Principal

Scott-Moncrieff
business advisers and accountants

WELLHOUSE HOUSING ASSOCIATION LIMITED

Report and Financial Statements

For the year ended 31 March 2016

WELLHOUSE HOUSING ASSOCIATION LIMITED

Report and Financial Statements
For the year ended 31 March 2016

Registration information

Financial Conduct Authority	Registered number 2469R(S)
Registered Housing Association No:	HAC281
Scottish Charity Number	SC036552

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

MANAGEMENT COMMITTEE

Maureen Morris	Chair
Wilma Strang	Vice Chair
Carol Torrie	Treasurer
Clare Monteith	Committee Member
Pamela Colvin	Committee Member
Linda Brown	Committee Member
Nile Istephan	Committee Member
Darron Brown	Committee Member (elected September 2015)
Joe Callghan	Co-optee (elected January 2016)
Angela Devine	Co-optee (elected January 2016)
Danny Dickson	Co-optee (elected January 2016)
Linda Granger	Committee Member (resigned September 2015)
Maureen McCormick	Committee Member (resigned September 2015)
Lesley Copeland	Committee Member (resigned September 2015)
William Mulligan	Committee Member (resigned September 2015)

EXECUTIVE OFFICERS

Martin Wilkie-McFarlane (Director and Secretary) (appointed 23 May 2016)
Lynn McCulloch (Interim Director) (resigned 3 June 2016)
Yvonne Hague (Deputy Director) (resigned 11 September 2015)
Stephen McAvoy (Operations Manager) (resigned 31 March 2016)
Sharon Flynn (Interim Operations Manager) (appointed 31 March 2016)

REGISTERED OFFICE

49 Wellhouse Crescent
Wellhouse
Glasgow
G33 4LA

EXTERNAL AUDITOR

Scott-Moncrieff
Statutory Auditor
25 Bothwell Street
Glasgow
G2 6NL

INTERNAL AUDITOR

Wylie & Bisset
168 Bath Street
Glasgow
G2 4TP

BANKERS

Clydesdale Bank plc
865 Shettleston Road
Glasgow
032 7NS

SOLICITORS

TC Young
7 West George Street
Glasgow
G21HN

FINANCE AGENTS

FMD Financial Services Ltd.
KCEDG Commercial Centre
29 Ladyloan Avenue
Glasgow
G15 8LB

Report of the Management Committee (incorporating the Strategic Report)
For the year ended 31 March 2016

The Management Committee presents its report (incorporating the Strategic Report) and the audited financial statements for the year ended 31 March 2016.

Legal Status

The Association is a registered non-profit making organisation under the Co-operative and Community Benefit Societies Act 2014 No 2469R(S). The Association is governed under its Rule Book. The Association is a registered Scottish Charity with the charity number SC036552. The Association was incorporated in Scotland.

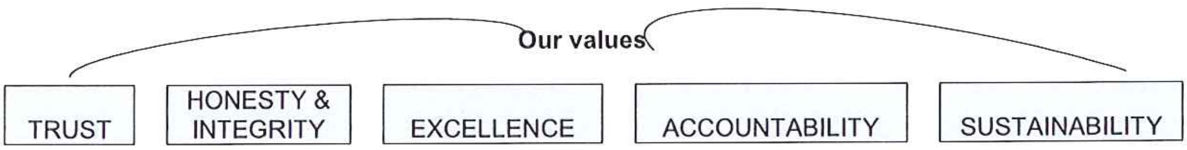
Strategic Report

Principal Activities

The principal activity of the Association is the provision and management of affordable rented accommodation.

Our Values

As a charity and a community controlled housing association working to deliver social benefits, our values are very important to us. They underpin our services and drive our behaviours. They are:-



Our Vision: Wellhouse – the Place to Be

Encapsulated in this simple statement is our vision of Wellhouse as an attractive place where people feel happy and safe, benefit from having a good home and an attractive environment and feel proud to be part of a vibrant community.

Our Strategic Objectives

To ensure we stay focused on transforming our business and making the social impact we seek, we have developed a set of six strategic objectives for the next three years. From these objectives, all our activities will flow. We will also measure our success by setting targets against these objectives, ensuring that we deliver them effectively and efficiently. The six objectives are to:-

1. Deliver excellent services;
2. Provide good quality homes;
3. Anticipate, understand and respond to local needs;
4. Foster an attractive, successful and thriving community;
5. Maintain good governance and financial management; and
6. Value and invest in our people.

Report of the Management Committee (incorporating the Strategic Report)
For the year ended 31 March 2016

Review of Business

The Scottish Housing Regulator, in December 2014, appointed a manager to Wellhouse Housing Association Limited under section 58 of the Housing (Scotland) Act 2010. The purpose of this appointment was to address a number of identified risks relating to governance and financial management which were highlighted in an independent Investigation Report. This appointment was also to assist and support the Management Committee in ensuring that the Associations affairs are managed to an appropriate standard. The Association currently has a high level of engagement with the Regulator.

Since this appointment a number of further investigations and reviews have been carried out which have resulted in changes to policies practices and procedures as well as changes to Committee membership. There have also been changes to personnel working within the Association.

The year to 31 March 2016 was a period of significant positive development for the Association and the Management Committee of the Association is confident that the improvement plans now in place will further stabilise the position and allow the organisation to move forward with confidence.

For the financial year to 31 March 2016 the Association generated a surplus of £364,147 (2015 restated: £173,211) with net assets of £3,641,423 (2015 restated: £3,277,276). Updates to the financial outlook have been carried out since the year end and these demonstrate viability under reasonable assumptions over the short medium and long term. Our lenders remain supportive and are satisfied with improvements made to date and the plans in place for further improvements to the overall governance and financial management of the Association.

Despite the difficulties and challenges encountered the Association continued to provide services to the local community and was able to achieve a number of positive outcomes including:

- Net rent arrears at 3.3%;
- Low void losses at 0.4%;
- A tenant satisfaction survey which shows a close alignment with the Improvement Plan and the establishment of a Customer Opinion Panel;
- Completed an options appraisal and decided on its future as an independent community controlled housing association;
- Largely completed its Improvement Plans;
- Implementation of Committee appraisals and training to ensure the strong governance of the Association;
- Adjusted services to address the effects of welfare reform; and
- Spent £1.137m on planned and reactive maintenance costs.

We also carried out:

- 80 smoke alarm, heat detector and CO detector installations;
- 4 Gas central heating systems;
- 6 Boiler replacements;
- 18 properties with external wall insulation;
- 3 Closes with new roofs;
- 17 Kitchens;
- 6 Bathrooms;
- 7 Wet floor showers;
- 1 rewire; and
- 6 major removal of asbestos from our properties.

We also:

- Carried out the demolition of 71 flats; and
- Completed the Phase 7 new build development.

Report of the Management Committee (incorporating the Strategic Report)
For the year ended 31 March 2016

Future developments
In the forthcoming year the Association expects to:

- Complete a staffing restructure, including the appointment of the new Director who started in May 2016;
- Fully complete its Improvement Plans;
- Adjust services to address the effects of welfare reform by adopting the Frontline Futures model of working and supporting the work of our income adviser;
- Deliver the feasibility studies for proceeding with new build phases 8 and 9 and explore options for phase 10;
- Continue with its planned program of stock investment;
- Alter its regulatory engagement level from its current high level;
- Deliver a new set of policies and procedures; and
- Conduct a comprehensive review of rent and service charges.

Principal risks and uncertainties
Our principle uncertainties are:

- Welfare Reform - The roll out of Universal Credit is expected to take place in 2016 and we know that this will have a detrimental impact on many of our customers and without preventative action could affect our own cash flow and operational performance. We expect that it will take some time for the new processes to settle down, with the most recent estimate being that full roll out will not happen until 2022. We know that there is to be a new Scotland Social Security service set up in 2017, but we are unaware what its impact may be with respect to Universal Credit.

- Increasing Demand - the changing profile of our customers is likely to have an impact on the demand for our services. We expect to see increasing demands for care and support in the community. We also expect to see a more ethnically diverse community with demands for particular language and support needs from people including refugees. We may also see a demand for houses with a different size and layout. Whilst this will no doubt offer us opportunities to review and improve our services, it will also increase the demand on our resources.

- Affordability - the current economic climate and in particular the lack of any significant increase in wages means that householders are continuing to struggle to make ends meet, even with the lower fuel and petrol costs we have just now. Although inflation has been maintained at a very low level, there is now speculation that bank lending rates will soon start to change. All of this, especially when coupled with the move to direct payments of Universal Credit to tenants, places risk on our organisation. The impact of Brexit remains an unknown at this time.

- Budget cuts - locally, the cuts to public service budgets continue, with Glasgow City Council experiencing a shortfall of £86 million in 2016/17 and a further shortfall of £47 million forecast for 2017/18. Whilst the full details of how the Council will address this is not yet clear, we expect the impact to be felt right across the city as the Council tries to meet increasing demands with fewer resources.

Report of the Management Committee (incorporating the Strategic Report)
For the year ended 31 March 2016

Key performance indicators

KPI Brief Description	KPI Target
Rent Collected as % of total rent due for year	100%
Gross Rent Arrears as % of rent due for year	4.40%
% of Void Rent Loss	1%
Current Arrears	4%
Re-let time	10 days
Average time to complete EME repairs	4 hours
Average time to complete NON-EME repairs	10 days
Reactive repairs carried out completed right first time	100%
Reactive Costs per unit	£252

Management Committee and Executive Officers

The members of the Management Committee and the Executive Officers are listed on Page 1.
Each member of the Management Committee holds one fully paid share of £1 in the Association with the exception of Co-optees to the Management Committee.

The Executive Officers hold no interest In the Association's share capital and, although not having the legal status of Directors, they act as Executives within the authority delegated by the members of the Management Committee and are also Trustees of the Charity. Members of the Management Committee are appointed by the members at the Association's Annual General Meeting.

Statement of Management Committee's Responsibilities

Housing Association legislation requires the Management Committee 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 income and expenditure of the Association for that period. In preparing those financial statements, the Management Committee is required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed subject to any material departures disclosed and explained in the 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.

Report of the Management Committee (incorporating the Strategic Report)
For the year ended 31 March 2016

Statement of Management Committee's Responsibilities (cont'd)

The Management Committee is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Association. The Management Committee must ensure that the financial statements comply with the Co-operative and Community Benefit Societies Act 2014, the Housing (Scotland) Act 2010, the Statement of Recommended Practice for Social Housing Providers issued in 2014 and the Determination of Accounting Requirements 2014 issued by the Scottish Housing Regulator. The Committee is also responsible for safeguarding the assets of the Association and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Management Committee must in determining how amounts are presented within items in the statement of comprehensive income and statement of financial position have regard to the substance of the reported transaction or arrangement, in accordance with generally accepted accounting practices.

Statement on Internal Financial Control

During financial year 2015/16 there has been a considerable focus on the governance and financial management of the Association.

The Management Committee acknowledges its ultimate responsibility for ensuring that the Association has in place a system of internal control that is appropriate for the business environment in which it operates. The Management Committee acknowledges that a number of significant weaknesses were identified from the various external reviews and investigations undertaken on behalf of the Management Committee in the previous financial year. Steps have now been taken to remedy any deficiencies in the systems of internal financial control and the Association is continuing to implement its detailed Governance Improvement Plan.

All financial regulations and procedures have been reviewed and updated to reflect good practice, a firm of Internal Auditors has been appointed, a rolling programme of internal audit is now in place and a number of operational improvements have been made. In addition, an Audit and Risk Committee has operated throughout the financial year 2015/16. At the date of signing the financial statements the Management Committee is satisfied that steps are being taken to ensure that there is appropriate planning, monitoring and control of the Association's financial and business affairs and that the financial control system in place is satisfactory and appropriate to the size and complexity of the organisation.

It is the governing body's responsibility to establish and maintain the systems of internal financial control. Such systems can only provide reasonable and not absolute assurance against material financial misstatement or loss.

Key elements of the Association's systems include ensuring that:

- An appropriate organisational structure is in place with suitably experienced and qualified personnel taking responsibility for important business functions;
- Formal policies and procedures are reviewed, updated and applied;
- Risk management processes are updated and reviewed regularly;

Report of the Management Committee (incorporating the Strategic Report)
For the year ended 31 March 2016

Statement on Internal Financial Control (cont'd)

- Forecasts and budgets are prepared which allow the management team and the Management Committee to monitor key business risks, financial operations and progress being made towards achieving the plans set out for the year;
- The Management Committee receive regular reports from the management team and from external and internal auditors to assist in providing reasonable assurance that internal financial controls are in place and are effective;
- All significant new initiatives, major commitments and investment projects are subject to formal authorisation procedures through the Management Committee;
- Regulatory returns are prepared, authorised and submitted promptly to the relevant regulatory bodies; and
- Formal procedures are established for instituting appropriate action to correct any weaknesses identified through internal or external audit reports.

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.

The Management Committee have reviewed the system of internal financial control in existence in the Association for the year ended 31 March 2016 and until the date these financial statements have been signed. No weaknesses were found in internal financial controls which resulted in material losses, contingencies or uncertainties which require disclosure in the financial statements or in the Auditor's Report on the financial statements.

Donations

During the year the Association made charitable donations amounting to £200 (2015: £2,562).

Auditor

A resolution to appoint Scott-Moncrieff, Chartered Accountants, as auditor will be brought to the members at the Annual General Meeting.

Disclosure of information to the auditor

To the knowledge and belief of each of the persons who are members of the Management Committee at the time the report is approved:

- So far as the Committee members are aware, there is no relevant information of which the Association's auditor is unaware; and
- He/she has taken all the steps that he/she ought to have taken as a Committee member in order to make himself/herself aware of any relevant audit information, and to establish that the Association's auditor is aware of the information.

The Report of the Management Committee (incorporating the Strategic Report) has been approved by the Management Committee.

By order of the Management Committee

Martin Wilkie-McFarlane
Secretary
Dated: 18 August 2016

Report of the auditor to the Management Committee of Wellhouse Housing Association Limited on Corporate Governance Matters
For the year ended 31 March 2016

In addition to our audit of the Financial Statements, we have reviewed your statement on pages 6 and 7 concerning the Association's compliance with the information required by the Regulatory Standards in respect of internal financial controls contained within the publication "Our Regulatory Framework" and associated Regulatory Advice Notes which are issued by the Scottish Housing Regulator.

Basis of Opinion

We carried out our review having regard to the requirements on corporate governance matters within Bulletin 2009/4 issued by the Financial Reporting Council. The Bulletin does not require us to review the effectiveness of the Association's procedures for ensuring compliance with the guidance notes, nor to investigate the appropriateness of the reasons given for any non-compliance.

Opinion

In our opinion the Statement on Internal Financial Control on pages 6 and 7 has provided the disclosures required by the relevant Regulatory Standards within the publication "Our Regulatory Framework" and associated Regulatory Advice Notes issued by the Scottish Housing Regulator in respect of internal financial controls and is consistent with the information which came to our attention as a result of our audit work on the Financial Statements.

Through our enquiry of certain members of the Management Committee and Officers of the Association, and examination of relevant documents, we have satisfied ourselves that the Management Committee's Statement on Internal Financial Control appropriately reflects the Association's compliance with the information required by the relevant Regulatory Standards in respect of internal financial controls contained within the publication "Our Regulatory Framework" and associated Regulatory Advice Notes issued by the Scottish Housing Regulator in respect of internal financial controls.

Scott-Moncrieff

Scott-Moncrieff, Statutory Auditor
Chartered Accountants
25 Bothwell Street
Glasgow
G2 6NL

Dated: 18 August 2016

Report of the Independent Auditor to the Members of Wellhouse Housing Association Limited For the year ended 31 March 2016

We have audited the financial statements of Wellhouse Housing Association Limited for the year ended 31 March 2016 which comprise the Statement of Comprehensive Income, the Statement of Changes in Capital and Reserves, the Statement of Financial Position, the Statement of Cash Flows and the related notes. The financial reporting framework that has been applied in their preparation is applicable law, FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice) and the Statement of Recommended Practice – Accounting for Social Housing Providers issued in 2014.

This report is made solely to the Association's members as a body, in accordance with 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 Management Committee and the auditor

As explained more fully in the Statement of Management Committee's Responsibilities set out on pages 5 and 6, the Management Committee is responsible for the preparation of the financial statements which give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's web-site at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Association's affairs as at 31 March 2016 and of its income and expenditure for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' and the Statement of Recommended Practice for Social Housing Providers issued in 2014; and
- have been properly prepared in accordance with the requirements of the Co-operative and Community Benefit Societies Act 2014, Part 6 of the Housing (Scotland) Act 2010 and the Determination of Accounting Requirements 2014 issued by the Scottish Housing Regulator.

Report of the Independent Auditor to the Members of Wellhouse Housing Association Limited (continued)
For the year ended 31 March 2016

Matters on which we are required to report by exception

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

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

Scott-Moncrieff

Scott-Moncrieff, Statutory Auditor
Chartered Accountants
25 Bothwell Street
Glasgow
G2 6NL

Dated: 18 August 2016

Statement of Comprehensive Income
For the year ended 31 March 2016

	Notes	2016 £	Restated 2015 £
Turnover	4	4,142,091	3,338,911
Operating expenditure	4	3,513,524	2,823,005
Operating surplus	4	628,567	515,906
Release of negative goodwill	15	49,362	49,358
Gain on sale of property, plant and equipment	10	5,864	-
Decrease in value of commercial properties	13	-	(153,650)
Interest receivable		4,108	15,523
Interest and financing costs	11	(323,754)	(253,926)
Surplus before tax		364,147	173,211
Taxation	12	-	-
Surplus for the year		364,147	173,211
Other comprehensive income		-	-
Total comprehensive income for the year		364,147	173,211

The results for the year relate wholly to continuing activities.

The notes form part of these financial statements.

Statement of Changes in Capital and Reserves
At 31 March 2016

	Share Capital £	Revenue Reserves £	Total Reserves £
Balance at 1 April 2015	454	3,276,822	3,277,276
Total comprehensive income for the year	-	364,147	364,147
Issue of shares	4	-	4
Cancellation of shares	(4)	-	(4)
Balance at 31 March 2016	454	3,640,969	3,641,423

Statement of Changes in Capital and Reserves
At 31 March 2015

	Share Capital £	Revenue Reserves £	Total Reserves £
Balance at 1 April 2014	468	3,103,611	3,104,079
Total comprehensive income for the year	-	173,211	173,211
Issue of shares	19	-	19
Cancellation of shares	(33)	-	(33)
Balance at 31 March 2015	454	3,276,822	3,277,276

The notes form part of these financial statements.

Statement of Financial Position
As at 31 March 2016

	Notes	2016 £	Restated 2015 £
Tangible fixed assets			
Housing properties	13(a)	29,408,147	29,636,974
Other property, plant and equipment	13(b)	1,465,477	1,503,550
		30,873,624	31,140,524
Negative goodwill	15	(1,152,933)	(1,202,295)
		29,720,691	29,938,229
Current assets			
Stock		9,107	13,070
Debtors	16	268,589	357,100
Development Cost of Housing Property	17	-	368,000
Cash and cash equivalents	18	1,618,223	2,556,107
		1,895,919	3,294,277
Creditors: amounts falling due within one year	19	(1,441,768)	(11,895,971)
Net current assets/(liabilities)		454,151	(8,601,694)
Total assets less current liabilities		30,174,842	21,336,535
Creditors: amounts falling due after more than one year	20	(26,533,419)	(18,059,259)
Net assets		3,641,423	3,277,276
Capital and reserves			
Share capital	23	454	454
Revenue reserve		3,640,969	3,276,822
		3,641,423	3,277,276

The financial statements were approved by the Management Committee on 18 August 2016 and were signed on its behalf by:

Maureen Morris M. Morris **Chairperson**

Wilma Strang W Strang **Vice Chairman**

Carol Torrie Carol Torrie **Treasurer**

The notes form part of these financial statements.

Statement of Cash Flows
For the year ended 31 March 2016

	Notes	2016 £	Restated 2015 £
Net cash generated from operating activities	**28**	961,972	1,169,063
Cash flow from investing activities			
Purchase of housing properties		(732,321)	(3,140,486)
Purchase of other property, plant and equipment		(37,639)	(11,676)
Proceeds from sale of housing properties		77,774	-
Net proceeds from sale of other property, plant and equipment		2,822	-
Government Capital grants received		285,224	639,000
Repayment of Government Capital grant on disposal of housing properties		(19,844)	-
Interest received		4,108	15,523
		(419,876)	(2,497,639)
Cash flow from financing activities			
Interest paid		(310,452)	(234,081)
Repayment of borrowings		(1,169,532)	(1,603,087)
Issue of share capital		4	19
		(1,479,980)	(1,837,149)
Net change in cash and cash equivalents		(937,884)	(3,165,725)
Cash and cash equivalents at 1 April		2,556,107	5,721,832
Cash and cash equivalents at 31 March	**18**	1,618,223	2,556,107

The notes form part of these financial statements.

Notes to the Financial Statements
For the year ended 31 March 2016

1. General Information

The financial statements have been prepared in accordance with FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice) and comply with Determination of Accounting Requirements 2014 as issued by the Scottish Housing Regulator and the Statement of Recommended Practice for Social Housing Providers issued in 2014. The principal accounting policies are set out below.

The Association is defined as a public benefit entity and thus the Association complies with all disclosure requirements relating to public benefit entities. The Association is a registered social landlord in Scotland and its registered number is HAC281. The registered office address is included on page 1.

These financial statements are presented in Pounds Sterling (GBP), as that is the currency in which the Association's transactions are denominated. They comprise the financial statements of the Association drawn up for the year ended 31 March 2016. These financial statements comprise the results of the Association only.

The Association's Scottish Charity number is SC036552.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the Association's accounting policies (see note 3).

2. Principal accounting policies

Basis of accounting

The financial statements are prepared on the historical cost basis of accounting subject to the revaluation of certain fixed assets and in accordance with applicable accounting standards. The effect of events relating to the year ended 31 March 2016, which occurred before the date of approval of the financial statements by the Management Committee have been included in the statements to the extent required to show a true and fair view of the state of affairs as at 31 March 2016 and of the results for the year ended on that date.

This is the first year the accounts have been prepared under FRS 102 and the 2014 SORP and details of the impact of the transition are disclosed in note 29.

Going concern

The Association has shown a strong surplus year on year and the Committee believes that the Association will carry on this trend for the foreseeable future. In addition to this, the Association has healthy cash reserves and a strong net assets position. The Management Committee have therefore adopted the going concern basis in preparing the financial statements.

Turnover

Turnover represents rental and service charge income receivable, fees receivable and revenue grants receivable from the Scottish Government, Glasgow City Council and other agencies. Also included is any management fees for the factoring of properties for private owners. Also included is any income from first tranche shared equity disposals.

Notes to the Financial Statements
For the year ended 31 March 2016

2. Principal accounting policies (cont'd)

Apportionment of management expenses

Direct employee, administration and operating expenditure have been apportioned to the relevant sections of the Statement of Comprehensive Income on the basis of costs of staff directly attributable to the operations dealt with in the financial statements.

Government Capital Grants

Government Capital Grants, at amounts approved by The Scottish Government or Glasgow City Council, are paid directly to the Association as required to meet its liabilities during the development process. This is treated as a deferred capital grant and is released to income in accordance with the accrual model over the useful life of the asset it relates to on completion of the development phase. The accrual model requires the Association to recognise income on a systematic basis over the period in which the Association recognises the related costs for which the grant is intended to compensate.

Government Revenue Grants

Government revenue grants are recognised using the accrual model which means the Association recognises the grant in income on a systematic basis over the period in which the Association recognises the related costs for which the grant is intended to compensate.

Non-government capital and revenue grants

Non-government capital and revenue grants are recognised using the performance model. If there are no performance conditions attached the grants are recognised as revenue when the grants are received or receivable.

A grant that imposes specific future performance related conditions on the recipient is recognised as revenue only when the performance related conditions are met.

A grant received before the revenue recognition criteria are satisfied is recognised as a liability.

Interest receivable

Interest receivable is recognised in the Statement of Comprehensive Income using the effective interest method.

Interest and financing costs

Finance costs are charged to the Statement of Comprehensive Income over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

Valuation of housing properties

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

Notes to the Financial Statements
For the year ended 31 March 2016

2. Principal accounting policies (cont'd)

Component	*Useful Economic Life*
Bathrooms	20 years
Kitchens	15 years
Boilers	15 years
Central Heating	30 years
Electrics	30 years
Attic Insulation	25 years
Windows	35 years
Close Doors	20 years
External Doors	20 years
Guttering	25 years
Rendering	50 years
Roofs	50 years
Structure	50 years

Depreciation and Impairment of Other Fixed Assets

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

Office Premises	2% -$3^1/_3$%
Office Furniture and Equipment	20%
Motor Vehicles	25%

The carrying value of tangible fixed assets is reviewed for impairment in periods if events or changes in circumstances indicate the carrying value may not be recoverable.

Shared equity sales

The proportion of the development cost of shared equity properties expected to be disposed of as a first tranche sale is held in current assets until it is disposed of. The remaining part of the development cost is treated as a fixed asset. First tranche Shared Equity disposals are credited to turnover with the cost of construction of these sales taken to operating expenditure. In accordance with the SORP, disposals of subsequent tranches are treated as fixed asset disposals with the gain or loss shown in the Statement of Comprehensive Income.

Right to Buy sales

Disposals of housing property under the Right to Buy scheme are treated as a fixed asset disposal with any gain or loss on disposal accounted for in the Statement of Comprehensive Income.

Works to existing properties

The Association capitalises major repairs expenditure where these works result in an enhancement of economic benefits by increasing the net rental stream over the life of the property or where a component is replaced, with the existing component being disposed.

Notes to the Financial Statements
For the year ended 31 March 2016

2. Principal accounting policies (cont'd)

Capitalisation of development overheads

Directly attributable development administration costs relating to development activities are capitalised in accordance with the Statement of Recommended Practice.

Development interest

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

Commercial property

The commercial property is carried at fair value determined be external valuers and derived from the current market rents and commercial property yields for comparable real estate, adjusted if necessary for any difference in the nature, location or condition of the specific asset. No depreciation is provided. Changes in fair value are recognised in the Statement of Comprehensive Income.

Leases/Leased assets

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

Negative goodwill

Negative goodwill created through transfer of engagements is written off to the Statement of Comprehensive Income as the non-cash assets acquired are depreciated or sold.

Debtors

Short term debtors are measured at transaction price, less any impairment.

Rental arrears

Rental arrears represent amounts due by tenants for the rental of social housing properties at the year end. Rental arrears are reviewed regularly by management and written down to the amount deemed recoverable. Any provision deemed necessary is shown alongside gross rental arrears in Note 16.

Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

Creditors

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

Loans

Mortgage loans are advanced by financial institutions under the terms of individual mortgage deeds in respect of each property or housing scheme. Advances are available only in respect of those developments which have been given approval for Government Capital Grant by the Scottish Government or Glasgow City Council.

Notes to the Financial Statements
For the year ended 31 March 2016

2. Principal accounting policies (cont'd)

Financial instruments

The Association only enters into basic financial instruments transactions that result in the recognition of financial assets and liabilities like trade and other accounts receivable and payable and loans from banks.

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at the present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade payables or receivables, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration, expected to be paid or received. However if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a rental arrear deferred beyond normal Association terms or in case of an out-right short-term loan not at market rate, the financial asset or liability is measured, initially, at the present value of the future cash flow discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost.

Financial assets are derecognised when contractual rights to the cash flows from the assets expire, or when the Association has transferred substantially all the risks and rewards of ownership.

Financial liabilities are derecognised only once the liability has been extinguished through discharge, cancellation or expiry.

Retirement Benefits

The Scottish Housing Association Defined Benefits Pension Scheme
The Housing Association participates in The Scottish Housing Association Defined Benefits Pension Scheme and retirement benefits to employees of the Housing Association are funded by the contributions from all participating employers and employees in the Scheme. There is one current employee who is a member of 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.

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

Thus the Scheme is accounted for as a defined contribution scheme. However the Association has entered into a past service deficit repayment agreement with the Pension Trust and per FRS 102, this discounted past service deficit liability has been recognised in the Statement of Financial Position. This liability is based on the 2015 SHAPS valuation.

From 1 August 2014, the Association elected to operate the Defined Contribution (DC) Scheme for all other staff. The contributions made by the Association are recognised as an expense in the Statement of Comprehensive Income when they fall due. The assets of the Scheme are held separately from the Association in independently administered funds.

3. Judgement in applying policies and key sources of uncertainty

In preparing the financial statements, management is required to make estimates and assumptions which affect reported income, expenses, assets, and liabilities. Use of available information and application of judgement are inherent in the formation of estimates, together with past experience and expectations of future events that are believed to be reasonable under the circumstances. Actual results in the future could differ from such estimates.

Notes to the Financial Statements
For the year ended 31 March 2016

3. Judgements in applying policies and key sources of uncertainty (cont'd)

The Management Committee are satisfied that the accounting policies are appropriate and applied consistently. Key sources of estimation have been applied as follows:

Estimate	Basis of estimation
Useful lives of property, plant and equipment	The useful lives of property, plant and equipment are based on the knowledge of senior management at the Association, with reference to expected asset life cycles.
The main components of housing properties and their useful lives	The cost of housing properties is split into separately identifiable components. These components were identified by knowledgeable and experienced staff members.
Recoverable amount of rental and other trade receivables	Rental arrears and other trade receivables are reviewed by appropriately experienced senior management team members on a case by case basis with the balance outstanding together with the payment history of the individual tenant being taken into account.
The obligations under the SHAPS pension scheme	This has relied on the actuarial assumptions of a qualified actuary which have been reviewed and are considered reasonable and appropriate. The obligation recognised is based on the 2015 valuation.
The valuation of the commercial property	The commercial property has been valued at its market value based on a valuation performed by a qualified valuer based on market data.

Notes to the financial statements
For the year ended 31 March 2016

4. Particulars of Turnover, Operating Expenditure and Operating Surplus

	Notes	Turnover	2016 Operating Expenditure	Operating surplus/ (deficit)	Turnover	Restated 2015 Operating Expenditure	Operating surplus/ (deficit)
		£	£	£	£	£	£
Social Lettings	5	3,722,420	3,007,129	715,291	3,049,990	2,443,520	606,470
Other activities	6	419,671	506,395	(86,724)	288,921	379,485	(90,564)
		4,142,091	3,513,524	628,567	3,338,911	2,823,005	515906

Notes to the financial statements
For the year ended 31 March 2016

5. Particulars of income and expenditure from social letting activities

	General Needs Housing £	2016 Total £	Restated 2015 Total £
Income from lettings			
Rent receivable net of identifiable service charges	2,915,408	2,915,408	2,700,526
Service charges receivable	20,996	20,996	38,856
Gross rents receivable	2,936,404	2,936,404	2,739,382
Less: Rent losses from voids	(12,934)	(12,934)	(8,270)
Net rents receivable	2,923,470	2,923,470	2,731,112
Release of deferred government capital grants	584,825	584,825	318,878
Other revenue grants	214,125	214,125	-
Total income from social letting activities	3,722,420	3,722,420	3,049,990
Expenditure on Social Letting Activities			
Service costs	20,996	20,996	38,856
Management and maintenance administration costs	1,380,312	1,380,312	1,141,182
Reactive maintenance costs	362,964	362,964	389,935
Bad debts – rents and service charges	8,999	8,999	(1,346)
Planned cyclical maintenance including major repairs	331,764	331,764	148,502
Depreciation of social housing	902,094	902,094	726,391
Operating expenditure for social letting activities	3,007,129	3,007,129	2,443,520
Operating Surplus on letting activities, 2016	715,291	715,291	
Operating Surplus on letting activities, 2015 as restated	606,470		606,470

Included in depreciation of social housing is £18,817 (2015: £31,137) in respect of the loss on disposable components.

There is no supporting housing accommodation or shared ownership accommodation.

Notes to the financial statements
For the year ended 31 March 2016

6. Particulars of turnover, operating expenditure and operating deficit from other activities

	Grants from Scottish Ministers	Other revenue grants	Supporting People income	Other income	Total Turnover 2016	Operating expenditure - bad debts	Other operating expenditure	Operating deficit 2016	Operating deficit 2015
	£	£	£	£	£	£	£	£	£
Wider role activities	-	-	-	-	-	-	7,063	(7,063)	(16,529)
Factoring	-	-	-	8,778	8,778	1,522	8,714	(1,458)	(43)
Development and construction of property activities	-	-	-	-	-	-	-	-	-
Agency/management services	-	-	-	1,000	1,000	-	-	1,000	-
Commercial and hub activity	-	-	-	41,893	41,893	-	35,040	6,853	23,240
Stage 3 income	-		-	-	-	-	-	-	2,384
Depreciation – other	-	-	-	-	-	-	-	-	
Tenant participation costs	-	-	-	-	-	-	54,807	(54,807)	(46,116)
Re-chargeable repair bad debts	-	-	-	-	-	11,249	-	(11,249)	(31,500)
Connect Community Trust	-	-	-	-	-	-	20,000	(20,000)	(22,000)
Shared equity property sales	-	-	-	368,000	368,000	-	368,000	-	-
Total from other activities, 2016	-	-	-	419,671	419,671	12,771	493,624	(86,724)	
Total from other activities, 2015 as restated	-	-	-	288,921		31,500	347,985		(90,564)

Notes to the Financial Statements
For the year ended 31 March 2016

7. Directors' Emoluments

The directors are defined as the members of the Management Committee, the Director and any other person reporting directly to the Director or the Management Committee whose total emoluments exceed £60,000 per year. No emoluments were paid to any member of the Management Committee during the year. The Association considers key management personnel to be the Management Committee and the senior management team of the Association only.

	2016 £	2015 £
Aggregate Emoluments payable to officers with emoluments greater than £60,000 (excluding Pension Contributions and compensation for loss of office)	318,874	100,731
Compensation payable to Officers for loss of office	25,000	58,850
Pension contributions made on behalf of Officers with emoluments greater than £60,000	-	8,423
Fees payable to Interim Director (2015: emoluments excluding pension contribution and compensation for loss of office for former Director)	70,175	100,731

The number of Officers including the highest paid Officer, who received emoluments (excluding pension contributions) over £60,000 was in the following ranges:-	Number	Number
£70,001 to £80,000	1	-
£100,001 to £110,000	-	1

In 2014/15 the emoluments (excluding pension contributions) paid to the previous key management team, consisting of the former Chief Executive and Deputy Director were £218,967. The pension contributions were £15,087.

In 2015/16, payments (excluding pension contributions) made to key management personnel, consisting of the Interim Director, the acting Finance Director, the former Operations Manager, the former Deputy Director and the Special Manager appointed by the Scottish Housing Regulator were £343,874. The pension contributions were £3,052.

8. Employee information

	2016	2015
The average number of full time equivalent persons employed during the year was:	22	19

Staff costs were:	2016 £	2015 £
Wages and salaries	594,616	639,949
Society Security costs	52,394	58,748
Other Pension costs	31,681	39,300
	678,691	737,997

In addition to above £239,836 (2015: £nil) was paid to key management personnel. Included in above is £25,000 (2015: £58,850) in respect of payments made for loss of office.

Notes to the Financial Statements
For the year ended 31 March 2016

8. Employee information (cont'd)

The SHAPS past service deficit liability is subject to remeasurement each financial year.

	2016 £	Restated 2015 £
Remeasurement – impact of any change in assumptions	(2,000)	44,000

This is included in management and maintenance administration costs.

9. Operating surplus

Surplus on ordinary activities before taxation is stated after charging:			2016 £	2015 £
Depreciation	-	Tangible Fixed Assets	943,301	726,391
	-	Loss on disposed components	18,817	31,137
Auditor's Remuneration	-	Audit services	8,250	5,930
	-	Other services	750	3,194
Internal Auditor's fees			9,600	-
Operating lease rentals – other			28,957	28,777

10. Gain on sale of property, plant and equipment

	2016 £	2015 £
Proceeds on sale of property, plant and equipment	80,596	-
Net book value of assets at time of sale	(74,732)	-
Gain on sale of housing stock	5,864	-

11. Interest and financing costs

	2016 £	2015 £
SHAPS Pension interest (unwinding of discount)	13,302	19,895
On bank loans and overdrafts	321,430	336,872
Less: Interest capitalised	(10,978)	(102,841)
	323,754	253,926

Interest incurred in the development period of housing properties which has been written off to the income and expenditure account amounted to £nil (2015: £nil).

12. Tax on surplus on ordinary activities

The Association is a Registered Scottish Charity and is not liable to United Kingdom Corporation Tax on its charitable activities. No tax is due on the Association's other activities due to the losses incurred (2015: £nil).

Notes to the Financial Statements
For the year ended 31 March 2016

13.	**Tangible Fixed Assets – (a) Housing properties**	**Housing Properties Held for Letting**	**Housing Properties under construction**	**Total**
	Cost	**£**	**£**	**£**
	At 1 April 2015 as restated	34,097,971	4,399,291	38,497,262
	Additions - properties	-	290,603	290,603
	Additions - components	441,718	-	441,718
	Disposals - properties	(78,337)	-	(78,337)
	Disposals - components	(53,587)	-	(53,587)
	Transfers	4,673,827	(4,673,827)	-
	At 31 March 2016	39,081,592	16,067	39,097,659
	Depreciation			
	At 1 April 2015 as restated	8,860,288	-	8,860,288
	Charge for year	883,277	-	883,277
	On disposals – properties	(19,283)	-	(19,283)
	On disposals - components	(34,770)	-	(34,770)
	At 31 March 2016	9,689,512	-	9,689,512
	Net Book Value			
	At 31 March 2016	29,392,080	16,067	29,408,147
	At 31 March 2015 as restated	25,237,683	4,399,291	29,636,974

Additions to housing properties include capitalised development administration costs of £11,908 (2015: £24,966). In addition to the above, there is capitalised interest of £10,978 (2015: £102,841). All land and properties are freehold.

Notes to the Financial Statements
For the year ended 31 March 2016

13. Tangible Fixed Assets (b) Other fixed assets Cost	**Commercial Property £**	**Motor Vehicle £**	**Office Premises £**	**Office Furniture & Equipment £**	**Total £**
As at 1 April 2015 as restated	315,000	42,785	1,395,549	249,638	2,002,972
Additions	-	-	-	37,639	37,639
Disposals	-	(28,625)	-	(103,381)	(132,006)
As at 31 March 2016	315,000	14,160	1,395,549	183,896	1,908,605
Aggregate Depreciation					
As at 1 April 2015 as restated	-	21,542	259,372	218,508	499,422
Charge for year	-	3,540	37,474	19,020	60,034
Depreciation on disposals	-	(14,313)	-	(102,015)	(116,328)
As at 31 March 2016	-	10,769	296,846	135,513	443,128
Net Book Value					
At 31 March 2016	315,000	3,391	1,098,703	48,383	1,465,477
At 31 March 2015	315,000	21,243	1,136,177	31,130	1,503,550

The commercial property was revalued by Jones Lang La Salle, Chartered Surveyors, at 31 March 2016 on a market basis.

14. Housing Stock		**2016 £**	**2015 £**
The number of units of accommodation in management at the year end was:-			
General Needs	- New Build	342	330
	- Rehabilitation	456	462
	- Voids	-	66
		798	858

15. Negative Goodwill	**2016 £**	**2015 £**
Gross	1,449,101	1,449,101
Amortisation		
As at 1 April 2015	(246,806)	(197,448)
Released during the year	(49,362)	(49,358)
	(296,168)	246,806
Net position at 31 March 2016	1,152,933	1,202,295

The negative goodwill was generated as a result of a transfer of engagements from GHA in 2010/11.

Notes to the Financial Statements
For the year ended 31 March 2016

16. Debtors

	2016	2015
	£	£
Arrears of rent and service charges	139,235	132,973
Less: Provision for doubtful debts	(42,813)	(40,022)
	96,422	92,951
Social Housing Grant Receivable	32,659	16,067
Other Debtors	139,508	248,082
	268,589	357,100

All amounts shown under debtors fall due for payment within one year.

17. Development Cost of Housing Property

	2016	2015
	£	£
Shared Equity Properties		
Completed Properties Unsold	-	424,259
Less: Grants received from Scottish Ministers	-	(56,259)
	-	368,000

18. Cash and cash equivalents

	2016	2015
	£	£
Balances with banks	1,618,223	2,556,107
	1,618,223	2,556,107

19. Creditors: amounts falling due within one year

	2016	Restated 2015
	£	£
Bank loans (note 20)	217,500	10,233,886
Trade creditors	441,663	466,124
Rent in advance	11,972	17,702
Other taxation and social security	13,008	43,316
Other creditors	117,886	226,209
Accruals and deferred income	-	285,244
SHAPS past service deficit repayment plan (note 25)	49,239	48,302
Deferred government capital grant(note 21)	590,500	575,188
	1,441,768	11,895,971

At the year end date there were pension contributions outstanding of £7,799 (2015: £9,901).

Notes to the Financial Statements
For the year ended 31 March 2016

20. Creditors: amounts falling due after more than one year

	2016	Restated 2015
	£	£
Bank loans	8,846,854	-
Deferred capital grants (note 21)	17,436,333	17,771,090
SHAPS past service deficit repayment plan (note 25)	250,232	288,169
	26,533,419	18,059,259

Housing Loans are secured by specific charges on the Association's housing properties and are repayable at rates of interest of between 2.35% to 4.40% in instalments, due as follows:

Within one year	217,500	10,233,886
Between one and two years	4,692,879	-
Between two and five years	635,714	-
In five years or more	3,518,261	-
	9,064,354	
Less: Amount shown in current liabilities	(217,500)	(10,233,886)
	8,846,854	-

At the prior year end the Association had a breach of a bank covenant. As a result the debt was shown as due within one year. After the year end a waiver was provided by the banks and repayments now fall due in line with the loan agreements.

21. Deferred capital grants

	2016	Restated 2015
	£	£
Balance at 1 April 2015	18,346,278	18,026,156
Grants received in year	285,224	639,000
Grants repaid in year	(19,844)	-
Released to income in year – Housing Properties	(561,232)	(295,350)
Released to income in year – Other Fixed Assets	(23,593)	(23,528)
Balance at 31 March 2016	18,026,833	18,346,278
Split: < 1 year	590,500	575,188
1-2 years	550,000	590,500
2-5 years	1,620,000	1,635,000
> 5 years	15,266,333	15,545,590
Total	18,026,833	18,346,278

Notes to the Financial Statements
For the year ended 31 March 2016

22. Financial instruments

	2016 £	2015 £
Financial assets		
Financial assets measured at amortised cost	250,892	330,625
Financial liabilities		
Financial liabilities measured at amortised cost	9,923,374	11,262,690

Financial assets measured at amortised cost comprise rent arrears, social housing grant receivable and other debtors (excluding prepayments).

Financial liabilities measured at amortised cost comprise bank loans, trade creditors, other creditors, accruals and the SHAPS past service deficit repayment plan.

23 a) Share capital

	2016 £	2015 £
Shares of £1 each issued and fully paid		
At 1 April 2015	454	468
Shares issued in year	4	19
Shares cancelled in year	(4)	(33)
At 31 March 2016	454	454

Each member of the Association holds one share of £1 in the Association. These shares carry no rights to dividend or distributions on 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. Called up share capital on the Statement of Financial Position has been adjusted to reflect the number of shares held by active members.

23 b) Revenue Reserve

Revenue reserves are unrestricted and undesignated funds available for general use to further the Associations aims and objectives.

24. Related Party Transactions

Five members (2015: nine) of the committee at the year end are tenants of the Association. Those members that are tenants of the Association have tenancies that are on the Association's normal tenancy terms and they cannot use their positions to their advantage. The total rent charged in the year relating to tenant management committee members is £22,948 (2015: £29,221). The total rent arrears relating to tenant management committee members is £916 (2015: £659). The total prepaid rent relating to tenant management committee members is £nil (2015: £303).

During the year, 4 (2015: 4) members of the Management Committee were also Trustees of Connect Community Trust. At the year end no members of the Management Committee were also Trustees of the Trust. During the year Connect Community Trust charged the Association £19,876 (2015: £19,876) for the concierge service, £8,771 (2015: £9,841) for maintenance work, £5,000 (2015: £2,500) for ERHA project management, £1,379 (2015: £2,448) for events and promotions, £nil (2015: £514) for supplies and £200 (2015: £2,037) in donations. Connect Community Trust incurred expenditure on behalf of the Association for general running costs of £6,374.

Notes to the Financial Statements
For the year ended 31 March 2016

24. Related Party Transactions (continued)

During the year the Association charged the Trust £4,000 (2015: £4,000) for Innerzone rent and £2,984 (2015: £2,373) for general admin costs.

At the Statement of Financial Position dated £3,538 (2015: £1,596) was outstanding from the Trust and £4,156 (2015: £2,265) was due to the Trust. These amounts are included in other debtors and trade creditors respectively.

The Association gave a grant of £20,000 (2015: £nil) to Connect Community Trust during the year.

During the year, the Association incurred expenses on behalf of the Trust to include rent, electricity, gas, rates and repairs, buildings insurance and use of the board room at 49 Wellhouse Crescent amounting to £34,334 (2015: £34,230).

The Association pays a subscription to the Glasgow and West of Scotland Forum of Housing Associations and provides accountancy services at a charge of £1,000. The Association's former Director served as the Treasurer of the Forum until January 2015 and left the Association in March 2015. These services were terminated at March 2016.

25. Retirement Benefit Obligations

General

Wellhouse Housing Association Limited participates in the Scottish Housing Association Pension Scheme (the "scheme") which is funded and is contracted out of the State Pension scheme.

The Scheme is a multi-employer defined benefit scheme. The Scheme offers six benefit structures to employers, namely:

- Final salary with a 1/60th accrual rate.
- Career average revalued earnings with a 1/60th accrual rate.
- Career average revalued earnings with a 1/70th accrual rate.
- Career average revalued earnings with a 1/80th accrual rate.
- Career average revalued earnings with a 1/120th accrual rate, contracted in.
- Defined Contribution (DC) option.

An employer can elect to operate different benefit structures for their active members (as at the first day of April in any given year) and their new entrants. The DC option can be introduced by the employer on the first day of any month after giving a minimum of 3 months' notice. Wellhouse Housing Association Limited has elected to operate both the final salary with a 1/60th accrual rate for one active member and a Defined Contribution (DC) Scheme to all other staff.

Defined benefit scheme

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

The actuarial valuation assesses whether the Scheme's assets at the valuation date are likely to be sufficient to pay the pension benefits accrued by members as at the valuation date. Asset values are calculated by reference to market values. Accrued pension benefits are valued by discounting expected future benefit payments using a discount rate calculated by reference to the expected future investment returns.

Notes to the Financial Statements
For the year ended 31 March 2016

25. Retirement Benefit Obligations (cont'd)

Final Salary with a 1/60th Accrual Rate Scheme

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

As at the Statement of Financial Position date there is 1 active member of the Scheme employed by Wellhouse Housing Association Limited. The annual pensionable payroll in respect of these members was £87,680. Wellhouse Housing Association Limited no longer offers membership to this scheme with all other staff offered the defined contribution scheme.

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

Thus the scheme is accounted for as a defined contribution scheme. However the Association has entered into a past service deficit repayment agreement with the Pension Trust and per FRS 102, this discounted past service deficit liability has been recognised in the Statement of Financial Position. This liability is based on the 2015 estimated valuation.

2012 Valuation

The last formal valuation of the Scheme was performed as at 30 September 2012 by a professionally qualified actuary using the "projected unit credit" method. The market value of the Scheme's assets at the valuation date was £394 million. The valuation revealed a shortfall of assets compared to liabilities of £304 million, equivalent to a past service funding level of 56.4%.

The key valuation assumptions used to determine the assets and liabilities of the Scheme as at 30 September 2012 are detailed below:

		% p.a
Investment return pre retirement		5.3%
Investment return post retirement -	Non-pensioners	3.4%
Investment return post retirement -	Pensioners	3.4%
Rate of salary increases		4.1%
Rate of price inflation		
- RPI		2.6%
- CPI		2.0%

25. Retirement Benefit Obligations (cont'd)

The valuation was carried out using the SAPS (SIPA). All pensioners Year of Birth Long Cohort with 1% p.a. minimum improvement for non-pensioners and pensioners.

The joint contribution rates required from employers and members to meet the cost of future benefit accrual for the Final Salary with 1/60th benefit structure was assessed as 24.6%.

This is split between employers and members. Accordingly the contribution rates for the Final Salary with 1/60th accrual from 1 April 2015 is 12.3% employers contributions and 12.3% member contributions.

Following a change in legislation in September 2005 there is a potential debt on the employer that could be levied by a Trustee of the Scheme. The debt is due in the event of the employer ceasing to participate in the Scheme or the Scheme winding up. As at 30 September 2015, the estimated employee debt was £1,988,682 (2014: £1,750,698). The Association does not expect to withdraw from the Scheme.

2015 Provisional Valuation

The leaving employer's share of the buy-out debt is the proportion of the Scheme's liability attributable to employment with the leaving employer compared to the total amount of the Scheme's liabilities (relating to employment with all the employers). The leaving employer's debt therefore includes a share of any 'orphan' liabilities in respect of previously participating employers. The amount of the debt therefore depends on many factors including total Scheme liabilities, Scheme investment performance, the liabilities in respect of current and former employees of the employer, financial conditions at the time of the cessation event and the insurance buy-out market. The amounts of debt can therefore be volatile over time.

As highlighted at the 2015 Employer Forums, the triennial valuation has been undertaken against a challenging economic backdrop for defined benefit (DB) schemes like SHAPS. That said, the deficit has reduced from £304m, as at 30 September 2012 to £198m as at 30 September 2015; an improvement in the funding position from 56% to 76%.

A summary of the headline provisional valuation results is set out in the table below:

Valuation	**2012**	**2015**
Assets (£ million)	394	612
(Liabilities) (£ million)	(698)	(810)
(Deficit) (£ million)	(304)	(198)
Funding level	56%	76%
Aggregate annual deficit contributions for the year from 1 April 2017 (£ million)	28.7 (26.3 on inception from 1 April 2014)	28.7
Annual increases to deficit contributions	3.0%	3.0%
Proposed deficit contribution (recovery plan) end date	30 September 2027	28 February 2022

If an actuarial valuation reveals a shortfall of assets compared to liabilities the Trustee must prepare a recovery plan setting out the steps to be taken to make up the shortfall.

The Trustees have recently supplied Wellhouse Housing Association Limited with an estimated updated contribution figure to the past service deficit. From 1 April 2017, Wellhouse Housing Association Limited will be required to pay £50,431 (net of administration costs) per annum as a contribution to the past service deficit. The deficit contribution will increase each April by 3%. The deficit is now expected to be removed from the Scheme by 28 February 2022 (previously 30 September 2027). The past service deficit liability recognised in the financial statements is based on the revised estimated contributions provided to the Association on 3 March 2016 by the Pensions Trust.

Notes to the Financial Statements
For the year ended 31 March 2016

25. Retirement Benefit Obligations (cont'd)

Past service deficit repayment liability

	2016 £	Restated 2015 £
Provision at start of period	336,471	319,471
Unwinding of the discount factor (interest expense)	13,302	19,895
Deficit contribution paid	(48,302)	(46,895)
Remeasurements – impact of any changes in assumptions	(2,000)	44,000
Remeasurements – amendments to the contributions schedule	-	-
Provision at end of period	299,471	336,471

Liability split as:	2016 £	Restated 2015 £
< 1 year	49,239	48,302
1-2 years	50,196	49,239
2-5 years	152,688	151,635
> 5 years	47,348	87,295
	299,471	336,471

Statement of Comprehensive Income Impact	2016 £	2015 £
Interest expense	13,302	19,895
Remeasurements – impact of any change in assumptions	(2,000)	44,000
	11,302	63,895

Assumptions	2016	2015
Rate of discount	2.29%	2.22%

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

The debt for the Scheme as a whole is calculated by comparing the liabilities for the Scheme (calculated on a buyout basis i.e. the cost of securing benefits by purchasing annuity policies from an insurer, plus an allowance for expenses) with the assets of the Scheme. If the liabilities exceed assets there is a buy-out debt.

Pension deficit costs not included within operating costs amounted to £48,302 (2015: £46,895).

Notes to the Financial Statements
For the year ended 31 March 2016

25. Retirement Benefit Obligations (cont'd)

Defined Contribution (DC) Scheme

From 1 August 2014, the Association elected to operate the Defined Contribution (DC) Scheme for all other staff. The contributions made by the Association are recognised as an expense in the Statement of Comprehensive Income when they fall due. The assets of the Scheme are held separately from the Association in independently administered funds.

During the accounting period Wellhouse Housing Association Limited paid contributions at the rate of 10% of pensionable salaries. Member contributions were 5%.

As at the year end there were 8 active members of the Scheme employed by Wellhouse Housing Association Limited. The annual pensionable payroll in respect of these members was £235,968.

The contribution paid in the year were £31,681 (2015: £39,300).

26. Capital Commitments

	2016 £	2015 £
Capital expenditure that has been contracted for but has not been provided for in the financial statements.	174,370	561,153

The above commitments will be financed by the Association's own resources.

27. Commitments under operating leases

	2016 £	2015 £
At the year end, the total future minimum payments under operating leases were as follows:		
Other		
< 1 year	19,465	28,777
1-2 years	3,758	19,465
2-5 years	3,380	7,138
More than 5 years	-	-
	26,603	55,380

Notes to the Financial Statements
For the year ended 31 March 2016

28. Net Cash Flow from Operating Activities

	2016 £	Restated 2015 £
Surplus for the year	364,147	173,211
Adjustments for non cash items:		
Carrying amount of housing properties	74,732	-
Depreciation of housing properties	902,094	726,391
Depreciation of other fixed assets	60,034	46,535
Decrease/(increase) in stocks	3,963	(13,070)
Increase/(decrease) in debtors	456,511	(534,909)
(Decrease)/increase in creditors	(454,066)	750,016
Proceeds from sale of tangible fixed assets	(80,596)	-
Repayment of HAG on disposal of housing property	19,844	-
SHAPS past service deficit movements	(37,000)	17,000
Release of negative goodwill	(49,362)	(49,358)
Adjustments for investing and financing activities:		
Decrease in valuation of investment properties	-	153,650
Interest payable	310,452	234,031
Interest received	(4,108)	(15,523)
Release of deferred government capital grant	(604,669)	(318,878)
Forfeited share capital	(4)	(33)
Net cash generated from operating activities	961,972	1,169,063

29. Transition to FRS 102

The Association has adopted Financial Reporting Standard 102 (FRS 102) and the Housing SORP 2014: Statement of Recommended Practice for social housing providers (SORP 2014) for the year ended 31 March 2016. This has led to a number of changes in accounting policy, judgements and estimates and necessitates the prior year comparative amounts to be restated using these new policies in order that they give a comparable view of the prior year position.

The following changes to accounting policies and estimates have been applied:

In accordance with FRS 102 the Association does not present an Income and Expenditure Account or a Statement of Recognised Gains and Losses (STRGL) as was presented in the financial statements to 31 March 2015 as items that previously appeared in these statements are now included in the Statement of Comprehensive Income.

As permitted by FRS 102 the Association has renamed the Balance Sheet as the Statement of Financial Position.

As prescribed by FRS 102 the Association now prepares a Statement of Changes in Capital and Reserves whereas in the financial statements to 31 March 2015 capital and reserves were analysed as part of the notes to the financial statements.

Depreciation of housing properties and office premises is now based on gross cost and not the net cost less Government capital grant.

Government capital grant (HAG) is now recognised in line with the accrual model. The accrual model results in the grant being recognised over the expected useful life of the housing property structure.

Notes to the Financial Statements
For the year ended 31 March 2016

29. Transition to FRS 102

Designated reserves are no longer shown separately in the financial statements and instead are combined with the revenue reserve.

The Association participates in the SHAPs scheme and makes annual contributions towards the deficit in line with the fund plan. Under FRS 102, the future contributions in respect of the deficit must now be shown as a liability on the Statement of Financial Position with the actual payment being released to the Statement of Comprehensive Income as it falls due.

	£
Capital and reserves at 1 April 2014 as previously stated	3,061,653
Effects of:	
Amortisation of Government capital grants in respect of housing units held for letting	6,234,704
Reallocation of non-Government Grants to Revenue reserves	54,802
Restatement of depreciation charges on housing properties based on gross cost	(5,970,435)
Amortisation of Government capital grants on office premises	225,483
Restatement of depreciation charges on office premises based on gross cost	(182,657)
Recognition of SHAPS past service deficit repayment liability	(319,471)
Restated capital and reserves at 1 April 2014	3,104,079

	£
Capital and reserves at 31 March 2015 as previously stated	3,320,490
Effects of:	
Adjustments at 1 April 2014	
Amortisation of Government capital grants in respect of housing units held for letting	6,234,704
Reallocation of non-Government Grants to Revenue reserves	54,802
Restatement of depreciation charges on housing properties based on gross cost	(5,970,435)
Amortisation of Government capital grants on office premises	225,483
Restatement of depreciation charges on office premises based on gross cost	(182,657)
Recognition of SHAPS past service deficit repayment liability	(319,471)
Adjustments in 2014/15	
Amortisation of Government capital grants in respect of housing units held for letting	305,499
Correction of treatment of Non Government Grants	(1,989)
Increase in depreciation of housing properties based on gross cost	(376,620)
Increase in depreciation on office premises based on gross cost	(19,058)
Amortisation of Government capital grants on office premises	23,528
Movement in SHAPS past service deficit repayment liability	(17,000)
Restated capital and reserves at 31 March 2015	3,277,276

Notes to the Financial Statements
For the year ended 31 March 2016

29. Transition to FRS 102 (cont'd)

	£
Surplus for 2014/15 as previously stated	258,851
Effects of:	
Amortisation of Government capital grants in respect of housing units held for letting	305,499
Correction of treatment of Non Government Grants	(1,989)
Increase in depreciation of housing properties based on gross cost	(376,620)
Increase in depreciation on office premises based on gross cost	(19,058)
Amortisation of Government capital grants on office premises	23,528
Movement in SHAPS past service deficit repayment liability	(17,000)
Restated surplus for 2014/15 as previously stated	173,211