

NORTH GLASGOW HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2016

Registered Housing Association No. HCB 187

Financial Conduct Authority No. 1865R(S)

Charity No. SC 030635

NORTH GLASGOW HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2016

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Registration Particulars:

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|-----------------------------|---|
| Financial Conduct Authority | Co-operative and Community Benefit Societies Act 2014 Registered Number 1865R(S) |
| Scottish Housing Regulator | Housing (Scotland) Act 2014 Registered Number HCB 187 |
| Scottish Charities | Charities and Trustee Investment (Scotland) Act 2005 Scottish Charity Number SC 030635 |

Auditors

Wylie & Bisset LLP
168 Bath Street
Glasgow
G2 4TP

Solicitors

T C Young
7 West George Street
Glasgow
G2 1BA

Bankers

Clydesdale Bank
30 St Vincent Place
Glasgow
G1 2HL

Funders

| | |
|-----------------------------|-----------------------|
| Nationwide Building Society | THFC |
| Caledonia House | 4 TH Floor |
| Carnegie Avenue | 107 Cannon Street |
| Dunfermline | London |
| KY11 8PJ | EC4N 5AF |

NORTH GLASGOW HOUSING ASSOCIATION LIMITED

REPORT OF THE BOARD AND STRATEGIC REPORT

31 MARCH 2016

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

Principal activity

The principal activity of the Association is the provision of housing for let at rents affordable to the client group for whom it intends to provide.

The Association is registered with the Financial Conduct Authority as a Community Benefit Society, The Office of the Scottish Charities Regulator (OSCR) as a charity and the Scottish Housing Regulator as a Registered Social Landlord. The Association is primarily regulated by the Scottish Housing Regulator.

STRATEGIC REPORT

Our Strategic Aims

The Association has within its Strategic Aims:

- Dedication to offering housing solutions and routes into social inclusion by building, managing and maintaining a range of affordable housing, and providing support for varying needs;
- Contributing to community sustainability and regeneration, through innovation and relationships built on trust with our customers and partners;
- Ensure we are an employer of choice, and that we deliver quality service and standards throughout our activities including customer involvement;
- Ensure that the Association is financially and operationally viable; and
- Respect for diversity, and ensuring accountability, openness, integrity and compliance in the governance of our activities.

Our vision is one of diverse communities in which people can expand their opportunities, exercise choice and maximise their potential. To help achieve this, we want to help to drive innovation and quality in accessible housing and support in Scotland. Some of the main objectives which we think can help achieve this aim include:

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- demonstrating innovation in housing design, where possible influencing the practice of others and helping to raise standards generally
 - achieving continuous improvement in all the services we deliver, and achieving and maintaining high standards of business efficiency and effectiveness
 - creating opportunities for significant levels of user involvement in what we do
 - being recognised by regulators and strategic partners as delivering excellent performance

We see these as significant objectives, which challenge the way we deliver our core services of housing, housing support, advice, and consultancy. We seek to challenge what we currently do and look to improve, rather than simply carry on with existing patterns of work.

Going Concern

The Board 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.

NORTH GLASGOW HOUSING ASSOCIATION LIMITED

REPORT OF THE BOARD AND STRATEGIC REPORT

31 MARCH 2016

(Continued)

Corporate Governance

The Association has a Board who are elected by the members of the Association (as listed on page 10). It is the responsibility of the Board to undertake the strategy, setting of policy and overall direction for the Association. They also monitor the operational activities of the Association. The members of the Board are unpaid.

The Executive Team of the Association (as listed on page 10) are responsible for achieving the strategy set and undertaking the operational activities in line with the policies set.

Our governing body is our Board, which is responsible to the wider membership. Board members serve in a voluntary capacity, and we recognise that this puts even more onus on us to ensure that we set and achieve high standards of professionalism in our work. We take governance very seriously, and in the last year we continued to build on work from previous years which strengthened our governance arrangements.

Achievements and performance

The growth and success of North Glasgow Housing Association (NGHA) over the past forty years has been a remarkable story. Since its formation in 1976 to save a block of condemned tenements in Springburn from demolition, the Association has evolved to become a major economic player in the north of the city. Serving the Springburn and Possilpark areas of Glasgow, the Association is now responsible for the management of almost 5,500 homes. The continued success of the business has been based on two key factors, planned growth and continuous improvement. This has been another eventful year for the Association during which progress has been made on many fronts.

The Association believes that we will only make our communities better by working in partnership with others. As we also believe in improving the whole community and not just the housing in it, we are very active in wider action work as can be seen throughout this report. We are continually looking at new initiatives to improve our communities.

The Association faces many challenges in the years ahead. We have a strong staff and Board and we look forward to continuing to work with them and all of our customers to ensure that we carry on improving as an organisation. If you have access to the internet we would encourage you to look at our website www.nghomes.net, which is regularly updated with Association news.

We are continuously striving to improve our performance and provide the best possible customer service. If you have any comments on our work, please contact our offices or email: info@nghomes.net

This report details issues that have arisen during the year relating to the activities undertaken by the Association.

NORTH GLASGOW HOUSING ASSOCIATION LIMITED

REPORT OF THE BOARD AND STRATEGIC REPORT

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Investment Activities

Development and maintenance review

The Association's development and planned maintenance programme has continued to deliver for tenants and communities in the north of the city. This year the Association spent £2.3m million on acquisition of houses and capitalised investment in upgrading properties. During the year no new developments were started on site.

The Association is committed to ensuring all its homes are maintained to a good standard and as such operates a rolling programme to improve properties through, for example, the installation of central heating and kitchens in tenants' homes. Major investment in the year included programmes of work to improve the carparks at the Viewpoint and Balgrayhill multis, lift replacements at the Viewpoint, Wellfield and Balgrayhill multis, close and stairwell painting, door entry and lighting upgrades and environmental upgrades across the stock. Thanks to the Energy Trust for providing grant support for the Green Homes Cashback Scheme for internal wall insulation programme and Scottish Power for support on the trial of central heating connect units under the Control and Save programme.

Scottish Housing Quality Standard

All Registered Social Landlords were required to comply with the Scottish Housing Quality Standards (SHQS) by 31 March 2015 in relation to ensuring that all housing stock complies with standards in energy efficiency, modern facilities/services and healthy, safe and secure properties. At March 2016 100% of the stock met the standards.

Home Ownership

In 2003 Communities Scotland, with funding from the Scottish Executive, launched a Mortgage to Rent scheme, aimed at helping those under threat of repossession as a result of mortgage arrears. This scheme has been expanded by the Scottish Government with the difficulties being encountered in the current financial environment. The Association is committed to the scheme, which allows the owner to become a tenant, avoiding the upheaval of removing families from their existing support networks, and the costs of housing homeless families. In the year ended 31 March 2016 we completed nil mortgage to rent purchases. The Association did complete one buyback of a shared ownership property in the year. In addition there were eight open market purchases in the year.

~~Twenty four properties were sold under right to buy in the year together with three shared ownership sales completing to full ownership.~~

Best use of resources

We have continued with the programme of major investment in our housing stock, which is by far our most valuable asset. This includes both carrying out major repairs, and also considering whether any of our housing should be remodelled to meet the changing requirements of tenants in the future. We are updating our stock condition information through specific asset management models for each area of our stock to ensure that our long-term financial planning reflects our future investment requirements. We continue to look for efficiencies and economies in the way that we carry out business processes.

NORTH GLASGOW HOUSING ASSOCIATION LIMITED

REPORT OF THE BOARD AND STRATEGIC REPORT

31 MARCH 2016

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Housing review

Rent collection, allocations and voids

The overall rent collection rate was 98.48% (2015 – 98.44%) and the outstanding non technical current arrears at the year end represents 3.13% (2015 - 4.06%) of the total rent roll. The arrears and tenancy sustainment teams working together with welfare rights advisers aim to reduce this total. With welfare changes and delays in benefit administration it is a challenging environment in which to keep arrears low. Future welfare changes and the continuing difficult economic environment will add to the problems in this area. The number of evictions increased from ten in 2014/15 to 13 in the current year.

The Association let 502 (2015 - 526) properties during the year. The Association continues to allocate relets and new lets as quickly as possible, to ensure that we maximise our effectiveness in housing people in need and minimise our costs. The average time taken to re-let or let a new property was 13 days (2015 – 12.7 days). This is a good performance and work will continue to maintain this figure over the coming year. The rent loss due to empty properties was £99k (2015 - £89k).

During the year the Association allocated 42 lets (2015 - 112 lets) to Section 5 homelessness referrals, representing 8% (2015 - 21%) of the lets made in the year. In addition to the homeless there is still significant unmet demand with 1,965 (2015 – 2,135) on the waiting list with 752 (2015 - 777) new applications added in the year.

Customer Services

The Association is committed to a high standard of customer service in all its activities. The principal point of contact for customer enquiries is with the housing management and maintenance staff. The quality and customer satisfaction of these services is closely monitored, and steps are taken to improve them further on an ongoing basis.

Accreditation

The Association continues to enjoy the benefits of both Investors in People and Customer Service Excellence accreditation in recognition of its commitment to staff training and development and excellent customer service. The Association has IIP Gold level status. The Association also has a Healthy Working Lives Bronze award and retained our Positive about Disabled People status.

Tenant Consultation/Communications

Tenant consultation is vital to the continued success of the Association. The Association's desire to ensure that we communicate effectively with as many tenants as possible has resulted in the Association producing information in a variety of formats including quarterly newspaper, patch newsletters, the website, social media and on plasma screens in reception areas. Regular customer surveys on service performance were also carried out. We have continued to encourage tenants to get involved in the formulation of our policies and procedures through consultations. Examples of this are the use of focus groups to discuss and prioritise issues and action areas of concern.

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REPORT OF THE BOARD AND STRATEGIC REPORT

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Diversity

The Association is firmly committed to providing flexible services to our increasingly diverse society. Equality and fairness underpin our whole business philosophy. We take a positive approach to promoting our services to all communities. The Association has in place resources through interpreters and the Happy to Translate multi language resource to aid communication to all our tenants.

Other areas

Other areas of note within housing management during the year included:

- The arrears team contributed significantly to keeping the level of arrears down.
- Implementation of the Welfare Reform Action Plan, including tenant surveys.
- Work continued on upgrading the IT systems within housing management and ensuring that the systems were used more efficiently and effectively.
- Continuing free cover of £15,000 of contents insurance for tenants who are over sixty. This is helping promote financial social inclusion and ensures that there is cover in the event of a serious incident for those who generally don't have any cover in place.

Regeneration Activities

Partnerships with other agencies

Effective partnerships with agencies, which provide a range of services and support to tenants were developed. These agencies include among others the Scottish Government, The Big Lottery Fund, Glasgow Life, Winning Scotland Foundation, Keep Scotland Beautiful and Glasgow City Council.

Community Regeneration

The Association has continued to impact on the wider regeneration of the north of the city through a variety of different projects.

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- The Association set up in 2010 a social economy company NG 2 Limited to encourage local employment and training opportunities. This has resulted in direct employment within the company of over eighty staff all of whom are paid at the Glasgow minimum wage and above. The company now carries out among other activities close cleaning, bulk uplift, close maintenance, void electrical and joinery work and general environmental improvement activities. The accompanying partnership training and employability programme funded in part by the Scottish Government and the Association has resulted so far in over sixty trainees receiving intensive and quality training together with six months work experience to improve their employability. A significant number of the trainees have progressed on to continuing employment.
 - A Community Transport Scheme provides residents of pension age or with a disability with transport to local or city centre shops on a regular and scheduled basis.
 - In conjunction with Inspiring Scotland an initiative to improve community involvement continued in the year under the Link Up banner. This was to develop existing and facilitate new 'links' that bring people in the community together to undertake mutually beneficial activities, using this experience to increase the number of social connections and therefore social capital in the community as well as the confidence and capacity of the individuals involved.

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- A wide range of community development and sporting projects were undertaken in the year. Also programmes of work were undertaken with secondary schools to develop interschool relationships. The Healthy Hearts programme in conjunction with the NHS, AXIS Health Hubs and Active Schools produced a health and Fitness programme for Primary six and seven pupils. This will be continued in the next year with the Active Early Years programme with support from Winning Scotland Foundation.
- An environmental programme came to an end in the year. With the support of the Climate Challenge Fund a new programme started just after the year end. As a result of the ongoing work and due to other projects North Glasgow was awarded the Programme of the Year Award for 2016 By Keep Scotland Beautiful for the success of its work in developing initiatives and strategies to provide cleaner neighbourhoods.
- The Associations Springburn office provided office space to Scotcash who act as a lender to the most economically disadvantaged at interest rates that are substantially lower than other providers. Welfare and financial advice is also provided as part of the service.
- Funding from Winning Scotland Foundation assists in providing a Commonwealth Games Legacy sports facilitator post to promote sport in the north of the city.
- The Scottish Government through the People and Communities Fund provided £130k for the Bridge, Build and Bond Project. The project was about engaging the people in North Glasgow to be part of addressing the needs they themselves identify. The 3 B's programme provided a comprehensive asset based community development approach to various projects with the aim of creating a sustainable programme and so build on community resilience and enhancing the social capital of individuals and groups through 'building, bonding and bridging' approaches
- Funding of £229k from the Big Lottery Fund for the Glasgow Big Partnership for Welfare Project (EPIC 360). This is part of a three year grant award totaling £857,033 for the Project. This will support people throughout Glasgow to get help and support to improve their financial skills.

Financial Review

The results for the year are shown in the statement of comprehensive income.

For 2015/16 there was an increase in getting major repairs contracts on site. Major investment in the year included programmes of work to improve the carparks at the Viewpoint and Balgrayhill multis, lift replacements at the Viewpoint, Wellfield and Balgrayhill multis, close and stairwell painting, door entry and lighting upgrades and environmental upgrades across the stock. Efficiencies made and increased revenues helped to achieve the result for the year. The Association also benefitted from movements in the valuations of the pension schemes which resulted in a £1.16m credit to this year's surplus as opposed to a £1.84m charge in the previous year.

With the surplus the Association is in a better financial position with in excess of £17m deposited as cash funds, at the year end. The Association continues to have a significant major repair investment programme due to our commitments to keep the properties to a good standard and the long term promises for improvements to the transferred stock. Cash surpluses will continue to be made, subject to our planned maintenance programme over the next few years.

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Treasury Management

The Association has an active treasury management function, which operates in accordance with the Treasury Management Policy approved by the Board. 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 the Association has a mix of fixed and variable rate finance which it considers appropriate at this time.

The Association constantly keeps its loan portfolio under review and seeks to manage its variable rate loans at the historically low rates that are currently available. The average interest rate on the loans in the year was 3.89% (2015 – 3.87%).

Under the terms of the loan agreements, 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. As far as the Board are aware the terms of all covenants were met during the year.

Payment to creditors

The Association's policy concerning the payment of its trade creditors complies with the Confederation of British Industry guidelines. The Association aims to pay its creditors within their credit terms and prioritises payments to its smaller suppliers.

Pensions

The Association has staff in both the Scottish Housing Association Pension Scheme (SHAPS) and Strathclyde Pension Fund (SPF). An active review of both existing pension schemes continued in the year together with consideration of other pension issues such as auto enrolment.

The Scottish Housing Regulator has urged registered social landlords (RSLs) to adopt a candid and realistic approach to resolving the issues arising from the historic under-funding of pension liabilities. The RSL sector has had to deal with a substantial increase in pension contributions in their future plans. The Association closed off entry to the final salary element of the SHAPS scheme back in 2011 and is considering further changes to the scheme options. The current Statement of Recommended Practice (based on Financial Reporting Standard 102) ~~includes the requirement to bring into the balance sheet the liability based on the deficit payments to the SHAPS scheme.~~ The Association has done this in this set of financial statements.

The membership in the SPF scheme arose as a result of staff that came into the Association as part of the stock transfer in 2011. The membership in the scheme is on a closed basis and only those staff that came across have the right to join the SPF. As a result active membership is declining as staff leave the Association. While the Association's element of the SPF is at a much better funding level compared to the SHAPS scheme, an active review of the financing and options relating to the SPF continues to be undertaken.

The Association had a staging date of May 2014 for putting in place pension arrangements that satisfied the requirements under auto enrolment legislation. A scheme was put in place by that date.

FRS 102 accounts transition

The Association has transitioned from previously extant UK GAAP to FRS 102 for the year ended 31 March 2016 and has restated the comparative prior year amounts. One of the key changes has been the adoption by the Association of deemed cost transitional relief and to now account for its housing property assets at deemed cost. Prior period balances have been adjusted to reflect this implementation which has resulted in an increase in reserves at 31 March 2015 of £40m (details are set out in note 30).

NORTH GLASGOW HOUSING ASSOCIATION LIMITED

REPORT OF THE BOARD AND STRATEGIC REPORT

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(Continued)

Policies and procedures

Risk Management Policy

The Board have a formal risk management process to assess business risks and implement risk management strategies. This involves identifying the types of risks the Association faces, prioritising them in terms of potential impact and likelihood of occurrence, and identifying means of mitigating the risks. As part of this process the Board have reviewed the adequacy of the Association's current internal controls.

The Board have set policies on internal controls which cover the following:

- Consideration of the type of risks the Association faces;
- The level of risks which they regard as acceptable;
- The likelihood of the risks concerned materialising;
- The Association's ability to reduce the incidence and impact on the business of risks that do materialise; and the costs of operating particular controls relative to the benefit obtained;
- Clarified the responsibility of management to implement the Board's policies and identify and to evaluate risks for their consideration;
- Communicated that employees have responsibility for internal control as part of their accountability for achieving objectives;
- Embedded the control system so that it becomes part of the culture of the Association;
- Developed systems to respond quickly to evolving risks arising from factors within the Association and to changes in the external environment; and
- Included procedures for reporting failings immediately to appropriate levels of management and the Board together with details of corrective action being undertaken.

General Reserves Policy

The Board members have previously reviewed the reserves of the Association in conjunction with the long term maintenance plans. This review encompassed the nature of the income and expenditure streams, the need to match variable income with fixed commitments and the nature of the reserves. The review concluded that to allow the Association to be managed efficiently and to provide a buffer for uninterrupted services, reserves equivalent to at least one year's operating costs should be maintained. During the year the Association's revenue reserves increased from £17.8m to £22.7m.

While this is welcome in future years there will be significant expenditure required to upgrade the stock that has been transferred. The Association's maintenance life cycle plan has resulted in the Association running through a period of years where there has been significant planned maintenance expenditure. The transferring stock still requires significant expenditure in the immediate years and further increase in reserves may be delayed. Also it is clear that future building of new stock will be done with considerably lower grant levels than in the past. The Association will need to generate higher levels of internal reserves to fund future stock replacement.

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.

NORTH GLASGOW HOUSING ASSOCIATION LIMITED

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(Continued)

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. The cost of the repairs would be charged to the Income and Expenditure account, unless it was agreed they could be capitalised within the terms outlined in the SORP. The Association applies component accounting and the cost of replacement of major components will be capitalised and any remaining net book value of the original component will be written off to the Income and Expenditure account.

Rental Income

The Association's general Rent Policy is 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 of properties. This policy follows the generally accepted practice/principles of the Housing Association Sector. Some elements of the stock are covered by pre-existing agreements. The Association is re-structuring its rents as re-lets arise to bring all properties onto a standard basis.

Employees with disabilities

Applications for employment by people with disabilities 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. The Association's policy is that training, career development and promotion opportunities should be available to all employees. During the year the Association continued to support the PAIH initiative and Glasgow Centre for Inclusive Living, providing places for two trainees.

Employee Involvement and Health & Safety

The Association takes seriously its responsibilities to employees and as a policy, provides employees with information on matters of concern to them. It is also the policy of the Association to consult where practical, employees or their representatives so that their views may be taken into account in making decisions likely to affect their interests. The Association benchmarks staff turnover levels, sickness absence, ethnic mix, gender and age profile against available statistics on a regular basis. The Health & Safety Management Group, comprising a mix of staff and Board members, reviews the Association's activities and prepares regular reports on health & safety to the Staffing Sub-Committee. The Association has prepared detailed health and safety policies and provides staff training and education on health and safety matters.

Equality

The Association takes a positive approach to promoting its services to the Black and Minority Ethnic (BME) communities and has employed a succession of trainees sourced from Positive Action in Housing (PATH). During 2015/16 14% (2014/15 13%) of the Association lets were to households of ethnic minority background and 16% (2014/15 11%) of the waiting list applicants at the year end were of ethnic minority background.

Staff training

The Association provides staff with access to training on courses relevant to their employment. In the year there was a total of 557 days training (2015 – 574) which equated to an average of 6.3 days (2015 – 7 days) for each member of the core staff.

NORTH GLASGOW HOUSING ASSOCIATION LIMITED

REPORT OF THE BOARD AND STRATEGIC REPORT

31 MARCH 2016

(Continued)

Board and Executive team

Members of the Board

The Members of the Board of the Association during the year to 31 March 2016 were as follows:

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|--|--|
| J Fury (Chairperson) | C Rossine |
| W Rossine (Vice-Chair) | Professor J Sommerville |
| E Hurcombe (deceased 14 th July 2015) | Bailie A Stewart |
| I Cross | A Wilson |
| J Thorburn (Secretary) | M Thomson |
| J Egan | T Dow |
| R Porter | R Logue |
| B Saunders | J Berrington (appointed 15 th September 2015) |

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

Executive Team – key management personnel

R Tamburrini – Chief Executive Officer
A Devlin – Deputy Chief Executive Officer
L Anderson – Director of Corporate Services
R Hartness – Director of Finance
J Devine – Director of Investment
T Sweeney – Head of Organisational Development
L Cooper – Depute Director Housing

The remuneration of all staff in the Association is calculated in relation to the salary scales set by Employers in Voluntary Housing.

Recruitment and training of Board members

Vacancies on the Board are filled from members of the community who have a commitment to the furtherance of social housing and the aims and objectives of the Association. Members are drawn from a wide range of backgrounds and experience to maintain the necessary mix of skills required to govern and control a complex organisation.

All Board and other committee members receive initial induction training and are then eligible to attend internal and external training events which not only build on existing experience but provide an opportunity to develop new skills.

NORTH GLASGOW HOUSING ASSOCIATION LIMITED

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Related parties

Various members of the Board and area committees are tenants, sharing owners or Councillors. The tenancies are on the Association's normal tenancy terms and they could not use their position to their advantage. Sharing owners have lease agreements and these are also on the Housing Associations normal terms. City Councillors who are members of the Board declare their interests relating to relevant decisions taken by the Association or the City Council.

Other issues

Group Structure

The Association has four wholly owned subsidiaries. NG Property (Scotland) Limited whose objective is to provide factoring services and other activities that the Association cannot due to its charitable status. Design Services Glasgow Limited (DSGL) handles the development activities of the Association and acts as its main contractor. This arrangement ensures that the development activities are carried out in the most VAT efficient manner.

NG 2 Limited carries out social economy activities. As noted earlier in the report NG 2 continues to have a significant impact in providing employment and training. The Association has a dormant subsidiary NG 3 Limited.

The Association will continue to review whether the group structure is appropriate.

Future developments

The Association intends to continue with its policy of improving the quality of housing working with its existing and new partners. The Association in conjunction with Glasgow City Council and the Scottish Government has a programme of agreed and proposed regeneration activities. The Association will continue to explore opportunities for the provision of new housing with both public and private sector bodies. Full financial appraisals are conducted on each potential development to ensure its viability and affordability before the Association commits to a development. Specific projects include:

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- Planned maintenance investment of £5.9 million in 2016/17.
 - Community and regeneration development in Possilpark.
 - Consideration of a new housing development in the Springburn area. Further construction projects are also being prepared for approval.

Throughout all of the Association's and its partner's activities we will strive to make New North Glasgow a great place to live, learn, work, visit and invest in.

NORTH GLASGOW HOUSING ASSOCIATION LIMITED

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Legislation and branding

Under The Co-operative and Community Benefit Societies Act 2014 the Association is a Community Benefit Society.

The Association will remain formally titled as North Glasgow Housing Association Limited but a shorter description of NG Homes has been adopted to reflect the range of its activities in most of its communications.

Post Balance Sheet Events

There have been no important events since the financial year end that have had an impact on the financial position of the Association.


Information for auditors

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

Auditors

A tender exercise for the appointment of auditors for the year to 31 March 2016 was undertaken during the year. Wylie & Bisset LLP was the successful firm from the tender. Wylie & Bisset LLP has indicated its willingness to continue in office. Thanks go to Baker Tilly UK Audit LLP for their service over the Associations history till 2015.

On behalf of the Board



J Thorburn
Secretary

50 Reidhouse Street
Glasgow
G21 4LS

Date:

2 August 2016

NORTH GLASGOW HOUSING ASSOCIATION LIMITED

STATEMENT OF BOARD RESPONSIBILITIES

The Board is responsible for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards.

Under the legislation relating to Co-operative and Community Benefit Societies the Board are required to prepare financial statements for each financial year, which give a true and fair view of the state of affairs of the Association and of the surplus or deficit of the Association of that period. In preparing those financial statements the Board are required to:

- select suitable accounting policies and apply them consistently;
- observe the methods and principles in the RSL SORP and FRS 102;
- make reasonable and prudent judgements and estimates;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Association will continue in business.

The Board is also responsible for:

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

NORTH GLASGOW HOUSING ASSOCIATION LIMITED

Board's Statement on Internal Financial Control

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

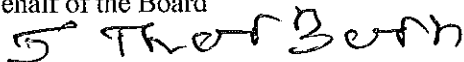
- the reliability of financial information used within the Association or for publication;
- the maintenance of proper accounting records; and
- the safeguarding of assets (against unauthorised use or disposition).

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

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

The Board have reviewed the effectiveness of the system of internal financial control in existence in the Association for the year ended 31 March 2016 and until the below date. No weaknesses were found in internal financial controls which resulted in material losses, contingencies, or uncertainties which require disclosure in the financial statements or in the auditors' report on the financial statements.

On behalf of the Board



J Thorburn
Secretary

Date: 2 August 2016

NORTH GLASGOW HOUSING ASSOCIATION LIMITED

INDEPENDENT AUDITORS REPORT TO THE MEMBERS OF NORTH GLASGOW HOUSING ASSOCIATION LIMITED ON INTERNAL FINANCIAL CONTROLS

In addition to our audit of the Financial Statements, we have reviewed your statement on page 14 concerning the Association's compliance with the information required by the Regulatory Standards for systemically important RSLs 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 14 has provided the disclosures required by the relevant Regulatory Standards for systemically important RSLs 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.



Wylie & Bisset LLP, Statutory Auditor
Chartered Accountants
168 Bath Street
Glasgow
G2 4TP

Date 2/8/16

NORTH GLASGOW HOUSING ASSOCIATION LIMITED

Independent auditors' report to the members of North Glasgow Housing Association Limited

We have audited the financial statements of North Glasgow Housing Association Limited for the year ended 31 March 2016 on pages 17 to 46. 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 Financial Reporting Standard 102.

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 Board and auditor

As explained more fully in the Board's Responsibilities Statement set out on page 13, the Board 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

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements


In our opinion the financial statements:

- give a true and fair view of the state of the Association's affairs as at 31 March 2016 and of its 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, the Housing (Scotland) Act 2014 and the Determination of Accounting Requirements 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 Statement of Comprehensive Income to which our report relates and the Statement of Financial Position 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.


Wylie & Bisset LLP, Statutory Auditor
Chartered Accountants
168 Bath Street
Glasgow
G2 4TP

Date 2/5/16

NORTH GLASGOW HOUSING ASSOCIATION LIMITED

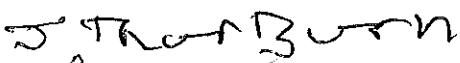
STATEMENT OF COMPREHENSIVE INCOME

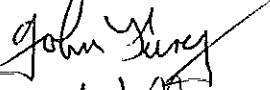
FOR THE YEAR ENDED 31 MARCH 2016


| | Notes | 2016 | Restated 2015 |
|---|-------|--------------|------------------|
| | | £ | £ |
| Revenue | 2 | 23,817,695 | 22,887,389 |
| Operating costs | 2 | (20,290,716) | (18,725,530) |
| Operating surplus | | 3,526,979 | 4,161,859 |
| Gain on sale of housing stock | 4 | 275,638 | 77,000 |
| Interest receivable and other income | | 130,067 | 117,905 |
| Interest payable and other charges | 5 | (1,134,677) | (1,169,849) |
| Other Finance Charges | | (222,392) | (255,666) |
| Surplus for year | | 2,575,615 | 2,931,249 |
| Actuarial gain/(loss) in respect of pension schemes | | 1,162,011 | (1,835,990) |
| Total Comprehensive Income | | 3,737,626 | 1,095,259 |

All amounts relate to continuing operations. Comparative figures have been restated to reflect the adoption of the Housing SORP 2014 and FRS 102 (see note 30). The notes on pages 21 – 46 form part of these financial statements.

These financial statements were approved and authorised for issue by the Board on 2nd August 2016 and signed on their behalf by:

Secretary: J Thorburn 

Board member: J Fury 

Board member: W Rossine 


NORTH GLASGOW HOUSING ASSOCIATION LIMITED

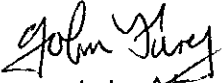
STATEMENT OF FINANCIAL POSITION


AS AT 31 MARCH 2016

| | Notes | £ | 2016 £ | £ | Restated 2015 £ |
|---|-------|--------------------|---------------------|--------------------|-----------------------|
| Tangible Fixed Assets | | | | | |
| Housing properties | | | | | |
| Depreciated cost | 8 | | 91,716,332 | | 93,198,576 |
| | | | | | - |
| Other non current assets | 10 | | 1,776,485 | | 2,119,955 |
| | | | <u>93,492,817</u> | | <u>95,318,531</u> |
| Investments – subsidiaries | | | 1,300 | | 1,300 |
| | | | <u>93,494,117</u> | | <u>95,319,831</u> |
| Current Assets | | | | | |
| Debtors | 11 | 2,195,066 | | 1,909,463 | |
| Cash at hand and in bank | | <u>17,682,642</u> | | <u>15,437,140</u> | |
| | | 19,877,708 | | 17,346,603 | |
| Current Liabilities | | | | | |
| Creditors due within one year | 12 | <u>(4,042,084)</u> | | <u>(4,020,251)</u> | |
| Net Current Assets | | | <u>15,835,624</u> | | <u>13,326,352</u> |
| Total Assets less Current Liabilities | | | <u>109,329,741</u> | | <u>108,646,183</u> |
| Creditors due after more than one year | 13 | | <u>(33,183,970)</u> | | <u>(35,484,524)</u> |
| | | | 76,145,771 | | 73,161,659 |
| Deferred income | 16 | | (3,896,059) | | (3,692,568) |
| Provision for pension liability | 25 | | <u>(1,671,000)</u> | | <u>(2,628,000)</u> |
| | | | <u>70,578,712</u> | | <u>66,841,091</u> |
| Capital and Reserves | | | | | |
| Share Capital | 17 | | 79 | | 84 |
| Revenue Reserves | | | 22,704,208 | | 17,846,659 |
| Revaluation Reserve | | | <u>47,874,425</u> | | <u>48,994,348</u> |
| | | | <u>70,578,712</u> | | <u>66,841,091</u> |

These financial statements were approved and authorised for issue by the Board on 2nd August 2016 and signed on their behalf by:

Secretary: J Thorburn 

Member: J Fury 

Member: W Rossine 

The notes on pages 21 – 46 form part of these financial statements.

NORTH GLASGOW HOUSING ASSOCIATION LIMITED

STATEMENT OF CASH FLOWS

YEAR TO 31 MARCH 2016

| | | 2016 | | Restated 2015 |
|--|-------------|-------------|--------------------------|--------------------------|
| | Note | £ | £ | £ |
| Net cash inflow from operating activities | 18 | | 6,462,306 | <u>7,144,536</u> |
| Investing activities | | | | |
| Cash paid for construction and purchases | | (2,344,953) | | (1,373,282) |
| Housing association grant received | | 565,579 | | 2,471,618 |
| Housing association grant repaid | | (50,668) | | (16,786) |
| Sales of housing properties | | 695,839 | | 352,159 |
| Purchase of other fixed assets | | (43,146) | | (520,364) |
| Net cash inflow/(outflow) from investing activities | | | <u>(1,177,349)</u> | <u>913,345</u> |
| Financing | | | | |
| Interest received on cash and cash equivalents | | 130,067 | | 117,905 |
| Interest paid | | (1,134,677) | | (1,169,849) |
| Loan principal repayments | | (2,034,850) | | (1,869,239) |
| Share capital issued | | 5 | | 4 |
| Net cash outflow from financing | | | <u>(3,039,455)</u> | <u>(2,921,179)</u> |
| Increase in cash | | | <u>2,245,502</u> | <u>5,136,702</u> |
| Opening cash and cash equivalents | | | <u>15,437,140</u> | <u>10,300,438</u> |
| Closing cash and cash equivalents | | | <u><u>17,682,642</u></u> | <u><u>15,437,140</u></u> |

The notes on pages 21 – 46 form part of these financial statements.

NORTH GLASGOW HOUSING ASSOCIATION LIMITED

STATEMENT OF CHANGES IN EQUITY

AS AT 31 MARCH 2016

| | Share Capital £ | Revenue Reserves £ | Revaluation Reserve £ | Total £ |
|--|--------------------------------|-----------------------------------|--------------------------------------|--------------------|
| Balance at 1 April 2015 | 84 | 26,526,216 | - | 26,526,300 |
| FRS 102 adjustment | - | (8,679,557) | 48,994,348 | 40,314,791 |
| Balance at 1 April 2015 – as restated | 84 | 17,846,659 | 48,994,348 | 66,841,091 |
| Issue of shares | 5 | - | - | 5 |
| Cancellation of shares | (10) | - | - | (10) |
| Surplus for year | - | 2,575,615 | - | 2,575,615 |
| Actuarial gain/(loss) in respect of pension schemes | - | 1,162,011 | - | 1,162,011 |
| Transfer between reserves | - | 1,119,923 | (1,119,923) | - |
| Balance as at 31 st March 2016 | <u>79</u> | <u>22,704,208</u> | <u>47,874,425</u> | <u>70,578,712</u> |

The notes on pages 21 – 46 form part of these financial statements.

NORTH GLASGOW HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 MARCH 2016

1. Accounting Policies

(a) Introduction and accounting basis

The principal accounting policies of the Association are set out in the paragraphs (b) to (s) below. These financial statements were prepared in accordance with Financial Reporting Standard 102 – ‘The Financial Standard applicable in the UK and the Republic of Ireland’ and the Statement of Recommended Practice for Social Housing Providers 2014. The Association is a Public Benefit Entity in terms of its compliance with Financial Reporting Standard 102. The Association is registered under the Co-operative and Community Benefit Societies Act 2014.

This is the first year in which the financial statements have been prepared under FRS 102. An explanation of how transition to FRS 102 has affected the reported financial position and financial performance is given in note 30.

(b) Finance

The financial statements have been prepared on the basis that the capital expenditure referred to in note 8 will be grant aided, funded by loans or met out of reserves, or from proceeds of sales.

(c) Mortgages

Mortgage loans are advanced by private lenders under the terms of the individual mortgage deeds in respect of each property or housing scheme. Advances are available only in respect of those developments, which have been given approval for Housing Association Grant by Glasgow City Council.

(d) Housing Association Grants

Housing Association Grants (HAG) are made by Glasgow City Council and are utilised to reduce the amount of mortgage loan in respect of an approved scheme to the amount which it is estimated can be serviced by the net annual income of the scheme. The amount of HAG is calculated on the qualifying cost (note 1(f)) of the scheme in accordance with instructions issued from time to time by the grant awarding body. HAG and other grants are repayable under certain circumstances. These include the disposal of the properties to which the grants relate.

(e) Housing Association Grant - Acquisition and Development Allowances receivable

Acquisition and Development Allowances are determined by the grant awarding body and are advanced as grants by Glasgow City Council. They are intended to finance certain internal administrative costs relating to the acquisition and development of housing land and buildings for approved schemes. Development allowances become available in instalments according to the progress of work on the scheme. These allowances are credited to development costs when they are receivable.

NORTH GLASGOW HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 MARCH 2016

(Continued)

(f) **Non current assets - Housing land and buildings (note 8)**

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

- (i) Cost of acquiring land and buildings
- (ii) Development expenditure including attributable overheads
- (iii) Interest charged on the loans raised to finance the scheme to date of completion.

Works to existing properties will generally be capitalised under the following circumstances:

- (i) Where a component of the housing property, that has been treated separately for depreciation purposes and depreciated over its useful economic life, is replaced or restored; or
- (ii) Where the subsequent expenditure provides an enhancement of the economic benefits of the tangible fixed asset in excess of the previously assessed standard performance. Such enhancement can occur if improvements result in an increase in rental income, a material reduction in future maintenance costs or a significant extension of the life of the property.

Works to existing properties which fail to meet the above criteria are charged to the Income and Expenditure account.

The major components of the Associations housing properties are deemed to be land, structure, kitchens, central heating and boiler systems, bathrooms and windows. Each component has a substantially different economic life and is depreciated over this individual life. Depreciation rates are shown in note (h).

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

The amount of grants received is shown separately on the statement of financial position. Housing Association Grant received in respect of revenue expenditure is credited to the statement of comprehensive income in the same period as the expenditure to which it relates.

Housing Association Grant may become repayable in certain circumstances, such as the disposal of certain assets. The amount repayable would be restricted to the net proceeds of sale.

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

(g) **Low Cost Initiatives for First Time buyers (LIFT)**

LIFT transactions are grants received from the grant awarding body and passed onto an eligible beneficiary. The grant awarding body has a benefit of a fixed charge on the property. This entitles the grant awarding body to a share of the proceeds on the sale of the property by the beneficiary. These are classified as investments and are carried at historical cost with the linked finance cost (the grant received) being deducted from the gross amount of the asset. As from 1 April 2008 the Scottish Government has taken security over completed sales and North Glasgow no longer includes the grants and related loans to the owner on the balance sheet.

NORTH GLASGOW HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 MARCH 2016

(Continued)

(h) **Depreciation**

Housing Properties

Housing Properties are stated at cost, less social housing and other public grants and less accumulated depreciation. Housing properties have been split between their land and structure costs and a specific set of major components which require periodic replacement. Depreciation is charged on a straight-line basis over the expected economic useful lives of the properties structure being 30 years for Rehabilitation and 50 years for New Build properties. No depreciation is charged on the cost of land. Other components are depreciated as follows:

| | |
|------------------------------------|---------------|
| Kitchens | over 15 years |
| Central heating system and boilers | over 20 years |
| Bathroom | over 30 years |
| Windows | over 30 years |

Other non current assets

The Association's assets are written off evenly over their expected useful lives as follows:

| | | |
|-------------------------------|---|---------------|
| Office premises | - | over 25 years |
| Furniture & equipment | - | over 5 years |
| Computer hardware | - | over 5 years |
| Sheltered fixtures & fittings | - | over 8 years |

Depreciation is charged on these assets in the year of purchase, but no charge is made in the year of disposal.

(i) **Sale of housing properties**

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

(j) **Apportionment of management expenses**

Direct employee administration and operating costs have been apportioned to the statement of comprehensive income on the basis of costs of the staff to the extent that they are directly engaged in each of the operations dealt with in those accounts.

(k) **Value added tax**

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

Turnover

(l) Turnover represents rental and service charge income receivable from tenants, development administration, properties developed for sale and other income.

NORTH GLASGOW HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 MARCH 2016

(Continued)

(m) **Pensions**

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

The Association accounts for amounts that it has agreed to pay towards the Scheme deficit in accordance with paragraph 28.11A of FRS102. The present value of this liability has been recognised in the Statement of Financial Position. The discount rate applied to this obligation is that of a yield rate for the high quality corporate bond.

The Association, as a result of staff transferring during the GHA stock transfer, is 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.

North Glasgow Housing Association accounts for its participation in the Fund in accordance with FRS 102 which requires disclosures presented for both the current and comparative period. FRS 102 also requires that quoted securities are valued at their current bid price rather than their mid-market value.

The Fund liabilities are measured using a projected unit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liability. Glasgow Housing Association's share of the Fund surplus (to the extent that it is recoverable) or deficit is recognised in full. The movement in the Fund surplus / deficit is split between operating charges, finance items and in the statement of comprehensive income under actuarial gain or loss on pension schemes.

NORTH GLASGOW HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 MARCH 2016

(Continued)

(n) **Consolidation**

The Association and its subsidiary undertakings comprise a group. The FCA has granted exemption from preparing group financial statements. The financial statements represent the results of the Association and not of the group. The Board is of the opinion that it would be of no real value to the members of the Association to consolidate or include the accounts of the Association's subsidiaries in the group accounts, because the business of the Association and that of the subsidiaries are so different they cannot be treated as a single undertaking.

(o) **Impairment of fixed assets**

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

Impairment of assets would be recognised in the Income and Expenditure account.

(p) **Work in progress**

Completed properties and property under construction for outright sale are valued at the lower of costs and net realisable value. Cost comprises materials, direct labour and direct development overheads. Net realisable value is based on estimated sale price after allowing for all further costs of completion and disposal.

(q) **Financial Instruments**

Financial instruments are classified and accounted for, according to the substance of the contractual arrangement, as either financial assets, or financial liabilities.

(r) **Lease obligations**

Rentals paid under operating leases are charged to the income and expenditure account on the accruals basis.

(s) **Key judgements made in the application of accounting policies**

1) Exemptions taken in the transition to FRS 102

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

i) The Association has not revisited previous accounting estimates

2) The categorisation of housing properties

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

3) Identification of cash generating units

The Association considers its cash-generating units to be the schemes in which it manages its housing property for asset management purposes.

NORTH GLASGOW HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 MARCH 2016
(Continued)

| 2. | Particulars of revenue, operating costs, operating surplus or deficit | Note | 2016 | | 2015 | | | |
|----|---|------|-------------------|-------------------------|---|-------------------|-------------------------|---|
| | | | Turnover £ | Operating Costs £ | Operating Surplus/ (deficit) £ | Turnover £ | Operating Costs £ | Operating Surplus/ (deficit) £ |
| | Social lettings | 3a | 22,623,387 | (18,975,141) | 3,648,246 | 21,799,198 | (17,574,004) | 4,225,194 |
| | Other activities | 3b | 1,194,308 | (1,315,575) | (121,267) | 1,088,191 | (1,151,526) | (63,335) |
| | Total | | <u>23,817,695</u> | <u>(20,290,716)</u> | <u>3,526,979</u> | <u>22,887,389</u> | <u>(18,725,530)</u> | <u>4,161,859</u> |

NORTH GLASGOW HOUSING ASSOCIATION LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
AS AT 31 MARCH 2016 (Continued)**

3a - Particulars of turnover, operating costs and operating surplus/(deficit) from social letting activities

| | General Needs Housing £ | Shared Ownership Housing £ | Supported Housing Accommodation £ | Total 2016 £ | 2015 £ |
|--|----------------------------------|-------------------------------------|--|--------------------|------------|
| Income from lettings | | | | | |
| Rent receivable net of service charges | 21,114,132 | 94,091 | 757,935 | 21,966,158 | 21,193,401 |
| Service charges | 105,697 | - | 230,112 | 335,809 | 502,069 |
| Gross income from rents and service charges | 21,219,829 | 94,091 | 988,047 | 22,301,967 | 21,695,470 |
| Less: Voids | 97,944 | 825 | - | 98,769 | 89,042 |
| Net Income from rents and service charges | 21,121,885 | 93,266 | 988,047 | 22,203,198 | 21,606,428 |
| Amortisation of Social Housing and other grants | 202,799 | 49,296 | - | 252,095 | 192,770 |
| Grants from the Scottish Ministers | 155,594 | - | - | 155,594 | - |
| Grants from local authorities and other agencies | 12,500 | - | - | 12,500 | - |
| Total turnover from social letting activities | 21,492,778 | 142,562 | 988,047 | 22,623,387 | 21,799,198 |
| Management and maintenance administration costs | 5,984,037 | 42,978 | 469,841 | 6,496,856 | 6,480,222 |
| Service costs | 1,416,799 | - | 180,384 | 1,597,183 | 1,453,771 |
| Planned and Cyclical maintenance | 5,177,171 | - | 30,243 | 5,207,414 | 3,765,951 |
| Reactive maintenance costs | 1,928,247 | - | 71,137 | 1,999,384 | 2,253,580 |
| Bad debts – rents and service charges | 261,304 | - | 6,006 | 267,310 | 428,055 |
| Depreciation of social housing | 3,290,477 | 66,517 | 50,000 | 3,406,994 | 3,192,425 |
| Operating costs for social letting activities | 18,058,035 | 109,495 | 807,611 | 18,975,141 | 17,574,004 |
| Operating surplus for social lettings | 3,434,743 | 33,067 | 180,436 | 3,648,246 | 4,225,194 |
| 2015 | 3,882,216 | 17,941 | 325,037 | 4,225,194 | |

The amount of service charges receivable on housing accommodation not eligible for Housing Benefit was £201,825 (2015- £335,107).

The total amount of major repairs expenditure incurred in the year was £5,394,670 (2015 - £3,534,525). Component expenditure of £1,442,024 (2015 - £578,935) was capitalised in the year. Of this total £1,442,024 (2015 £578,935) was for component replacement and £nil (2015 £nil) was for improvements.

NORTH GLASGOW HOUSING ASSOCIATION LIMITED

NOTES TO THE STATEMENTS

Year ended 31 March 2016
(Continued)

3b – Particulars of turnover, operating costs and operating surplus or deficit from other activities

| | Grants from Scottish Ministers | Other revenue grants | Supporting people income | Other income | Total Turnover | Operating costs – bad debts | Other operating costs | Operating surplus/(deficit) | Operating surplus/(deficit) for period of previous account |
|---|--------------------------------|----------------------|--------------------------|----------------|------------------|-----------------------------|-----------------------|-----------------------------|--|
| | £ | £ | £ | £ | £ | £ | £ | £ | £ |
| Wider Action/wider role | 243,023 | 384,928 | - | - | 627,951 | - | (1,026,094) | (398,143) | (425,578) |
| Care and repair of property | - | - | - | - | - | - | - | - | - |
| Factoring | - | - | - | - | - | - | - | - | - |
| Development activities | - | - | - | - | - | - | - | - | - |
| Support activities | - | - | - | - | - | - | - | - | - |
| Care activities | - | - | - | - | - | - | - | - | - |
| Agency services for RSL's | - | - | - | - | - | - | - | - | - |
| Other agency/management services | - | - | - | - | - | - | - | - | - |
| Developments for sale to RSL's | - | - | - | - | - | - | - | - | - |
| Developments and improvements for sale to non registered social landlords, (including first tranche shared ownership sales) | - | - | - | - | - | - | - | - | - |
| Other activities | - | - | - | 566,357 | 566,357 | - | (289,481) | 276,876 | 362,243 |
| Total from other activities | 243,023 | 384,928 | - | 566,357 | 1,194,308 | - | (1,315,575) | (121,267) | (63,335) |

2015

240,225 294,269 - 553,697 1,088,191 - (1,151,526) (63,335)

The total for other activities includes £344,595 (2015 - £339,956) for recovery of input VAT due to a VAT shelter agreement and £92,045 (2015 - £68,555) from rental of radio masts.

Further details on projects and funding from partners are given in note 27. Particular thanks for their support and assistance across various different projects is given to the Big Lottery Fund.

NORTH GLASGOW HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 MARCH 2016

(Continued)

4. Profit on sale of fixed assets

| | 2016 | Restated 2015 |
|------------------------------------|----------------|------------------|
| | £ | £ |
| Sale proceeds | 738,050 | 377,690 |
| Cost of sales | (462,412) | (300,690) |
| Gain on sale of housing properties | <u>275,638</u> | <u>77,000</u> |

The sales of housing properties have occurred under the right to buy legislation and shared ownership tranches.

The Association is potentially liable to repay amounts on RTB sales arising from the stock transfer from Glasgow Housing Association. During the year twenty one such sales occurred but after the necessary calculations no repayment was due on any of these sales.

5. Interest payable and Other Charges

| | 2016 | Restated 2015 |
|-------------------------------------|------------------|------------------|
| | £ | £ |
| Loan interest on housing properties | 1,082,824 | 1,117,971 |
| Other interest | <u>51,853</u> | <u>51,878</u> |
| | 1,134,677 | 1,169,849 |
| Less: loan interest capitalised | <u>-</u> | <u>-</u> |
| | <u>1,134,677</u> | <u>1,169,849</u> |

Interest rates charged on loans during the year ranged from 0.91% to 5.27% (2015: 0.91% to 5.63%). There was no deferred interest or interest charged on the late payment of taxation.

6. Taxation

The Association has charitable status and is no longer liable for tax on its ordinary activities.

7. Surplus for the year

| | 2016 | 2015 |
|---|------------------|------------------|
| | £ | £ |
| Surplus for the year is stated after charging:- | | |
| Depreciation – Housing Properties | 3,406,994 | 3,192,425 |
| Depreciation – Other Tangible Assets | <u>386,617</u> | <u>519,563</u> |
| | 3,793,611 | 3,711,988 |
| External Auditors Remuneration – Audit Services | 10,495 | 13,853 |
| External Auditors Remuneration – Other services | - | 974 |
| Operating Lease Rentals – Land & Buildings | 109,024 | 109,024 |
| | <u>3,913,130</u> | <u>3,955,342</u> |

NORTH GLASGOW HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 MARCH 2016

(Continued)

8. Non Current Assets – Housing properties

| | Housing properties held for letting £ | Housing properties in course of construction £ | Completed shared ownership properties £ | Total £ |
|------------------------------------|---|--|---|--------------|
| Cost | | | | |
| At 1 April 2015 | 144,468,380 | - | 3,509,726 | 147,978,106 |
| Transitional relief FRS102 | (50,295,093) | - | (1,032,916) | (51,328,009) |
| At 1 April 2015 – as restated | 94,173,287 | - | 2,476,810 | 96,650,097 |
| Additions | 2,344,953 | - | - | 2,344,953 |
| Disposals | (344,376) | - | (75,827) | (420,203) |
| Transfers | - | - | - | - |
| At 31 March 2016 | 96,173,864 | - | 2,400,983 | 98,574,847 |
| Depreciation and impairment | | | | |
| At 1 April 2015 | 14,597,260 | - | 372,283 | 14,969,543 |
| Transitional relief FRS102 | (11,461,877) | - | (56,145) | (11,518,022) |
| At 1 April 2015 – as restated | 3,135,383 | - | 316,138 | 3,451,521 |
| Charge in year | 3,340,477 | - | 66,517 | 3,406,994 |
| Transfers | - | - | - | - |
| At 31 March 2016 | 6,475,860 | - | 382,655 | 6,858,515 |
| Net book value | | | | |
| As at 31 March 2016 | 89,698,004 | - | 2,018,328 | 91,716,332 |
| Restated 1 April 2015 | 91,037,904 | - | 2,160,672 | 93,198,576 |

Development administration costs capitalised amounted to £Nil (2015 - £Nil) for which development allowances amounting to £Nil (2015 - £Nil) were recorded in the year. Interest capitalised or added to WIP during the year amounted to £Nil (2015 - £Nil). None of the Associations land or property is held under a lease.

~~Housing properties held for letting are stated at deemed cost at 1 April 2014, as amended by subsequent additions and disposals, as part of the transitional changes allowed under FRS 102. The deemed cost was calculated from the Existing Use Value – Social Housing (EUV- SH) of the housing letting stock at 1 April 2014 by Jones Lang Lasalle in line with the RICS Valuation Professional Standards required by the RICS “Red Book”.~~

9. Investments

| | 2016 £ | 2015 £ |
|---------------------------|-----------|-----------|
| LIFT Loans made to owners | 490,382 | 490,382 |
| LIFT Grants | (490,382) | (490,382) |
| | - | - |

These amounts represent the amount granted to the LIFT owner up to 1 April 2008 and the corresponding grant North Glasgow has received from Glasgow City Council. North Glasgow is responsible for the administration of these grants. As from 1 April 2008 the Scottish Government has taken security over completed sales and North Glasgow no longer includes the grants and related loans to the owner on the balance sheet.

NORTH GLASGOW HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 MARCH 2016

(Continued)

10. Non Current Assets – Other Tangible Assets

| | Office Accommodation £ | Furniture & Equipment £ | Computer Hardware £ | Sheltered Fixtures & Fittings £ | Total £ |
|-------------------------------|------------------------------|-------------------------------|---------------------------|--|-------------|
| Cost | | | | | |
| At 1 April 2015 | 5,449,438 | 1,227,600 | 776,718 | 47,944 | 7,501,700 |
| Transitional relief FRS102 | (3,699,429) | - | - | - | (3,699,429) |
| At 1 April 2015 – as restated | 1,750,009 | 1,227,600 | 776,718 | 47,944 | 3,802,271 |
| Additions during year | - | 10,256 | 32,890 | - | 43,146 |
| At 31 March 2016 | 1,750,009 | 1,237,856 | 809,608 | 47,944 | 3,845,417 |
| Depreciation | | | | | |
| At 1 April 2015 | 1,694,674 | 835,923 | 650,012 | 29,956 | 3,210,565 |
| Transitional relief FRS102 | (1,528,250) | - | - | - | (1,528,250) |
| At 1 April 2015 – as restated | 166,424 | 835,923 | 650,012 | 29,956 | 1,682,315 |
| Charge for the year | 130,523 | 169,379 | 80,521 | 6,194 | 386,617 |
| At 31 March 2016 | 296,947 | 1,005,302 | 730,533 | 36,150 | 2,068,932 |
| Net Book Value | | | | | |
| As at 31 March 2016 | 1,453,062 | 232,554 | 79,075 | 11,794 | 1,776,485 |
| Restated 1 April 2015 | 1,583,584 | 391,677 | 126,706 | 17,988 | 2,119,955 |

11. Debtors: Amounts falling due within one year

| | 2016 £ | Restated 2015 £ |
|----------------------------------|------------------|-----------------------|
| Rents in arrears | 1,340,151 | 1,366,134 |
| Less: bad debt provision | (907,931) | (972,518) |
| | 432,220 | 393,616 |
| Trade debtors | 60,700 | 5,787 |
| Amounts due from group companies | 106,142 | 113,114 |
| Prepayments and accrued income | 581,031 | 614,388 |
| Other debtors | 1,014,973 | 782,558 |
| | <u>2,195,066</u> | <u>1,909,463</u> |

NORTH GLASGOW HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 MARCH 2016

(Continued)

| 12. Creditors due within one year | 2016 | Restated 2015 |
|--|------------------|------------------|
| | £ | £ |
| Loans (note 15) | 534,850 | 666,325 |
| Trade creditors | 728,502 | 541,880 |
| Other Taxation and Social Security | 117,872 | - |
| Other Creditors | 514,731 | 551,987 |
| Balance due to group companies | 141,616 | 267,623 |
| Accruals | 508,779 | 544,986 |
| Deferred income (note 16) | 252,094 | 192,769 |
| Liability for past service contributions (note 14) | 514,561 | 499,892 |
| Rents in advance | <u>729,079</u> | <u>754,789</u> |
| | <u>4,042,084</u> | <u>4,020,251</u> |

| 13. Creditors due after more than one year | 2016 | Restated 2015 |
|--|-------------------|-------------------|
| | £ | £ |
| Liability for past service contributions (note 14) | 5,557,901 | 5,955,080 |
| Loans (note 15) | <u>27,626,069</u> | <u>29,529,444</u> |
| | <u>33,183,970</u> | <u>35,484,524</u> |

14. Liability for past service contributions

The Association has staff in three pension schemes that are defined as a defined benefit scheme. Strathclyde Pension Fund (SPF) has been reported as a liability on the statement of financial position in previous years. The Scottish Housing Association Pension Scheme and the Pension Trust Growth Plan were only reported in the notes to the financial statements due to insufficient information to allocate the assets and liabilities of the scheme. As a result of adopting FRS102 the net present value of the deficit payments was brought into the balance sheet for these schemes.

| | SHAPS | Growth Plan | 2016 | Restated 2015 |
|-------------------------------|------------------|----------------|------------------|------------------|
| | £ | £ | £ | £ |
| At 1 April 2015 | - | - | - | - |
| Transitional adj FRS102 | 6,431,000 | 23,973 | 6,454,973 | 6,283,125 |
| | 6,431,000 | 23,973 | 6,454,973 | 6,283,125 |
| Unwinding of discount factor | 137,000 | 392 | 137,392 | 205,666 |
| Deficit contribution paid | (497,000) | (2,892) | (499,892) | (485,808) |
| Remeasurements in assumptions | (24,000) | 3,989 | (20,011) | 451,990 |
| At 31 March 2016 | <u>6,047,000</u> | <u>25,462</u> | <u>6,072,462</u> | <u>6,454,973</u> |
| Due in under one year | | | 514,561 | 499,892 |
| Due in over one year | | | <u>5,557,901</u> | <u>5,955,080</u> |
| | | | <u>6,072,462</u> | <u>6,454,973</u> |

The liability for past service contributions for SHAPS and the Growth Plan has been accounted for in accordance with FRS 102 Para 28.13A and represents the present value of the contributions payable. The cash out flows have been discounted for SHAPS at a rate of 2.29% (2015 2.22%) and for Growth Plan at a rate of 2.07% (2015 – 1.74%).

NORTH GLASGOW HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 MARCH 2016

(Continued)

15. Loans

Loans are secured by specific charges on the Association's properties. Loans are repayable at varying rates of interest of 0.91% to 5.27% (2015 – 0.88% to 5.63%) in instalments due as follows:

| | 2016 | 2015 |
|-------------------------------|-------------------|-------------------|
| | £ | £ |
| In one year or less (note 12) | 534,850 | 666,325 |
| Between one and two years | 545,547 | 679,652 |
| Between two and five years | 2,631,618 | 2,138,903 |
| In five years or more | <u>24,448,904</u> | <u>26,710,889</u> |
| | <u>28,160,919</u> | <u>30,195,769</u> |

The Association has a number of long term housing loans the terms and conditions of which are as follows:

| Lender | Security | Effective Interest rate | Maturity | Variable/ Fixed |
|------------|----------------------------------|-------------------------|----------|--------------------|
| Nationwide | Standard security | 5.02% | 2034 | Fixed |
| Nationwide | Standard security | 5.03% | 2034 | Fixed |
| Nationwide | Standard security | 5.27% | 2034 | Fixed |
| Nationwide | Standard security | 5.51% | 2034 | Fixed |
| Nationwide | Standard security | Libor + 0.37% | 2034 | Variable |
| Nationwide | Standard security 195 properties | Libor + 0.75% | 2034 | Variable |
| THFC | Standard security 185 properties | 4.395% | 2030 | Fixed |

The Nationwide Building Society holds a standard security over 1,192 properties for its first facility. These properties secure the loans in the first five lines above. The fixes end at dates before the final loan maturity date.

16. Deferred income

| | 2016 | Restated 2015 |
|--|---------------------|---------------------|
| Social Housing and other Grant | | |
| Balance at 1 April 2015 | 102,759,537 | 100,324,538 |
| Transitional relief FRS102 | <u>(98,874,200)</u> | <u>(98,701,263)</u> |
| | 3,885,337 | 1,623,275 |
| Additions in year | 565,579 | 2,471,618 |
| Released/repaid as a result of property disposal | (50,668) | (16,786) |
| Amortisation in year | <u>(252,095)</u> | <u>(192,770)</u> |
| | <u>4,148,513</u> | <u>3,885,337</u> |
| Due in under one year | 252,094 | 192,769 |
| Due in over one year | <u>3,896,059</u> | <u>3,692,568</u> |
| | <u>4,148,513</u> | <u>3,885,337</u> |

NORTH GLASGOW HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 MARCH 2016

(Continued)

| 17. Share Capital | 2016 | 2015 |
|---|-------------|-------------|
| | £ | £ |
| Shares of £1 fully paid and issued at 1 April | 84 | 91 |
| Shares issued during year | 5 | 4 |
| Shares cancelled in year | <u>(10)</u> | <u>(11)</u> |
| Shares issued at 31 March | <u>79</u> | <u>84</u> |

Each member of the Association holds one share of £1 in the Association. These shares carry no rights to dividend or distributions on a winding up. When a shareholder ceases to be a member, that person's share is cancelled and the amount paid thereon becomes the property of the Association. Each member has a right to vote at members' meetings.

| 18. Statement of Cash Flow | 2016 | Restated 2015 |
|---|------------------|------------------|
| Reconciliation of operating surplus to balance as at 1 April 2015 | | |
| Operating surplus for year | 3,526,979 | 4,161,859 |
| Depreciation – housing properties | 3,406,994 | 3,192,425 |
| Depreciation – other assets | 386,617 | 519,568 |
| Amortisation of capital grants | (252,095) | (192,770) |
| Change in debtors | (285,603) | 63,356 |
| Change in creditors | 636,424 | (844,891) |
| Change in pension provision | (957,000) | 245,000 |
| Share capital cancelled | <u>(10)</u> | <u>(11)</u> |
| | <u>6,462,306</u> | <u>7,144,536</u> |

| 19. Housing Stock | 2016 | 2015 |
|---|--------------|--------------|
| The number of units in management at 31 March was as follows: | No. | No. |
| General needs housing | 5,259 | 5,274 |
| Supported housing accommodation | 169 | 169 |
| Shared ownership accommodation | <u>41</u> | <u>45</u> |
| | <u>5,469</u> | <u>5,488</u> |

No units are under management by other bodies.

NORTH GLASGOW HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 MARCH 2016

(Continued)

| 20. Employees | 2016 | Restated 2015 |
|-----------------------|------------------|------------------|
| | £ | £ |
| Wages and salaries | 3,607,701 | 3,475,716 |
| Social security costs | 249,221 | 232,185 |
| Other pension costs | <u>600,213</u> | <u>535,972</u> |
| | <u>4,457,135</u> | <u>4,243,873</u> |

The total above includes payments totalling £106,221 (2015 - £124,738) for four member of staff (2015 – three) who left during the year under a voluntary severance scheme. This total includes £17,774 (2015 - £nil) due to Strathclyde Pension Fund for strain payments on the fund.

| The number of persons employed by the Association during the year were as follows: | No | No |
|--|------------|------------|
| - full time equivalent | <u>131</u> | <u>122</u> |

Full time equivalent is based on a thirty five hour week as staff are employed on varying contracts ranging up to 42 hours per week.

The definition of key management personnel in the 2014 Determination includes those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity. This includes governing body members. The aggregate amount of emoluments payable to or receivable by, the key management personnel and former key management personnel of the Association landlord whose total emoluments are £60,000 or more, excluding employer's pension contributions, during the reporting period is disclosed below.

| | £ | £ |
|--|----------------|----------------|
| Emoluments payable to key management personnel earning over £60k | <u>469,424</u> | <u>468,371</u> |
| Emoluments payable to all key management personnel (without pension contributions) | <u>521,346</u> | <u>521,124</u> |
| Compensation paid to key management personnel for loss of office | <u>-</u> | <u>-</u> |
| Emoluments payable to the CEO, (based on a forty hour week) | 97,555 | 96,608 |
| Pension contributions for the CEO. | <u>36,283</u> | <u>35,853</u> |
| | <u>133,838</u> | <u>132,460</u> |

Emoluments over £60,000 including pension contributions paid to key management personnel can be analysed as follows:

| | No | No |
|---------------------|----------|----------|
| £60,001 - £70,000 | - | - |
| £70,001 - £80,000 | 1 | 1 |
| £80,001 - £90,000 | 1 | 1 |
| £90,001 - £100,000 | 3 | 3 |
| £130,001 - £140,000 | <u>1</u> | <u>1</u> |

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

| | | |
|----------------------------|--------------|--------------|
| Expenses paid to the Board | <u>3,254</u> | <u>1,745</u> |
|----------------------------|--------------|--------------|

The Association's contributions to the pension scheme for key management personnel earning over £60k in the year amounted to £106,223 (2015 - £94,432).

NORTH GLASGOW HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 MARCH 2016

(Continued)

21. Related Parties

Members of the Board are related parties of the Association as defined by Financial Reporting Standard 102. Tenants, sharing owners and owners who are members of the Board are not treated differently to any other tenants or owners. City Councilors who are members of the Board declare their interests relating to relevant decisions taken by the Association or the City Council. Governing Board members cannot use their position to any advantage. Any transaction between the Association and any entity with which a Governing Body Member has a connection with is made at arms length and is under normal commercial terms.

The related party relationships of the members of the Board is that nine members are tenants of the Association, three members are factored owners and three members are neither tenants or factored owners.

Transactions with Governing Board Members in the year were £34,070 of rent was charged and £854 of factoring charges. At the year end there were arrears of rent of £1,051 and factoring charges of £57.

The Association has taken advantage of the exemptions conferred by FRS102 in not disclosing transactions with wholly owned subsidiaries of the Association.

NORTH GLASGOW HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 MARCH 2016

(Continued)

22. Subsidiary Companies

The Association has four subsidiary companies NG Property (Scotland) Limited (NGPS), Design Services Glasgow Limited (DSGL), NG 2 Limited and NG 3 Limited. All companies are companies limited by shares and are registered in Scotland

| | % Holding | Class of shares | Country of Incorporation | Cost £ |
|------|--------------|--------------------|-----------------------------|-----------|
| NGPS | 100 | Ordinary | Scotland | 1,000 |
| DSGL | 100 | Ordinary | Scotland | 100 |
| NG 2 | 100 | Ordinary | Scotland | 100 |
| NG 3 | 100 | Ordinary | Scotland | 100 |

NGPS handles the factoring and other activities that the Association cannot undertake due to its charitable status. NGPS had capital and reserves of £152,699 (2015 capital and reserves of £136,901) and profits of £15,798 (2015 profit of £11,680) for the year ended 31 March 2016. The principal activity of the company is that of property management. Balance due to NGPS at year end was £108,774 (2015 – balance due to NGPS £48,400).

DSGL handles the development contracts for the group. DSGL has capital and reserves of £14,622 (2015 – £15,002) and loss of £380 for the year. (2015 – profit £59). The principal activity of the company is that of design services and contracting. Balance of £106,142 was owed from DSGL at the year end (2015 – owed by DSGL £113,114).

NG 2 was formed during 2010 to handle the Associations social economy activities and to encourage local employment and training opportunities. The result for the year was a profit of £41,858 (2015 £72,698) and capital and reserves of £225,959 (2015 - £184,101). Balance due from the Association at 31 March 2016 was £41,164 (2015 – due from the Association £219,222).

NG 3 Limited was formed in 2010 and is a dormant company.

The Board is of the opinion that it would be of no real value to the members of the Association to consolidate or include the accounts of the Association's subsidiaries in the group accounts, required to be prepared under Section 98 of the Co-operative and Community Benefit Societies Act 2014 for the year ended 31 March 2016, because the business of the Association and that of the subsidiaries are so different they cannot be treated as a single undertaking and there is no value to the members in preparing group accounts.

NORTH GLASGOW HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 MARCH 2016

(Continued)

23. Pension Fund – Scottish Housing Associations Pension Scheme

The Association 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) |
|---|---|

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 Association has agreed to a deficit funding arrangement the Association 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.

All employers in the scheme have entered into an agreement to make additional contributions to fund the Scheme's past service deficit. This obligation has been recognised in terms of Para 28.11A of Financial Reporting Standard 102. At the balance sheet date the present value of this obligation was £6,047,000 (2015 - £6,431,000). This was calculated by reference to the terms of the agreement and discounting the liability using the yield rate of high quality corporate bond with a similar term. The discount rate used was 2.29% (2015 2.22%).

The Association made payments totalling £737,713 to the pension scheme during the year.

NORTH GLASGOW HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 MARCH 2016

(Continued)

24. Pension Fund – Pensions Trust Growth Plan

North Glasgow Housing Association participates in the scheme, a multi-employer scheme which provides benefits to some 1,300 non-associated participating employers. The scheme is a defined benefit scheme in the UK. It is not possible for the Association 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 2011. This valuation showed assets of £780m, liabilities of £928m and a deficit of £148m. 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 2013 to 31 March 2023: | £13.9m per annum (payable monthly and increasing by 3% each on 1st April) |
|-------------------------------------|---|

A full actuarial valuation for the scheme was carried out at 30 September 2014. This valuation showed assets of £793m, liabilities of £970m and a deficit of £177m. 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 2016 to 30 September 2025: | £12,945,440 per annum (payable monthly and increasing by 3% each on 1st April) |
|---|--|

| | |
|---|--|
| From 1 April 2016 to 30 September 2028: | £54,560 per annum (payable monthly and increasing by 3% each on 1st April) |
|---|--|

The recovery plan contributions are allocated to each participating employer in line with their estimated share of the Series 1 and Series 2 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

NORTH GLASGOW HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 MARCH 2016

(Continued)

24. Pension Fund – Pensions Trust Growth Plan (continued)

All employers in the scheme have entered into an agreement to make additional contributions to fund the Scheme's past service deficit. This obligation has been recognised in terms of Para28.11A of Financial Reporting Standard 102. At the balance sheet date the present value of this obligation was £25,462 (2015-£23,973). This was calculated by reference to the terms of the agreement and discounting the liability using the yield rate of high quality corporate bond with a similar term. The discount rate used was 2.07% (2015 1.74%).

The Association made payments totalling £2,892 (2015: £2,808) to the pension scheme during the year.

NORTH GLASGOW HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 MARCH 2016

(Continued)

25. Pensions Fund – 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 last full actuarial valuation was carried out at 31 March 2015. The next full actuarial valuation is due as at 31 March 2018. The following information was updated for FRS 102 purposes to 31 March 2016 by a qualified independent actuary

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

| | 2016 | 2015 |
|-------------------------|------|------|
| Discount rate | 3.5% | 3.2% |
| Future salary increases | 4.2% | 4.3% |
| Pension increase rate | 2.2% | 2.4% |

In valuing the liabilities of the pension fund at 31 March 2016, mortality assumptions have been made as indicated below. The assumptions relating to longevity underlying the pension liabilities at the balance sheet date are based on standard mortality tables and include an allowance for future improvements in longevity. The assumptions are equivalent to expecting a 65-year old to live for a number of years as follows:

- Current pensioner aged 65: 22.1 years (male), 23.6 years (female)
- Future retiree upon reaching 65: 24.8 years (male), 26.2 years (female).

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

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

| | 2016 | 2015 |
|---|---------|--------|
| | £000's | £000's |
| Defined Benefit Plans | | |
| Opening defined benefit obligation | 9,765 | 7,611 |
| Current service cost | 350 | 314 |
| Past service cost | 8 | - |
| Interest cost | 317 | 333 |
| Loss on curtailment | - | - |
| Actuarial losses/(gains) | (1,186) | 1,550 |
| Contributions by members | 74 | 70 |
| Liabilities extinguished on settlements | - | - |
| Liabilities assumed in a business combination | - | - |
| Estimated benefits paid | (117) | (113) |
| Closing defined benefit obligation | 9,211 | 9,765 |

NORTH GLASGOW HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 MARCH 2016

(Continued)

25. Pensions Fund – Strathclyde Pension Fund (continued)

Movements in fair value of plan assets

| | 2016 | 2015 |
|-----------------------------------|---------------|---------------|
| | £000's | £000's |
| Opening fair value of plan assets | 7,137 | 6,496 |
| Expected return on plan assets | 232 | 395 |
| Actuarial gains/(losses) | (44) | 54 |
| Contributions by the employer | 258 | 235 |
| Contributions by the members | 74 | 70 |
| Estimated benefits paid | <u>(117)</u> | <u>(113)</u> |
| Closing fair value of plan assets | <u>7,540</u> | <u>7,137</u> |

Expense recognised in the income and expenditure account

| | 2016 | 2015 |
|---|--------------|--------------|
| | £000 | £000 |
| Current service cost | 350 | 314 |
| Past service cost | 9 | - |
| Interest on defined benefit pension plan obligation | 317 | 333 |
| Expected return on defined benefit pension plan asset | <u>(232)</u> | <u>(283)</u> |
| | <u>444</u> | <u>364</u> |

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

| | 2016 | | 2015 | |
|-----------------|--------------|----------|--------------|----------|
| | £000 | % | £000 | % |
| Equities | 5,429 | 72 | 5,353 | 75 |
| Corporate bonds | 1,206 | 16 | 928 | 13 |
| Property | 905 | 12 | 785 | 11 |
| Cash | - | 0 | 71 | 1 |
| | <u>7,540</u> | | <u>7,137</u> | |

Movement in deficit during the year

| | 2016 | 2015 |
|---------------------------------------|-----------------------|-----------------------|
| | £'000 | £'000 |
| (Deficit) at beginning of year | (2,628) | (1,115) |
| Current service cost | (350) | (314) |
| Losses on settlements or curtailments | - | - |
| Employer contributions | 258 | 235 |
| Past service costs | (8) | - |
| Unwinding of discount | (85) | (50) |
| Actuarial (losses)/gain | <u>1,142</u> | <u>(1,384)</u> |
| (Deficit) at end of the year | <u>(1,671)</u> | <u>(2,628)</u> |

NORTH GLASGOW HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 MARCH 2016

(Continued)

25. Pensions Fund – Strathclyde Pension Fund (continued)

The amounts recognised in the balance sheet are as follows:

| | 2016 | 2015 |
|-------------------------------------|----------------|----------------|
| | £000 | £000 |
| Present value of scheme liabilities | (9,211) | (9,765) |
| Fair value of scheme assets | 7,540 | 7,137 |
| Surplus/(deficit) | <u>(1,671)</u> | <u>(2,628)</u> |

North Glasgow Housing Association Limited expects to contribute £242,000 (2015 - £245,000) to the Strathclyde Pension Fund in the coming year.

26. Contingent liabilities

The Association is potentially liable to repay amounts on RTB sales arising from the stock transfer from Glasgow Housing Association.

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

27. Funding from partners

In conjunction with Inspiring Scotland an initiative to improve community involvement continued in the year under the Link Up banner, to develop existing and facilitate new 'links' that bring people in the community together to undertake mutually beneficial activities.

A wide range of community development and sporting projects were undertaken in the year. Also programmes of work were undertaken with secondary schools to develop interschool relationships. The Healthy Hearts programme in conjunction with the NHS, AXIS Health Hubs and Active Schools produced a health and Fitness programme for Primary six and seven pupils. This will be continued in the next year with the Active Early Years programme with support from Winning Scotland Foundation.

~~A waste management strategy continued in the year in conjunction with Zero Waste Scotland.~~

An environmental programme came to an end in the year. With the support of the Climate Challenge Fund a new programme started just after the year end. As a result of the ongoing work and due to other projects North Glasgow was awarded the Programme of the Year Award for 2016 By Keep Scotland Beautiful for the success of its work in developing initiatives and strategies to provide cleaner neighbourhoods.

Support from the Scottish Government to assist with provision of community football as part of an anti sectarian programme

The Association would like to acknowledge and thank Glasgow City Council and Onmove 1 for supporting the Thriving Places, Football Partnerships and Building Futures projects. The support provided is greatly appreciated and has enabled the Association and our partners to engage with the wider community, including providing a variety of activities and support packages for our various target groups.

NORTH GLASGOW HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 MARCH 2016

(Continued)

27. Funding from partners (contd)

Funding of £229k from the Big Lottery Fund for the Glasgow Big Partnership for Welfare Project (EPIC 360). This is part of a three year grant award totaling £857,033 for the Project. This will support people throughout Glasgow to get help and support to improve their financial skills.

The Scottish Government through the People and Communities Fund provided £130k for the Bridge, Build and Bond Project. The project was about engaging the people in North Glasgow to be part of addressing the needs they themselves identify.

Thanks to the Big Lottery Fund for supporting the Fit for Life - Fit to Play and on the Move 2 projects.

The Pitstops Project is supported by the Big Lottery Fund with a £453k grant over a three year period. The project is a personal development course with a difference. The eight-week course is based around learning a contact sport, as well as receiving new qualifications and getting support to take steps towards finding paid or voluntary work, going to college or other positive destinations. Pitstops is targeted at people who feel they require support or advice in taking positive steps forward in life. The project involves collaboration with the School of Hard Knocks who have seconded a staff member to support the project across its three year period. Thanks to SOHK for this support and the other projects they have collaborated on with NG Homes and other Scottish Associations across the last few years.

Thanks to Scottish Fire Rescue Services for their secondment of an officer to promote fire safe practices across the Associations stock.

The Association is grateful for the support given from all its funders and collaborative partners.

28. Commitments under operating leases

At 31 March 2016 the Association had commitments under non-cancellable operating leases as set out below:

| | 2016 | | 2015 | |
|-------------------|--------------------------|---------------------|--------------------------|---------------------|
| | Land & Buildings £ | Other Items £ | Land & Buildings £ | Other Items £ |
| Within 1 year | 109,024 | - | 109,024 | - |
| Within 2- 5 years | 436,096 | - | 436,096 | - |
| Over 5 years | 570,303 | - | 679,327 | - |
| | <u>1,115,423</u> | <u>-</u> | <u>1,224,447</u> | <u>-</u> |

29. Details of Association

The Association is a Registered Society registered with the Financial Conduct Authority under reference 1865 R(S) and is domiciled in Scotland. The Associations principal place of business is 50 Reidhouse Street, Glasgow, G21 4LS.

The Association is a Registered Social Landlord with reference HCB 187 and a Scottish Charity with reference SC030635 that owns and manages social housing property in Glasgow.

NORTH GLASGOW HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 MARCH 2016

(Continued)

30. Transition to the Financial Reporting Standard

The Association has adopted FRS102 for the year ended 31 March 2016 and has restated the comparative prior year amounts for the opening position at 1 April 2014 and effect on transactions in year to 31 March 2015.

The adoption of the standard has significantly affected the financial position of the Association, and gives rise to additional disclosures. The measurement and recognition of the Associations assets, liabilities, income and expenditure is changed in the following respects:

- Housing properties are now stated at deemed cost.
- Housing grants are now treated as a deferred creditor and amortised over the life of the asset.
- The effect of the above two adjustments has significantly changed the depreciation charge.
- The net present value of the deficit contributions to the SHAPS and Growth Plan pension schemes are now recognised on the balance sheet as a liability. The deficit contributions are now charged against this liability rather than included as payroll expenditure.
- A review was undertaken to identify holiday pay entitlement at the year end. An adjustment for such is included in operating cost and accruals.

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

Reconciliation of Capital & Reserves

| | | At 31 March 2015 | | | At 31 March 2014 | | |
|-------------------------|----------------------|----------------------|-------------|----------------------|----------------------|-------------|--------------|
| Note | As previously Stated | Effect of Transition | As restated | As previously Stated | Effect of Transition | As restated | |
| | £ | £ | £ | £ | £ | £ | |
| Non Current Assets | (i) | 44,630,370 | 50,689,461 | 95,319,831 | 47,981,282 | 49,071,426 | 97,052,708 |
| Current Assets | | 17,346,603 | - | 17,346,603 | 12,183,584 | - | 12,183,584 |
| Current Liabilities | (ii) | (3,293,229) | (972,022) | (4,265,251) | (3,386,103) | (36,417) | (3,422,520) |
| Non Current Liabilities | (ii) | (32,157,444) | (5,710,080) | (37,867,524) | (32,502,328) | (6,283,125) | (38,785,453) |
| Deferred Income | (i) | - | (3,692,568) | (3,692,568) | - | (1,623,974) | (1,623,974) |
| | | 26,526,300 | 40,314,791 | 66,841,091 | 24,276,435 | 41,127,910 | 65,404,345 |
| Capital & Reserves | | 26,526,300 | 40,314,791 | 66,841,091 | 24,276,435 | 41,127,910 | 65,404,345 |

Reconciliation of Retained Surpluses for the year Year ended 31 March 2015

| Note | As previously Stated | Effect of Transition | As restated | |
|------------------------------|----------------------|----------------------|-------------|--------------|
| Revenue | (i) | 22,694,619 | 192,770 | 22,887,389 |
| Operating costs | (i) & (ii) | (18,247,617) | (477,913) | (18,725,530) |
| Other Income | | 288,814 | (211,814) | 77,000 |
| Interest Receivable | | 117,905 | - | 117,905 |
| Interest Payable | | (1,107,849) | (62,000) | (1,169,849) |
| Other Finance Income / Costs | | - | (255,666) | (255,666) |
| Surplus | | 3,745,872 | (814,623) | 2,931,249 |

NORTH GLASGOW HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 MARCH 2016

(Continued)

30. Transition to the Financial Reporting Standard (contd)

Notes to the Reconciliations

i) Social Housing Grants and Other grants have been accounted for in accordance with the SORP which has meant that grants are no longer deducted from the cost of the capital asset, but are instead treated as deferred income which is recognised in income over the useful life of the related asset.

ii) As the Association has entered into an agreement to make contributions to fund a deficit in the SHAPS pension scheme this has been recognised as a liability in accordance with FRS. 102. This liability was not previously recognised and payments made under this agreement were written off as operating costs