 | - |
| Decrease/(increase) in trade and other debtors | 7,453,202 | (7,808,125) |
| Increase/(decrease) in trade and other creditors | (1,036,384) | (1,264,655) |
| Cash generated from / (used in) operations | 9,490,978 | (6,311,118) |

CASH AND CASH EQUIVALENTS

| | 2016 | 2015 |
|---------------------------------------|-------------------|------------------|
| | £ | £ |
| Cash and cash equivalents represent:- | | |
| Cash at bank | 341,126 | 785,394 |
| Short-term deposits | 15,431,398 | 6,282,198 |
| | 15,772,524 | 7,067,592 |

20. CAPITAL COMMITMENTS AND OTHER CONTRACTUAL OBLIGATIONS

| | 2016 | 2015 |
|---|-------------|-------------|
| | £ | £ |
| Capital expenditure contracted for but not provided in the financial statements | 1,729,672 | 7,285,571 |

The above commitments will be funded through existing finance.

21. RETIREMENT BENEFITS

The Association participates in a defined contribution pension scheme for all qualifying employees in the United Kingdom. The assets of the scheme are held separately from those of the Company in an independently administered fund. The contributions payable by the Association charged to income and expenditure amounted to £33,602 (2015: £0). Contributions totalling £4,221 (2015: £0) were payable to the fund at the year end and are included in creditors.

The Association also operates defined benefit plans for qualifying employees. Under the schemes, the employees are entitled to retirement benefits varying between 40 and 65 per cent of final salary on attainment of a retirement age of 60.

No other post-retirement benefits are provided. The schemes are fully funded schemes.

Certain employees of the Association are members of an industry-wide retirement benefit scheme the Scottish Housing Association Pension Scheme ("SHAPS"). There is insufficient information to account for the scheme as a defined benefit plan so it is accounted for as a defined contribution plan.

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 March 2016

21. RETIREMENT BENEFITS (continued)

SHAPS

The company participates in the scheme, a multi-employer scheme which provides benefits to some 155 non-associated employers. The scheme is a defined benefit scheme in the UK.

It is not possible for the company to obtain sufficient information to enable it to account for the scheme as a defined benefit scheme. Therefore it accounts for the scheme as a defined contribution scheme.

The scheme is subject to the funding legislation outlined in the Pensions Act 2004 which came into force on 30 December 2005. This, together with documents issued by the Pensions Regulator and Technical Actuarial Standards issued by the Financial Reporting Council, set out the framework for funding defined benefit occupational pension schemes in the UK.

The scheme is classified as a 'last-man standing arrangement'. Therefore the company is potentially liable for other participating employers' obligations if those employers are unable to meet their share of the scheme deficit following withdrawal from the scheme. Participating employers are legally required to meet their share of the scheme deficit on an annuity purchase basis on withdrawal from the scheme.

A full actuarial valuation for the scheme was carried out at 30 September 2012. This actuarial valuation showed assets of £394m, liabilities of £698m and a deficit of £304m. To eliminate this funding shortfall, the trustees and the participating employers have agreed that additional contributions will be paid to the scheme as follows:

Deficit contributions

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

| | 31 March 2016 (£000s) | 31 March 2015 (£000s) | 31 March 2014 (£000s) |
|----------------------------|--------------------------|--------------------------|--------------------------|
| Present value of provision | 1,700 | 1,809 | 1,760 |

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

Where the scheme is in deficit and where the company has agreed to a deficit funding arrangement the company recognises a liability for this obligation. The amount recognised is the net present value of the deficit reduction contributions payable under the agreement that relates to the deficit. The present value is calculated using the discount rate detailed in these disclosures. The unwinding of the discount rate is recognised as a finance cost.

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 March 2016

21. RETIREMENT BENEFITS (continued)

PRESENT VALUES OF PROVISION

RECONCILIATION OF OPENING AND CLOSING PROVISIONS

| | Period Ending 31 March 2016 (£000s) | Period Ending 31 March 2015 (£000s) |
|--|---|---|
| Provision at start of period | 1,809 | 1,760 |
| Unwinding of the discount factor (interest expense) | 38 | 58 |
| Deficit contribution paid | (140) | (136) |
| Remeasurements - impact of any change in assumptions | (7) | 127 |
| Remeasurements - amendments to the contribution schedule | - | - |
| Provision at end of period | 1,700 | 1,809 |

INCOME AND EXPENDITURE IMPACT

| | Period Ending 31 March 2016 (£000s) | Period Ending 31 March 2015 (£000s) |
|--|---|---|
| Interest expense | 38 | 58 |
| Remeasurements – impact of any change in assumptions | (7) | 127 |
| Remeasurements – amendments to the contribution schedule | - | - |
| Contributions paid in respect of future service* | * | * |
| Costs recognised in income and expenditure account | * | * |

*includes defined contribution schemes and future service contributions (i.e. excluding any deficit reduction payments) to defined benefit schemes which are treated as defined contribution schemes. To be completed by the company.

ASSUMPTIONS

| | 31 March 2016 % per annum | 31 March 2015 % per annum | 31 March 2014 % per annum |
|------------------|------------------------------|------------------------------|------------------------------|
| Rate of discount | 2.29 | 2.22 | 3.42 |

The discount rates shown above are the equivalent single discount rates which, when used to discount the future recovery plan contributions due, would give the same results as using a full AA corporate bond yield curve to discount the same recovery plan contributions.

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 March 2016

21. RETIREMENT BENEFITS (continued)

FRS 102 - SECTION 28

The following schedule details the deficit contributions agreed between the company and the scheme at each year end period:

DEFICIT CONTRIBUTIONS SCHEDULE

| Year ending | 31 March 2016 (£000s) | 31 March 2015 (£000s) | 31 March 2014 (£000s) |
|-------------|--------------------------|--------------------------|--------------------------|
| Year 1 | 144 | 140 | 136 |
| Year 2 | 148 | 144 | 140 |
| Year 3 | 153 | 148 | 144 |
| Year 4 | 157 | 153 | 148 |
| Year 5 | 162 | 157 | 153 |
| Year 6 | 167 | 162 | 157 |
| Year 7 | 172 | 167 | 162 |
| Year 8 | 177 | 172 | 167 |
| Year 9 | 182 | 177 | 172 |
| Year 10 | 188 | 182 | 177 |
| Year 11 | 194 | 188 | 182 |
| Year 12 | 100 | 194 | 188 |
| Year 13 | - | 100 | 194 |
| Year 14 | - | - | 100 |
| Year 15 | - | - | - |
| Year 16 | - | - | - |
| Year 17 | - | - | - |
| Year 18 | - | - | - |
| Year 19 | - | - | - |
| Year 20 | - | - | - |

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 March 2016

21. RETIREMENT BENEFITS (Continued)

The company must recognise a liability measured as the present value of the contributions payable that arise from the deficit recovery agreement and the resulting expense in the income and expenditure account i.e. the unwinding of the discount rate as a finance cost in the period in which it arises.

It is these contributions that have been used to derive the company's balance sheet liability.

The Association has agreed to make additional deficit payments to SHAPS at the rate of £144,000 per year for 12 years using a discount rate based on a AA corporate rate bond for the same period. A liability based upon discounted net present value of £144,000 has been recognised within provisions for the contribution obligations.

| | |
|---|--------------|
| | £'000 |
| At 1 April 2015 | 1,809 |
| Unwinding of the discount factor | 38 |
| Deficit Contribution paid | (140) |
| Remeasurments – impact of change in assumptions | (7) |
| At 31 March 2016 | <u>1,700</u> |

Strathclyde Pension Fund

Some of the Associations 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 is held separately from those of the Association in investments under the overall supervision of the Fund Trustees. The most recent comprehensive actuarial valuation of the plan assets and the present value of the defined benefit obligation was carried out at 31 March 2016.

The employers contribution to the SPF by the RSL for the year ended 31 March 2016 were £77,000 (2015 - £76,000) at a contribution rate of 19.7% of pensionable salaries. The employers contribution rate for the year ending 31 March 2017 has been set at 19.7%. The employers contributions for the year ended 31 March 2017 is estimated to be £77,000.

The principal assumptions used in the calculation of the valuation of the plan assets and the present value of the defined benefit obligation include:

| | 2016 | 2015 |
|---|-------------|-------------|
| Discount rate | 3.6% | 3.3% |
| Future salary increases | 4.2% | 4.4% |
| Future pension increases | 2.2% | 2.5% |
| Proportion of employees opting for early retirement | 0 | 0 |
| Post-retirement mortality | 1.5 | 1.5 |

The average life expectancy for a pensioner retiring at 65 on the reporting date is:

| | 2016 | 2015 |
|-----------|--------------|--------------|
| | Years | Years |
| 1. Male | 22.1 | 22.1 |
| 2. Female | <u>23.6</u> | <u>23.6</u> |

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 March 2016

21. RETIREMENT BENEFITS (Continued)

The average life expectancy for an employee retiring at 65 that is aged 45 at the reporting date is:

| | 2016 | 2015 |
|-----------|--------------|--------------|
| | Years | Years |
| 2. Male | 24.8 | 23.6 |
| 3. Female | 26.2 | 26.2 |

Amounts recognised in income and expenditure in respect of the defined benefit schemes are as follows:

| | 2016 | 2015 |
|--|--------------|--------------|
| | £'000 | £'000 |
| Current service cost | 114 | 104 |
| Net interest on the net defined benefit pension liability | 35 | 114 |
| Benefit changes, gain/(loss) on curtailment and gain/(loss) on settlement* | (77) | (119) |
| | <u>72</u> | <u>99</u> |

| Changes in the present value of the defined benefit obligation: | £'000 |
|---|--------------|
| Defined benefit obligation at 1 April | 3,369 |
| Current service cost | 114 |
| Interest cost | 113 |
| Contributions by scheme participants | 24 |
| Actuarial losses/(gains) | (532) |
| Liabilities assumed in a business combination | - |
| Plan introductions, changes, curtailments and settlements | - |
| Benefits paid | (5) |
| Defined benefit obligation at 31 March | <u>3,083</u> |

| Changes in the fair value of plan assets: | £'000 |
|---|--------------|
| Plan assets at 1 April | 2,302 |
| Interest income | 78 |
| Actuarial (losses)/gains | - |
| Return on plan assets (excluding net interest on the defined benefit liability) | (17) |
| Plan introductions, changes, curtailments and settlements | - |
| Assets acquired in a business combination | - |
| Contributions by employer | 77 |
| Contributions by scheme participants | 24 |
| Benefits paid | (5) |
| Plan assets at 31 March | <u>2,459</u> |

The actual return on plan assets was £210,000 (2015: £260,000).

The analysis of the scheme assets at the reporting date were as follows:

| | Fair value of assets | |
|--------------------|-----------------------------|-------------|
| | 2016 | 2015 |
| Equity instruments | 72% | 75% |
| Debt instruments | 16% | 13% |
| Property | 12% | 11% |
| Other assets | 0% | 1% |
| | <u>100%</u> | <u>100%</u> |

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 March 2016

22. RELATED PARTY TRANSACTIONS

Committee of Management members are also tenants of the Association. Their tenancies are on normal commercial terms. During the year £54,532 (2015; £53,005) of rent was receivable from these tenant members. At the year-end there were £2,909 (2015:£3,976) of rent arrears due from these tenant members.

During the year we had sales of £21,358 and costs of £16,080 to our subsidiary New Gorbals Property Management. NGPM was incorporated in January 2016 primarily for the letting of mid market rented properties.

23. FIRST TIME ADOPTION OF FRS102

The financial statements have been prepared in accordance with FRS102 for the year ended 31 March 2016. The transition to FRS102 has impacted on the following accounting policies adopted and as such the comparative figures have been restated accordingly.

A – Grant Accounting

Previously all capital grants received were netted off against the cost of housing properties. In line with FRS102 and SORP 2014 capital government grants are now treated under the accrual model and as such are shown as deferred income and amortised to income over the expected useful life of the housing property structure (excluding land).

B – Depreciation of Housing Properties

Previously depreciation on housing properties was calculated on the net cost of properties after capital grant. In line with FRS102, and as noted above in A, grants are no longer netted off against the cost of housing properties and as such depreciation is now calculated on the gross cost of housing properties.

C – SHAPS Pension Scheme

The Association participates in the multi-employer defined benefit Scottish Housing Association Pension Scheme (SHAPS). Under FRS102 a contractual agreement under a multi-employer defined benefit pension scheme to fund a past deficit should be accrued for as a liability discounted to net present value. As at 31 March 2015 this liability was calculated as amounting to £1,809,000.

D – Net Present Value of Rental Arrears

Where the arrangement with a trade debtor constitutes a financing transaction, the debtor is initially and subsequently measured at the present value of future payments discounted at a market rate of interest for a similar debt instrument.

E – Holiday Pay Accrual

FRS102 requires the Association to recognise the cost of all employee benefits to which its employees have become entitled as a result of service rendered to the entity during the reporting period. Therefore at 31 March 2014 a provision has been made of £45,187 reflecting the value of holiday pay entitlement which had not been taken as at that date by employees.

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 March 2016

23. FIRST TIME ADOPTION OF FRS102

| RECONCILIATION OF RESERVES - GROUP | Notes | 1 April 2014 £ | 31 March 2015 £ |
|---|-------|-------------------|-----------------------|
| Reserves as previously reported under UK GAAP | | 20,058,328 | 20,292,258 |
| Grant Accounting | A | 14,683,291 | 16,394,743 |
| Depreciation | B | (12,035,801) | (13,042,068) |
| SHAPS Pension | C | (1,760,000) | (1,809,000) |
| Net Present Value of Rental Arrears | D | (14,289) | (12,763) |
| Holiday Pay Accrual | E | (45,187) | (50,803) |
| Reserves reported under FRS 102 | | 20,886,342 | 21,772,367 |

| RECONCILIATION OF SURPLUS OR DEFICIT | Notes | Year ended 31 March 2015 £ |
|---|-------|-------------------------------------|
| Surplus or deficit as previously reported under UK GAAP | | 631,919 |
| Grant Accounting | A | 1,642,157 |
| Depreciation | B | (1,006,267) |
| SHAPS Pension | C | (49,000) |
| Net Present Value of Rental Arrears | D | 1,526 |
| Gain/loss on disposal | | 69,295 |
| Holiday Pay Accrual | E | (5,616) |
| Surplus or deficit reported under FRS 102 | | 1,284,014 |

24. 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 2016, the Association had not breached these provisions.

Housing Association Grant allocated to components (as detailed in Note 3) 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 2016 was £nil (2015: £nil).

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

New Gorbals Housing Association Limited

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 March 2016

25. COMMITMENTS UNDER OPERATING LEASE

At 31 March 2016 the association had annual commitments under non-cancellable operating leases as set out below.

| | 2016 | | 2015 | |
|---------------------|-------------------------------|--------------------|-------------------------------|--------------------|
| | Land and buildings | Other Items | Land and buildings | Other Items |
| | £ | £ | £ | £ |
| Amounts due: | | | | |
| -Within 1 year | 7,000 | - | 10,000 | - |
| Within 2 to 5 years | - | - | 7,000 | - |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| | 7,000 | - | 17,000 | - |

