

NEW GORBALS HOUSING ASSOCIATION LTD
REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017

New Gorbals Housing Association Ltd

Report and Financial Statements For the year ended 31 March 2017

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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 2017

Committee of Management

(Chairperson)	L. Malone
(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)	R. Shannon
(Member)	D. Nixon
(Member)	I. McCreddie
(Member)	C. Docherty (appointed Sept 2016)
(Member)	W. Sharkey (deceased Oct 2016)

Executive Officers

Fraser Stewart – Director
Norman Fitzpatrick – Depute Director
Mary Reilly – Head of Finance
Simon Metcalfe – Head of Development
Kirsty Fotheringham – Head of Housing
Linda Anderson – Head of Corporate Development

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

**Report of the Committee of Management
For the year ended 31 March 2017**

The Committee of Management presents their report and audited financial statements for the year ended 31 March 2017.

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

Our Achievements

2016 wasn't marked by the beginning or completion of any big projects or the reaching of significant milestones but it was still a year of real achievement and progress.

- Reactive repairs, gas servicing and landscape maintenance teams are now in-house services. This was a huge challenge involving the transfer and recruitment of 30 staff members along with the introduction of new systems, processes and responsibilities. This change will lead to cost savings and most importantly a better service for our tenants and owners.
- We doubled our workforce in welfare advice and generated £2.1M in benefit payments for our tenants – that's almost £10,000 for each day worked by our two full time Welfare Rights Officers. Their work is more important than it ever was because of the huge financial difficulties that Universal Credit and benefit caps are causing.
- We have made progress in our role as the community hub for the Gorbals Thriving Place Initiative. New Gorbals are able to assist local groups with advice and support that has kept them going.

New Gorbals Housing Association Ltd

Report of the Committee of Management For the year ended 31 March 2017

Our Development Team devoted much of their time to preparing our housing and office proposals for the Sandiefield site and progressing strategic planning issues related to Gorbals Street and Laurieston north of Norfolk Street. Completed during 2016/17 was the Norfolk Court site clearance, and we oversaw the start of work at the Cumberland/Eglinton Street new build in Laurieston and the district heating scheme at the Riverside high rise blocks.

Maintenance and Housing Management performance remains positive and the table below highlights some of the key achievements

	Target 2016/2017	Performance 2016/2017
Rent Loss to Voids	0.25%	0.26%
Gross Rent Arrears	5.1%	5.8%
Average relet	12 days	14 days
Emergency Repairs carried out within 4 hours	99%	99%
Urgent repairs	97%	98%
Routine repairs	97%	98%
Gas Safety Checks	100%	100%
Stock meeting SHQS (excluding exemptions)	100%	100%
Stock meeting National Home Energy Rating	100%	100%

We are listening to and consulting with tenants – both individually and in groups – more than ever and this will have a real benefit going forward.

2016/17 saw the appointment of a Head of Corporate Governance to support Committee and Staff and enhance our strategic governance and procedures.

Our subsidiary New Gorbals Property Management was incorporated in January 2016. New Gorbals Housing Association leases 63 mid-market rent units to the subsidiary. There is a strong market for mid-market rented houses and although all properties are let we have a healthy waiting lists for future lets.

Development and Performance

During 2016 the Association started new build development at Laurieston 1C (old Gorbals Parish Church) which will give an additional 55 new build rented homes and 9 shared equity homes for sale, which will complete spring 2018. Planned site starts for 2017 also include 28 new build units in Sandiefield which is planned to complete Winter 2018. We plan to spend £9.1m on new build in 2017/18 and receive £5.2m in grant. £3.9m of private finance for these works has been received from Affordable Housing Finance in 2015.

During 2016/17 we completed our review of our Governance policies. We are now embarking on a timetable of review of our other key operational policies.

In addition to enhancing repairs service to tenants and owners, one of the key reasons for bringing reactive repairs in house was to reduce our repairs costs per unit. In 2017 these were £560 per unit (in 2016 £768 per unit). We carried out 8,199 repairs, 8,034 of these were complete within our timescales, 98% of repairs. In addition 99% of emergency repairs were carried out within our 4 hour timescale (with the average time to repair of 1.8 hours). We also carried out 629 repairs to factored properties.

New Gorbals Housing Association Ltd

Report of the Committee of Management For the year ended 31 March 2017

During 2016/17 our Welfare Rights team helped secure £2.1m in additional income for our tenants, over the past 5 years they have secured an additional £5.2 in income. Rent arrears for 2017 were 5.8% of total rents received.

During 2017 the Association's activities involved a high level of tenant engagement with residents and the local community with the following projects consulted upon:

- Annual rent increase of 2.5%
- Annual tenants report
- Caledonia Road Link Building Improvements
- Riverside Door Entry and District Heating system
- Laurieston Environmental Improvements

We also held or assisted in numerous community events, through our wider action activities.

2016/17 has been a period of consolidation and implementing or planning improvements in our services to tenants and owners.

Financial Review

Turnover of £13,550,879 (2016 £13,793,258) relates to the income from the letting of properties at affordable rents and the provision of factoring services.

Operating surplus for the year was £4,153,778 of which £763,000 was in relation to the remeasurement of the liabilities of the SHAPS Pension Scheme. SPF pension scheme actuarial loss for the year was £736,000, leaving total comprehensive income of £2,233,269.

Financing and Liquidity

During the year further loans of £2,000,000 (2016: £3,000,000) 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.

All covenants are met and regularly reviewed by the Board.

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.

For ongoing developments we require no further funding as finance has been received from Affordable Housing Finance at 2.23% for 30 years.

The Association, as a matter of policy, does not enter into transactions of a speculative nature. At 31 March 2017 £28,766,721 (73.37%) (2016 £29,015,577 (76.79%)) 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, 11B and 11C 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 through implementation of in house repairs, gas and landscaping services.

New Gorbals Housing Association Ltd

Report of the Committee of Management For the year ended 31 March 2017

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 Statement of Comprehensive Income.

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 Statement of Comprehensive Income.

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.

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.

New Gorbals Housing Association Ltd

**Report of the Committee of Management
For the year ended 31 March 2017**

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 as auditors of the Association will be proposed at the Annual General meeting.

By Order of the Committee of Management

Secretary

Date:

for Mella
6/9/17

**Statement of the Committee of Management's Responsibilities
For the year ended 31 March 2017**

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

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

**Committee of Management's Statement of Internal Financial Control
For the year ended 31 March 2017**

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 2017. 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:

for Mella
4/9/17.

New Gorbals Housing Association Ltd

Report by the auditors to the members of New Gorbals Housing Association Ltd on Internal Corporate Governance Matters For the year ended 31 March 2017

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: 13/9/17

**Independent Auditors Report to the Members of New Gorbals Housing Association
For the year ended 31 March 2017**

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF NEW GORBALS HOUSING ASSOCIATION

Opinion on financial statements

We have audited the financial statements of New Gorbals Housing Association for the year ended 31 March 2017 on page 12 to 37. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the Association's affairs as at 31 March 2017 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.

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>

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.

Respective responsibilities of the Committee and auditor

As explained more fully in the Committee's Responsibilities Statement set out on page 8, 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.

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.

RSM UK Audit LLP

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

Date 13/9/17.

New Gorbals Housing Association Limited

**Statement of Comprehensive Income
For the year ended 31 March 2017**

	Notes	2017 £	2016 £
Turnover	2	13,671,334	13,793,258
Operating expenditure	2	(10,253,556)	(11,223,382)
Remeasurement of SHAPS Pension	17	736,000	-
Operating Surplus		4,153,778	2,569,876
Gain on disposal of property, plant and equipment	9	123,751	105,923
Interest receivable	6	126,302	90,821
Interest and financing costs	7	(1,407,562)	(1,415,560)
Surplus Before Tax		2,996,269	1,351,060
Taxation		-	-
Surplus for the Year		2,996,269	1,351,060
Actuarial (loss)/gain in respect of pension schemes	21	(763,000)	532,000
Total Comprehensive Income for the Year		2,233,269	1,883,060

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 2017**


	Notes	2017 £	2016 £
Fixed Assets			
Intangible Fixed Assets	11.C	85,017	-
-Housing properties	11.A	120,851,732	117,020,477
Other fixed assets	11.B	1,291,912	1,196,775
Investment in subsidiary	11.D	1	1
		<u>122,228,662</u>	<u>118,217,253</u>
Current Assets			
Trade and other debtors	12	2,260,113	2,179,231
Cash and cash equivalents		16,194,308	15,772,524
		<u>18,454,421</u>	<u>17,951,755</u>
Current Liabilities			
Creditors: amounts falling due within one year	13	(5,303,117)	(9,219,992)
Net Current Assets		<u>13,151,304</u>	<u>8,731,763</u>
Total Assets Less Current Liabilities		<u>135,379,966</u>	<u>126,949,016</u>
Creditors: Amounts falling due after more than one year	14	(107,115,871)	(100,914,869)
Provisions for liabilities:			
Pension provision	21	(2,281,000)	(2,324,000)
Other provisions	17	(94,243)	(54,557)
		<u>(109,491,114)</u>	<u>(103,293,426)</u>
Total Net Assets		<u>25,888,852</u>	<u>23,655,590</u>
Reserves			
Income and expenditure reserve	18	25,888,704	23,655,435
Share Capital	18	148	155
Total Reserves		<u>25,888,852</u>	<u>23,655,590</u>

The financial statements on pages 12 to 37 were approved by the Committee of Management and authorised for issue on 4.5.17 and are signed on its behalf by:

Committee member



Committee member



Secretary



New Gorbals Housing Association Limited

Statement of Cashflows
For the year ended 31 March 2017

	Notes	2017 £	2016 £
Net cash generated from operating activities	19	4,120,331	9,490,978
CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of intangible fixed assets		(113,356)	-
Purchase of tangible fixed assets		(6,913,823)	(9,332,980)
Proceeds from sale of tangible fixed assets		324,350	224,381
Grants received		2,866,217	7,214,332
Interest received		126,302	90,821
Net Cash used in Investing Activities		(3,710,310)	(1,803,446)
Cash Flow from Financing Activities			
Issue of share capital		5	7
Interest paid		(1,407,562)	(1,415,560)
New secured loans		2,000,000	3,000,000
Repayments of borrowings		(580,675)	(567,047)
Net Cash from Financing Activities		11,763	1,017,400
Net Increase in Cash and Cash Equivalents		421,784	8,704,932
Cash and cash Equivalents at Beginning of Year		15,772,524	7,067,592
Cash and Cash Equivalents at End of Year	19	16,194,308	15,772,524

ACCOUNTING POLICIES

For the year ended 31 March 2017

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 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 (£).

Basis of consolidation

The Association and its subsidiary undertaking comprise a group. The Financial Conduct Authority has granted exemption from preparing group financial statements. The accounts therefore represent the results of the Association and not the group.

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.

ACCOUNTING POLICIES

For the year ended 31 March 2017

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 £168,743 for the next 5 years has been discounted at a rate of 2.29% amounting to a net present value of £857,000 at 31 March 2017.

Going Concern

The Committee of Management has reviewed the results for the year and has also reviewed the projections for the next 5 years.

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.

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.

Intangible Fixed Assets

Intangible fixed assets are initially measured at cost and are subsequently measured at cost less accumulated amortisation and accumulated impairment losses. Intangible fixed assets are amortised to profit or loss on a straight-line basis over their useful lives as follows:

Computer software 4 years

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.

ACCOUNTING POLICIES

For the year ended 31 March 2017

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 Statement of Comprehensive Income.

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.

ACCOUNTING POLICIES

For the year ended 31 March 2017

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 Property	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.

ACCOUNTING POLICIES

For the year ended 31 March 2017

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.

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.

ACCOUNTING POLICIES

For the year ended 31 March 2017

Lease Policy

All leases are operating leases and the annual rents are charged to the Statement of Comprehensive Income on a straight line basis. Operating Lease are in operation for the leasing of 63 Mid Market Rented Units to New Gorbals Property Management Ltd.

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 2017

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 2017

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

			2017	2016
	Notes	Turnover £	Operating costs £	Operating Surplus £
Affordable letting activities	3	12,409,808	(9,110,601)	3,299,207
Pension remeasurement		736,000	-	736,000
Other activities	4	1,261,526	(1,142,955)	118,571
Total		14,407,334	(10,253,556)	4,153,778
Total for previous reporting period		13,793,258	11,223,382	2,569,876

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2017

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 2017 £	Total 2016 £
Rent receivable net of service charges	9,566,391	299,516	37,488	9,903,395	9,763,629
Service charges	356,502	61,697	19,236	437,435	444,014
Gross income from rents and service charges	9,922,893	361,213	56,724	10,340,830	10,207,643
Less voids	(58,599)	(1,982)	-	(60,581)	(55,552)
Net income from rents and service charges	9,864,294	359,231	56,724	10,280,249	10,152,091
Grants released from deferred income	1,929,221	-	18,755	1,947,976	1,630,013
Revenue grants received from Scottish ministers	181,583	-	-	181,583	-
Total turnover from affordable letting activities	11,975,098	359,231	75,479	12,409,808	11,782,104
Management and maintenance administration costs	2,726,513	92,212	25,045	2,843,770	2,368,420
Service costs	1,389,553	46,995	12,764	1,449,313	1,654,249
Planned and cyclical maintenance including major repairs costs	544,892	18,428	-	563,320	1,283,547
Reactive maintenance costs	1,356,147	45,866	-	1,402,013	1,911,741
Bad debts - rents and service charges	139,334	4,712	-	144,046	71,299
Depreciation of affordable let properties	2,580,432	87,271	40,436	2,708,139	2,520,109
Operating Costs for affordable letting activities	8,736,871	295,484	78,245	9,110,601	9,809,365
Operating surplus or deficit for affordable letting activities	3,238,228	63,478	(2,766)	3,299,207	1,972,739
Operating surplus or deficit or affordable letting activities for previous reporting period	1,829,980	145,534	(2,775)	1,972,739	

New Gorbals Housing Association Limited

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2017

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	-	61,640	-	-	61,640	-	170,919	(109,279)	103,863
Care and repair	-	-	-	-	-	-	-	-	-
Factoring	-	-	-	785,304	785,304	974	755,954	28,376	10,529
Care activities	-	-	-	-	-	-	-	-	-
Contracted out activities undertaken for registered social landlords	-	-	-	27,788	27,788	-	27,788	-	-
Contracted out services undertaken for other organisations	-	-	-	-	-	-	-	-	-
Developments and improvements for sale to other organisations	-	-	-	-	-	-	-	-	-
Gift aid distribution from subsidiary	-	-	-	120,455	120,455	-	-	120,455	-
Rental from mid-market properties and management charges income	-	-	-	235,079	235,079	-	177,906	57,173	-
Other activities	-	-	-	31,260	31,260	-	9,414	21,846	482,745
Total from other activities	-	61,640	-	1,199,886	1,261,526	974	1,141,981	118,571	597,137
Total from other activities for the previous reporting period	-	469,653	-	1,541,501	2,011,154	(1,814)	(1,412,203)	597,137	

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 March 2017

5. ACCOMMODATION IN MANAGEMENT

	2017 Units	2016 Units
General needs housing	2,395	2,387
Shared ownership	22	23
Supported housing	81	84
TOTAL UNITS IN MANAGEMENT	2,498	2,494

6. INTEREST RECEIVABLE AND SIMILAR INCOME

	2017 £	2016 £
Interest on bank deposits	126,302	90,821

7. INTEREST PAYABLE AND SIMILAR CHARGES

	2017 £	2016 £
Interest arising on:		
Bank loans and overdrafts	1,394,096	1,455,298
Defined benefit pension charges	59,990	102,395
Less: Interest capitalised on housing properties under construction	(46,524)	(142,133)
	1,407,562	1,415,560

8. OPERATING SURPLUS OR DEFICIT

	2017 £	2016 £
Operating surplus is stated after charging/(crediting):		
Depreciation of housing properties	2,695,056	2,494,041
Depreciation of other tangible fixed assets (note 11.B)		
- owned	91,775	83,173
Depreciation of intangible fixed assets (note 11.C)	28,339	-
(Surplus)/deficit on disposal of tangible fixed assets (note 9)	(123,751)	(105,923)
Fees payable to RSM UK Audit LLP and its associates in respect of both audit and non-audit services are as follows:		
	2017 £	2016 £
Audit services - statutory audit of the Association	12,500	14,976
Other services:-		
Taxation compliance services	24,976	15,136
All other non-audit services	-	1,440
	37,476	31,552

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2017

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

	2017	2016
	£	£
Disposal proceeds	324,350	224,381
(Loss)/Gain on Renewal of components	(42,906)	1,237
Carrying value of fixed assets	(157,693)	(119,695)
	<u>123,751</u>	<u>105,923</u>

10. EMPLOYEES

	2017	2016
	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	23
Housing support and care	37	35
In-house Services Team	16	-
Development	6	5
	<u>82</u>	<u>63</u>
	2017	2016
	£'000	£'000
Staff costs for the above persons:		
Wages and salaries	2,432	2,080
Social security costs	248	182
Other pension costs and current service cost (note 21)	428	397
	<u>3,108</u>	<u>2,659</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	3	1
£70,001 - £80,000	1	1
£80,001 - £90,000	-	-
£90,001 - £100,000	-	-

	2017	2016
	£	£
Aggregate emoluments for the above key management personnel (excluding pension contributions)	<u>263,532</u>	<u>141,115</u>
The emoluments of the Chief Executive (excluding pension contributions)	<u>78,223</u>	<u>77,447</u>
Aggregate pension contributions in relation to the above key management personnel	<u>32,415</u>	<u>17,357</u>

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2017

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 2016	125,041,424	12,511,994	1,731,199	139,284,617
Additions	-	3,857,988	-	3,857,988
Properties acquired	1,372,500	-	-	1,372,500
Works to existing properties	1,496,424	-	-	1,496,424
Schemes completed	6,232,069	(6,232,069)	-	-
Disposals	(259,170)	-	(139,888)	(399,058)
31 March 2017	133,883,247	10,137,913	1,591,311	145,612,471
Depreciation and impairment				
1 April 2016	21,614,706	-	649,434	22,264,140
Depreciation charged in year	2,662,166	-	32,890	2,695,056
Released on disposal	(141,315)	-	(57,144)	(198,459)
31 March 2017	24,135,557	-	625,180	24,760,738
Net book value				
31 March 2017	109,747,690	10,137,913	966,131	120,851,733
31 March 2016	103,426,718	12,511,994	1,081,765	117,020,477

EXPENDITURE ON WORKS TO EXISTING PROPERTIES

	2017 £	2016 £
Replacement component spend capitalised	2,428,051	2,492,908
Amounts charged to income and expenditure	16,273	943,839
Total major repairs spend	2,444,324	3,436,747

FINANCE COSTS

	2017 £	2016 £
Aggregate amount of finance costs included in the cost of housing properties	597,111	550,594

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 March 2017

11.B TANGIBLE FIXED ASSETS – OTHER

	Freehold property £	Computers and Office Equipment £	Furniture, fixtures and fittings £	Total £
Cost				
1 April 2016	1,303,743	329,592	429,798	2,063,133
Additions	95,377	37,225	54,309	186,911
31 March 2017	1,399,120	366,817	484,107	2,250,044
Depreciation and impairment				
1 April 2016	207,981	242,155	416,222	866,358
Depreciation charged in year	16,947	54,896	19,932	91,775
31 March 2017	224,928	297,051	436,154	958,134
Net book value				
31 March 2017	1,174,193	69,765	47,954	1,291,912
31 March 2016	1,095,762	87,437	13,576	1,196,775

11.C INTANGIBLE FIXED ASSETS

	Computer Software £	Total £
Cost		
1 April 2016	-	-
Additions	113,356	113,356
31 March 2017	113,356	113,356
Depreciation and impairment		
1 April 2016	-	-
Depreciation charged in year	28,339	28,339
31 March 2017	28,339	28,339
Net book value		
31 March 2017	85,017	85,017
31 March 2016	-	-

New Gorbals Housing Association Limited

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 March 2017

11.D INVESTMENTS

	2017 £	2016 £
Investment in subsidiary undertakings	1	1

New Gorbals Housing Association Limited owns 1 ordinary £1 share in New Gorbals Property Management Limited. This represents a 100% shareholding in New Gorbals Property Management Limited, a company registered in Scotland, whose principal activity is that of provision of management of mid market rented properties. As at 31 March 2017, the capital and reserves of New Gorbals Property Management Limited were £1 with a taxable profit for the year of £120,511.

12. DEBTORS

	2017 £	2016 £
Amounts falling due within one year:		
Rent and service charges receivable	982,439	1,030,674
Less: net present value adjustment	(8,620)	(10,140)
Less: provision for bad and doubtful debts	(192,696)	(192,789)
	781,123	827,745
 HAG receivable	 328,161	 228,174
Other debtors	794,184	1,026,343
Prepayments and accrued income	77,063	96,969
Amounts due from group undertakings	279,582	-
	2,260,113	2,179,231

13. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2017 £	2016 £
Debt (note 16)	759,314	668,247
Rent and service charges received in advance	208,631	190,496
Deferred capital grants (note 15)	1,867,260	6,003,352
Trade creditors	801,429	989,490
Other taxation and social security costs	-	30,664
Other creditors	1,439,101	1,177,754
Accruals and deferred income	227,381	159,989
	5,303,116	9,219,992

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 March 2017

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

	2017	2016
	£	£
Debt (note 16)	38,448,003	37,119,751
Deferred capital grant (note 15)	68,667,868	63,795,118
	<u>107,115,871</u>	<u>100,914,869</u>
	2017	2016
	£	£
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	35,395,247	34,430,932

15. DEFERRED CAPITAL GRANT

	2017	2016
	£	£
As at 1 April	69,798,470	64,640,812
Grant received in the year	2,684,634	7,214,332
Capital grant released	(1,947,976)	(2,056,674)
As at 31 March	<u>70,535,128</u>	<u>69,798,470</u>
	2017	2016
	£	£
Amounts to be released within one year	1,867,260	6,003,352
Amounts to be released in more than one year	68,667,868	63,795,118
	<u>70,535,128</u>	<u>69,798,470</u>

16. DEBT ANALYSIS - BORROWINGS

	2017	2016
	£	£
Creditors: amounts falling due within one year:		
Bank loans	759,314	668,247
	<u>759,314</u>	<u>668,247</u>
Creditors: amounts falling due after more than one year:		
Bank loans	38,448,003	37,119,751
	<u>38,448,003</u>	<u>37,119,751</u>
Total	<u>39,207,317</u>	<u>37,787,998</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 £759,315 per annum from 31 March 2017 until 31 March 2020, £31,082,319 (2016: £28,766,721) bears average fixed-rate coupons of 4.68% per annum (2016: 4.68% per annum) and £8,124,995 (2016: £8,772,412) bears average variable-rate coupons of 1.75% above LIBOR (2016: 1.15% above LIBOR). The Association makes quarterly repayments of the bank borrowings.

New Gorbals Housing Association Limited

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2017

Bank borrowings of £39.2m (2016: £37.8m) are secured against the Association's housing properties.

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

	2017 £	2016 £
Due within one year	759,314	668,247
Due in one year or more but less than two years	774,813	684,073
Due between two and five years	2,277,942	2,004,741
Due more than five years	35,395,248	34,430,932
	<u>39,207,317</u>	<u>37,787,993</u>

17. PROVISIONS

	Holiday pay £	Total £
1 April 2016	54,557	54,557
Utilised in the year	(54,557)	(54,557)
Additional provision in year	94,243	94,243
31 March 2017	<u>94,243</u>	<u>94,243</u>

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.

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.

	2017 Number	2016 Number
Number of members		
1 April	155	161
Joined during the year	5	7
Left during year	(12)	(13)
31 March	<u>148</u>	<u>155</u>

RESERVES

Reserves of the Association represent the following:

	2017 £	2016 £
Income and Expenditure Account		
1 April 2016	23,655,435	21,772,367
Surplus for the year	2,875,814	1,351,060
Actuarial (loss)/gain for year	(763,000)	532,000
31 March 2017	<u>25,768,249</u>	<u>23,655,435</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 March 2017

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

	2017 £	2016 £
Surplus for the year	2,233,269	1,883,060
Adjustments for non-cash items:		
Depreciation of intangible fixed assets	28,339	-
Depreciation of tangible fixed assets	2,786,831	2,577,216
Amortisation of capital grants	(2,129,559)	(2,056,674)
Increase/(decrease) in provisions	(6,679)	(548,246)
(Gain)/loss on disposal of tangible fixed assets	(123,751)	(105,923)
Interest receivable	(126,302)	(90,821)
Interest payable	1,407,562	1,415,560
Share cancelled	(12)	(13)
Operating cash flows before movements in working capital	4,069,698	3,074,159
Increase in investments	-	1
Decrease/(increase) in trade and other debtors	(80,882)	7,453,202
Increase/(decrease) in trade and other creditors	131,515	(1,036,384)
Cash generated from / (used in) operations	4,120,331	9,490,978

CASH AND CASH EQUIVALENTS

	2017 £	2016 £
Cash and cash equivalents represent:-		
Cash at bank	139,575	341,126
Short-term deposits	16,054,733	15,431,398
	16,194,308	15,772,524

20. CAPITAL COMMITMENTS AND OTHER CONTRACTUAL OBLIGATIONS

	2017 £	2016 £
Capital expenditure contracted for but not provided in the financial statements	11,311,817	1,729,672

The above commitments will be funded through existing finance and grant.

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 £281,300 (2016: £224,000). Contributions totalling £80,323 (2016: £49,169) 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 2017

21. RETIREMENT BENEFITS (continued)

The company participates in the scheme, a multi-employer scheme which provides benefits to over 150 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 Trustee has asked the participating employers to pay additional contributions to the scheme as follows:

Deficit contributions

From 1 April 2014 to 30 September 2027:	£26,304,000 per annum (payable monthly, increasing by 3% each 1st April)
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A full actuarial valuation for the scheme was carried out at 30 September 2015. This actuarial valuation showed assets of £616m, liabilities of £814m and a deficit of £198m. To eliminate this funding shortfall, the Trustee has asked the participating employers to pay additional contributions to the scheme as follows:

Deficit contributions

From 1 April 2017 to 28 February 2022:	£25,735,092 per annum (payable monthly, increasing by 3% each 1st April)
From 1 April 2017 to 30 June 2025:	£727,217 per annum (payable monthly, increasing by 3% each 1st April)
From 1 April 2017 to 31 October 2026:	£1,239,033 per annum (payable monthly, increasing by 3% each 1st April)

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

Where the scheme is in deficit and where the 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.

New Gorbals Housing Association Limited

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2017

PRESENT VALUES OF PROVISION

	31 March 2017 (£000s)	31 March 2016 (£000s)	31 March 2015 (£000s)
Present value of provision	857	1,700	1,809

RECONCILIATION OF OPENING AND CLOSING PROVISIONS

	Period Ending 31 March 2017 (£000s)	Period Ending 31 March 2016 (£000s)
Provision at start of period	1,700	1,809
Unwinding of the discount factor (interest expense)	37	38
Deficit contribution paid	(144)	(140)
Remeasurements - impact of any change in assumptions	25	(7)
Remeasurements - amendments to the contribution schedule	(761)	-
Provision at end of period	857	1,700

INCOME AND EXPENDITURE IMPACT

	Period Ending 31 March 2017 (£000s)	Period Ending 31 March 2016 (£000s)
Interest expense	37	38
Remeasurements – impact of any change in assumptions	25	(7)
Remeasurements – amendments to the contribution schedule	(761)	-
Contributions paid in respect of future service*	168	144
Costs recognised in Statement of Comprehensive Income	123	119

*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.

ASSUMPTIONS

	31 March 2017 % per annum	31 March 2016 % per annum	31 March 2015 % per annum
Rate of discount	1.06	2.29	2.22

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

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 March 2017

21. RETIREMENT BENEFITS (Continued)

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 are 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 were carried out at 31 March 2017.

The employers contribution to the SPF by the RSL for the year ended 31 March 2017 were £75,688 (2016 - £77,000) 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 principal assumptions used in the calculation of the valuation of the plan assets and the present value of the defined benefit obligation include:

	2017	2016
Discount rate	2.7%	3.6%
Future salary increases	4.4%	4.2%
Future pension increases	2.4%	2.2%
Proportion of employees opting for early retirement	-	-
Post-retirement mortality	1.5	1.5

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

	2017 Years	2016 Years
Male	22.1	22.1
Female	23.6	23.6

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

	2017 Years	2016 Years
Male	24.8	24.8
Female	26.2	26.2

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

	2017 £'000	2016 £'000
Current service cost	90	114
Net interest on the net defined benefit pension liability	23	35
Benefit changes, gain/(loss) on curtailment and gain/(loss) on settlement	(76)	(77)
	37	72

New Gorbals Housing Association Limited

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2017

21. RETIREMENT BENEFITS (Continued)

Changes in the present value of the defined benefit obligation:	£'000
Defined benefit obligation at 1 April	3,083
Current service cost	90
Interest cost	113
Contributions by scheme participants	25
Plan introductions, changes, curtailments and settlements	1,254
Benefits paid	(6)
Defined benefit obligation at 31 March	<u>4,559</u>
Changes in the fair value of plan assets:	£'000
Plan assets at 1 April	2,459
Interest income	90
Actuarial (losses)/gains	
Return on plan assets (excluding net interest on the defined benefit liability)	491
Contributions by employer	76
Contributions by scheme participants	25
Benefits paid	(6)
Plan assets at 31 March	<u>3,135</u>
Net provision at 31 March	<u>1,424</u>

The actual return on plan assets was £90,000 (2016: £210,000).

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

	Fair value of assets	
	2017	2016
Equity instruments	73%	72%
Debt instruments	12%	16%
Property	10%	12%
Other assets	5%	0%
	<u>100%</u>	<u>100%</u>
Total pension provision at 31 March		<u>2,281</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 March 2017

22. RELATED PARTY TRANSACTIONS

Committee of Management members are also tenants of the Association. Their tenancies are on normal commercial terms. During the year £62,832 (2016: £54,532) of rent was receivable from these tenant members. At the year-end there were £3,226 (2016: £2,909) of rent arrears due from these tenant members.

During the year we charged £235,078 in rent and management charges (2016: £21,358) to our subsidiary New Gorbals Property Management. NGPM was incorporated in January 2016 primarily for the letting of mid-market rented properties. At 31st March £279,582 was due from the subsidiary in group debtors, £159,127 of debt due to charges and £120,455 from gift aid.

23. 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 2017, 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 Statement of Comprehensive Income, with the cost of the replacement and any additional funding for this replacement being capitalised. The recycled grant recognised in the Statement of Comprehensive Income at 31 March 2017 was £nil (2016: £nil).

At 31 March 2017, the Association had no other contingent liabilities (2016 - £nil).

24. COMMITMENTS UNDER OPERATING LEASE

At 31 March 2017 total future minimum lease payments under non-cancellable operating leases as set out below.

	2017		2016	
	Land and buildings £	Other Items £	Land and buildings £	Other Items £
Amounts due:				
-Within 1 year	7,000	66,743	7,000	-
Within 2 to 5 years	-	105,676	-	-
	7,000	172,419	7,000	-