

**Maryhill Housing Association Limited**

**Report and Financial Statements**

**For the year ended 31st March 2011**

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**Registered Housing Association No.HCB159**

**FSA Reference No. 1904R(S)**

**Scottish Charity No. SC032468**

# MARYHILL HOUSING ASSOCIATION LIMITED

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**MARYHILL HOUSING ASSOCIATION LIMITED**

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**MANAGEMENT COMMITTEE, EXECUTIVES AND ADVISERS  
YEAR ENDED 31st MARCH 2011**

**MANAGEMENT COMMITTEE**

Lorain Mackinnon	Chairperson
Martin Rhodes	Vice-Chair
Edith Ward	Secretary
Eleanor Brown	
Catherine Stylianou	
Councillor Billy McAllister	
John Brown	
Les Currie	
Margaret McDade	Appointed 19 April 2011
John Kane	
Roy Greatorex	
Councillor Robert Winter	Corporate Representative of GCC
Councillor Mohammed Razaq	Corporate Representative of GCC
Rose McGowan	Resigned 8 February 2011
Walter Wallace	Appointed 29 September 2010, Resigned 19 April 2011

**EXECUTIVE OFFICERS**

Willy Briody	Chief Executive
Eleanor Biggs	Director of Corporate Services
Donna Birrell	Director of Development & Regeneration
Angela Cameron	Director of Housing Services

**REGISTERED OFFICE**

45 Garrioch Road  
Maryhill  
Glasgow  
G20 8RG

**AUDITORS**

Alexander Sloan  
Chartered Accountants  
38 Cadogan Street  
Glasgow  
G2 7HF

**BANKERS**

Lloyds TSB Scotland PLC  
Corporate & Commercial Division  
PO BOX 177  
120 George Street  
Edinburgh

**SOLICITORS**

TC Young	Harper Macleod LLP
7 West George Street	The Ca'd'oro
Glasgow	45 Gordon Street
G2 1BA	Glasgow
	G1 3PE

## MARYHILL HOUSING ASSOCIATION LIMITED

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### REPORT OF THE MANAGEMENT COMMITTEE FOR THE YEAR ENDED 31ST MARCH 2011

The Management Committee presents its report and the Financial Statements for the year ended 31st March 2011.

#### **Legal Status**

The Association is registered with the Financial Services Authority under the Industrial and Provident Societies Act 1965 No.1904R(S), with the Office of the Scottish Charity Regulator as a Scottish Charity with the charity number SC032468 and with the Scottish Housing Regulator as a Registered Social Landlord.

#### **Principal Activities**

The Association is a registered charity whose principal activities are the provision of low cost affordable housing for rent and the maintenance, development and regeneration of its community base of Maryhill and Ruchill.

#### **Review of Business and Future Developments**

#### **Corporate Governance**

Maryhill Housing Association is governed by its Management Committee which is elected by the members of the organisation. Its responsibility is to agree the long term strategy and approve the policies and overall direction of the organisation.

The Association's strategic objectives are to:

- meet the needs of the Community by providing housing of a suitable range and quality
- provide quality housing services
- maintain our houses in a desirable condition by providing a customer focused repair service
- ensure that we have financial resources in place to meet our present and future needs
- inform and involve Association tenants and the wider community
- participate in the social and economic development of the community

Operational objectives are identified each year as part of the internal management plan and these set out how we will deliver our core services. The Management Team is responsible for achieving the strategic objectives and undertaking the operational objectives in conjunction with the staff team.

The Management Committee is responsible to the wider membership of the Association. The Management Committee serves in a voluntary capacity and we recognise that this puts more onus on us to set and achieve high standards of professionalism. We take governance seriously and we continue to build on work from previous years to strengthen our governance arrangements. With this objective in mind, we are currently reviewing the governance structure.

Areas for improvement which were identified in the organisational review carried out in 2009/10 are now being implemented to the organisational structure as part of the Association's commitment to continuous improvement.

## MARYHILL HOUSING ASSOCIATION LIMITED

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### REPORT OF THE MANAGEMENT COMMITTEE FOR THE YEAR ENDED 31ST MARCH 2011

#### Review of Business and Future Developments (Contd.)

##### Achievements and Performance

The results for the year are shown in the Income and Expenditure Account. In the year to 31 March 2011 the Association made an operating surplus of £252,113. Significant investment continues to be made in the Association's stock which includes the work required to ensure that properties will meet the Scottish Housing Quality Standard (SHQS) by 2015.

The Second Stage Transfer (SST) of 2,032 properties from Glasgow Housing Association (GHA) was completed after the financial year end on 27 June 2011. However, the Association has been involved in preparing for SST for a considerable time. As part of the process of transfer we were required to submit a viable business plan to GHA and the Scottish Housing Regulator. They successfully approved our proposals and plans to manage and maintain the stock which covers a range of property types from inter war tenements, four in a block, deck access, and multi storey flats. We consulted with tenants through the statutory stage one and two notices which outlined our proposals, and the tenants voted to transfer to the Association. In the financial year to 31 March 2011, the Association tendered for a loan facility which will be provided by The Royal Bank of Scotland to fund SST and future development. This involves refinancing existing loans with Lloyds TSB and breakage costs associated with these loans have been provided for in the accounts as an exceptional item.

The Association's financial position remains strong and we reviewed and updated long term financial projections and stock condition information to ensure that the financial plans reflect future investment needs. We are also looking at improving procurement methods and putting in place framework agreements with a view to achieving efficiencies and economies.

##### Development review

The Association continues to provide quality new build housing for its tenants and communities working in partnership with the Scottish Government, Glasgow City Council, its lenders and other partner agencies.

In 2010/11 £8.2 million was spent on the new build development programme for which we received £5.7 million of Social Housing Grant. During the year developments at The Botany and Phase 5, Ruchill were completed adding a further 78 properties to the Association's stock portfolio. A further 9 units were developed and sold to Horizon Housing Association.

Further developments on the site of the former Maryhill Primary School and at Maryhill Locks will see another 125 units added to our stock base. 9 units will be marketed for sale under the New Supply Shared Equity (NSSE) scheme.

##### Property Maintenance review

Maryhill is committed to ensuring that all its homes are maintained to a good standard and we do this through a programme of planned maintenance work and renewal. During the financial year we replaced bathrooms, doors, windows and central heating and upgraded electrical installations. We commissioned a full stock condition survey which has informed the planned maintenance programme for the forthcoming years.

## MARYHILL HOUSING ASSOCIATION LIMITED

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### REPORT OF THE MANAGEMENT COMMITTEE FOR THE YEAR ENDED 31ST MARCH 2011

#### Review of Business and Future Developments (Contd.)

In addition, the Association carries out a programme of cyclical maintenance which includes gas safety inspections, gutter cleaning, painterwork and servicing of fire alarms, electrical inspections and term contracts for landscape maintenance, stairlighting and backcourt cleaning.

#### Housing review

The Association maintains an active waiting list of prospective tenants and added 685 new applicants in the year. Together with partner agencies and other Registered Social Landlords we are working towards the implementation of a common housing register and hope that this will go live in the near future. This will assist in our objective to reduce re-let times and void loss, ensuring that we not only maximise our income but also our effectiveness in housing people.

The Association continues to focus on void management in order to improve performance in this area. In the year to 31 March 2011 void loss increased to 0.89% of gross rents receivable.

Managing rent arrears is a priority for the Association and we continue to monitor the levels of arrears closely. Total current tenant arrears at the year-end represented 4.8% of gross rent receivable.

#### Tenant Participation

Consultation and involvement with tenants is vital to the Association. We continue to work with Registered Tenants Organisations and other stakeholders to seek feedback on service delivery and consult on proposals for the future.

The Association produces quarterly newsletters and an annual report which are issued to all tenants and owners. Leaflets and information guides are available at the Association's office and on our website. A tenants' focus group is set up for each new build development we undertake and we continue to work with members on specific projects.

#### Performance Management

Service delivery is underpinned by staff performance and this remains a high priority for Maryhill. The Association is committed to staff training and development. Investors in People reviews are carried out using an annual appraisal system to look at performance and focus on areas for improvement.

The Association involves staff across the organisation in decision making and policy development and actively seeks contributions to the development of the internal management plan through planning days and staff consultation. This ensures that all staff have an opportunity to contribute to the shape of the organisation in the future.

A rolling programme of internal audit supports the Association's objective of continuous improvement. The annual audit plan for the year included reviews of new business risk, major repairs, voids, allocations, risk management, tenant participation and IT network security. The audit results highlighted our strengths and identified some areas where we have drawn up an action plan for improvement and implementation.

## MARYHILL HOUSING ASSOCIATION LIMITED

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### REPORT OF THE MANAGEMENT COMMITTEE FOR THE YEAR ENDED 31ST MARCH 2011

#### Review of Business and Future Developments (Contd.)

##### Treasury Management

The Association manages its borrowings and investments to ensure that it is in a position to meet its financial obligations as they fall due. At 31 March 2011 the Association had borrowings of £8.27 million all of which were refinanced post year end.

##### Risk Management

The Association has developed a risk management strategy to assess the business risks faced by the organisation and implement risk management strategies to mitigate the risk where possible. This involves identifying the types of risks, prioritising them in terms of likelihood and impact and identifying and implementing controls.

The risk management policy and strategic risk management strategy have been further developed in the year following a workshop facilitated by the internal auditors.

##### Wider Role review

Maryhill actively promotes its role within the wider community working with partner RSLs through Maryhill Regeneration Forum. The Association has identified a need for ongoing locally based, tailored projects and we hope to build on our successes in the area with partner organisations including Glasgow North Regeneration Agency (GNRA), Culture and Sport Glasgow and Maryhill Community Council.

Learning and training opportunities were again provided in partnership with GNRA in the Association's bespoke training facility, Maryhill Online.

The Association is a partner organisation of Maryhill Burgh Halls Trust together with Cube H A and Glasgow City Council. This restoration project is scheduled to complete in the new financial year and will deliver a community facility adjacent to the recently refurbished Maryhill Leisure Centre.

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REPORT OF THE MANAGEMENT COMMITTEE  
FOR THE YEAR ENDED 31ST MARCH 2011

**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. 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 Management Committee.

The members of the Management Committee 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**

The Management Committee is responsible for preparing the Financial Statements in accordance with applicable law and UK Generally Accepted Accounting Practice.

The Industrial and Provident Societies Acts 1965 to 2002 require 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 surplus or deficit 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 judgments and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the Financial Statements;
- prepare the Financial Statements on the going concern basis unless it is inappropriate to presume that the Association will continue in business;
- prepare a statement on Internal Financial Control.

The Management Committee is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Association and to enable it to ensure that the Financial Statements comply with the Industrial and Provident Societies Act 1965 to 2002, the Housing (Scotland) Act 2001 and the Registered Social Landlords Accounting Requirements (Scotland) Order 2007. It 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. It is also responsible for ensuring the Association's suppliers are paid promptly.

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

In so far as the Management Committee is aware:

- There is no relevant audit information (information needed by the Housing Association's auditors in connection with preparing their report) of which the Association's auditors are unaware, and
- The Management Committee has taken all steps that it ought to have taken to make itself aware of any relevant audit information and to establish that the Housing Association's auditors are aware of that information.

The Management Committee confirms that the Financial Statements comply with the above requirements.



## MARYHILL HOUSING ASSOCIATION LIMITED

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### REPORT OF THE MANAGEMENT COMMITTEE FOR THE YEAR ENDED 31ST MARCH 2011

#### Statement on Internal Financial Control

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

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

It is the Management Committee'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 of the Association's systems include ensuring that:

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

The Management Committee has reviewed the effectiveness of the system of internal financial control in place at 31 March 2011. No significant weaknesses were found in the internal financial controls which resulted in material losses, contingencies or uncertainties which require disclosure in the Financial Statements. The continuing programme of internal audit will further strengthen and improve these controls.

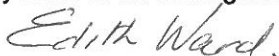
#### Donations

During the year the Association made charitable donations amounting to £200 (2010 £200).

#### Auditors

A resolution to re-appoint the Auditors, Alexander Sloan, Chartered Accountants, will be proposed at the Annual General Meeting.

#### By order of the Management Committee



EDITH WARD

Secretary

06 September 2011

MARYHILL HOUSING ASSOCIATION LIMITED

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REPORT BY THE AUDITORS TO THE MANAGEMENT COMMITTEE OF  
MARYHILL HOUSING ASSOCIATION LIMITED  
ON CORPORATE GOVERNANCE MATTERS

In addition to our audit of the Financial Statements, we have reviewed your statement on Page 7 concerning the Association's compliance with the information required by the section on Internal Financial Control within SFHA's publication "Raising Standards in Housing".

**Basis of Opinion**

We carried out our review having regard to the requirements relating to corporate governance matters within Bulletin 2006/5 issued by the Auditing Practices Board. 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 non-compliance.

**Opinion**

In our opinion the Statement on Internal Financial Control on page 7 has provided the disclosures required by the section on Internal Financial Control within SFHA's publication "Raising Standards in Housing" and is consistent with the information which came to our attention as a result of our audit work on the Financial Statements.

Through 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 section on Internal Financial Control within SFHA's "Raising Standards in Housing".

*Alexander Sloan*

ALEXANDER SLOAN  
Chartered Accountants

GLASGOW  
06 September 2011

## **INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF MARYHILL HOUSING ASSOCIATION LIMITED**

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We have audited the financial statements of Maryhill Housing Association Limited for the year ended 31st March 2011 which comprise an income and expenditure account, balance sheet, cash flow statement and related notes. These financial statements have been prepared in accordance with the accounting policies set out therein.

This report is made solely to the Association's members, as a body, in accordance with Section 9 of the Friendly and Industrial and Provident Societies Act 1968. 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 auditors' 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 Management Committee and Auditors**

As described in the Statement of Management Committee's Responsibilities, the Association's Management Committee is responsible for the preparation of the Financial Statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements 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.

We report to you our opinion as to whether the Financial Statements give a true and fair view and are properly prepared in accordance with the Industrial and Provident Societies Act 1965 to 2002, the Housing (Scotland) Act 2001 and the Registered Social Landlords Accounting Requirements (Scotland) Order 2007. We also report to you if, in our opinion, the Management Committee's Report is consistent with the Financial Statements, if the Association has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding Management Committee's remuneration and transactions with the Association is not disclosed.

We read the Management Committee's Report and consider the implications for our report if we become aware of any apparent misstatements within it.

### **Basis of Opinion**

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the Financial Statements. It also includes an assessment of the significant estimates and judgments made by the Management Committee in the preparation of the Financial Statements, and of whether the accounting policies are appropriate to the Association's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Financial Statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the Financial Statements.

### **Opinion on the financial statements**

In our opinion the Financial Statements:

- give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice of the state of the Association's affairs as at 31st March 2011 and of its income and expenditure and cash flow for the year then ended; and
- have been properly prepared in accordance with the Industrial and Provident Societies Acts 1965 to 2002, the Housing (Scotland) Act 2001 and the Registered Social Landlords Accounting Requirements (Scotland) Order

In our opinion, the information given in the Management Committee's Report is consistent with the financial statements.

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF  
MARYHILL HOUSING ASSOCIATION LIMITED**

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**Matters on which we are required to report by exception**

We are required to report to you if, in our opinion:

- adequate accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records; or
- certain disclosures of Management Committee's remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in respect of these matters.

*Alexander Sloan*

**ALEXANDER SLOAN**  
Chartered Accountants  
Statutory Auditors  
GLASGOW  
06 September 2011

MARYHILL HOUSING ASSOCIATION LIMITED

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INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED 31st MARCH 2011

	Notes	£	2011 £	£	2010 £
TURNOVER	2.		3,458,291		2,886,723
Operating Costs	2.		<u>(3,206,178)</u>		<u>(2,503,690)</u>
<b>OPERATING SURPLUS</b>	9.		252,113		383,033
Gain On Sale Of Housing Stock	7.	-		38,968	
Exceptional Items	25.	(1,232,280)		-	
Interest Receivable and Other Income		535		1,430	
Interest Payable and Similar Charges	8.	<u>(239,106)</u>		<u>(210,807)</u>	
			<u>(1,470,851)</u>		<u>(170,409)</u>
<b>(DEFICIT) / SURPLUS ON ORDINARY ACTIVITIES</b>			<u>(1,218,738)</u>		<u>212,624</u>

All amounts relate to continuing activities. All recognised surpluses and deficits have been included in the Income & Expenditure Account. Historical cost surpluses and deficits are identical to those shown in the accounts.

# MARYHILL HOUSING ASSOCIATION LIMITED

## BALANCE SHEET AS AT 31st MARCH 2011

	Notes	£	2011 £	£	2010 £
<b>TANGIBLE FIXED ASSETS</b>					
Housing Properties - Depreciated Cost	11.(a)		53,228,675		46,248,769
Less: Social Housing Grant	11.(a)		(44,804,211)		(39,867,556)
: Other Public Grants	11.(a)		(618,900)		(618,900)
			<u>7,805,564</u>		<u>5,762,313</u>
Other fixed assets	11.(b)		450,329		476,439
			<u>8,255,893</u>		<u>6,238,752</u>
<b>FIXED ASSET INVESTMENTS</b>					
Investment in subsidiaries	22.		-		-
<b>CURRENT ASSETS</b>					
Stock		1,222		946	
Debtors	14.	2,238,584		1,970,564	
Development Cost of Housing Property	23.	-		30,164	
Investments	24.	1,000,000		-	
Cash at bank and in hand		763,195		815,614	
		<u>4,003,001</u>		<u>2,817,288</u>	
<b>CREDITORS: Amounts falling due within one year</b>	15.	(2,968,089)		(807,378)	
<b>NET CURRENT ASSETS</b>			<u>1,034,912</u>		<u>2,009,910</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			<u>9,290,805</u>		<u>8,248,662</u>
<b>CREDITORS: Amounts falling due after more than one year</b>	16.	(8,236,941)		(5,976,038)	
<b>NET ASSETS</b>			<u><u>1,053,864</u></u>		<u><u>2,272,624</u></u>
<b>CAPITAL AND RESERVES</b>					
Share Capital	18.		242		264
Designated Reserves	19.(a)		-		511,397
Revenue Reserves	19.(b)		1,053,622		1,760,963
			<u>1,053,864</u>		<u>2,272,624</u>

The Financial Statements were approved by the Management Committee and signed on their behalf on 06 September 2011.



Chairperson



Vice-Chairperson



Secretary

MARYHILL HOUSING ASSOCIATION LIMITED

CASH FLOW STATEMENT FOR THE YEAR ENDED  
31st MARCH 2011

	Notes	2011 £	2010 £
Net Cash Inflow from Operating Activities	17.	155,607	1,424,070
<b>Returns on Investment and Servicing of Finance</b>			
Interest Received		535	1,430
Interest Paid		(294,306)	(228,449)
<b>Net Cash Outflow from Investment and Servicing of Finance</b>		<b>(293,771)</b>	<b>(227,019)</b>
<b>Capital Expenditure and Financial Investment</b>			
Acquisition and Construction of Properties		(6,087,093)	(5,523,541)
Purchase of Other Fixed Assets		(8,359)	(32,302)
Social Housing Grant Received		4,919,991	3,742,130
Social Housing Grant Repaid		-	(75,696)
Other Grants Received		-	(991,825)
Proceeds on Disposal of Properties		-	112,495
<b>Net Cash Outflow from Capital Expenditure and Financial Investment</b>		<b>(1,175,461)</b>	<b>(2,768,739)</b>
<b>Net Cash Outflow before use of Liquid Resources and Financing</b>		<b>(1,313,625)</b>	<b>(1,571,688)</b>
<b>Management of Liquid Resources</b>			
Change in short term deposits with banks		(1,000,000)	-
<b>Financing</b>			
Loan Advances Received		2,300,000	1,020,000
Loan Redemption Payments		-	(161,473)
Loan Principal Repayments		(38,795)	(460)
Share Capital Issued		1	7
<b>Net Cash Inflow from Financing</b>		<b>2,261,206</b>	<b>858,074</b>
<b>Decrease in Cash</b>	17.	<b>(52,419)</b>	<b>(713,614)</b>

# MARYHILL HOUSING ASSOCIATION LIMITED

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## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2011

### NOTES TO THE FINANCIAL STATEMENTS

#### 1 PRINCIPAL ACCOUNTING POLICIES

##### **Basis Of Accounting**

The Financial Statements have been prepared in accordance with applicable Accounting Standards, the Statement of Recommended Practice - Accounting by Registered Social Landlords 2008, and on the historical cost basis. They also comply with the Registered Social Landlords Accounting Requirements (Scotland) Order 2007. A summary of the more important accounting policies is set out below.

##### **Turnover**

Turnover represents rental and service charge income receivable, fees receivable and revenue grants receivable relating to the Association's charitable activities.

##### **Retirement Benefits**

The Association participates in the Scottish Housing Associations' 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. Contributions to the scheme are charged to the Income and Expenditure Account in the year in which they are due.

##### **Valuation Of Housing Properties**

Housing Properties are stated at cost, less social housing and other public grants and less accumulated depreciation. Depreciation is charged on a straight line basis over the expected economic useful lives of the properties at an annual rate of 2%. Land is not depreciated. Housing Properties are reviewed for impairment if events or circumstances indicate that the carrying value is higher than the recoverable amount.

##### **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%
Furniture and Fittings	- 20%
Computer Equipment	- 50%
Office Equipment	- 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.

##### **Social Housing Grant And Other Grants In Advance/Arrears**

Where developments have been financed wholly or partly by Social Housing Grant or other capital grant, the cost of those developments has been reduced by the amount of the grant receivable. The amount of the grants receivable is shown separately on the Balance Sheet.

Grants received in respect of revenue expenditure are credited to the Income and Expenditure Account in the same period as the expenditure to which they relate.

Although Social Housing Grant is treated as a grant for accounting purposes, it may nevertheless become repayable in certain circumstances, such as the disposal of certain assets. The amount repayable would be restricted to the net proceeds of sale.



# MARYHILL HOUSING ASSOCIATION LIMITED

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## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2011

### NOTES TO THE FINANCIAL STATEMENTS (Continued)

#### 1 PRINCIPAL ACCOUNTING POLICIES (Continued.)

##### **Sales Of Housing Properties**

First tranche Shared Ownership disposals are credited to turnover on completion. The cost of construction of these sales is taken to operating cost. In accordance with the Statement of Recommended Practice, disposals of subsequent tranches are treated as fixed asset disposals with the gain or loss on disposal shown in the Income and Expenditure Account.

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

Disposals under shared equity schemes are accounted for in the Income and Expenditure Account. The remaining equity in the property is treated as a fixed asset investment, which is matched with the grant received.

##### **Leases/Leased Assets**

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

##### **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.

##### **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.

##### **Designated Reserves**

Traditionally the Association has designated part of its reserves to meet its longer term obligations. Given that the size and profile of the organisation has changed substantially post year end, the Association will take the opportunity to revise the requirements of the larger Association post Second Stage Transfer from GHA and assess future requirements of the Designated Reserve during 2011/12. At 31 March 2011 the reserves which had previously accumulated within the designated reserve were transferred to Revenue Reserves.

##### **Service Charge Sinking Funds**

The Association deposits part of its service charge income in a sinking fund bank account in order to meet future obligations.

##### **Stock**

Stock of maintenance supplies is stated at the lower of cost and net realisable value.

##### **Mortgage loans**

Mortgage loans are advanced by private lenders under the terms of the individual loan agreements for each property or development. Advances are only available in respect of those developments which have been given approval for Social Housing Grants.

# MARYHILL HOUSING ASSOCIATION LIMITED

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FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2011

NOTES TO THE FINANCIAL STATEMENTS (Continued)

## 1 PRINCIPAL ACCOUNTING POLICIES (Continued.)

### **Property Development Cost**

The proportion of the development cost of shared ownership 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. Surpluses made on the disposal of first tranche sales are taken to the Income and Expenditure Account in accordance with the Statement of Recommended Practice.

Property developments that are intended for resale are included in current assets until disposal.

MARYHILL HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2011

NOTES TO THE FINANCIAL STATEMENTS (Continued)

2. PARTICULARS OF TURNOVER, COST OF SALES, OPERATING COSTS AND OPERATING SURPLUS

	Notes	2011			2010		
		Turnover £	Operating Costs £	Operating Surplus / (Deficit) £	Turnover £	Operating Costs £	Operating Surplus / (Deficit) £
Social Lettings	3.	2,700,415	1,844,048	856,367	2,506,027	1,803,307	702,720
Other Activities	4.	757,876	1,362,130	(604,254)	380,696	700,383	(319,687)
<b>Total</b>		<b>3,458,291</b>	<b>3,206,178</b>	<b>252,113</b>	<b>2,886,723</b>	<b>2,503,690</b>	<b>383,033</b>

3. PARTICULARS OF INCOME & EXPENDITURE FROM SOCIAL LETTINGS

	General Needs Housing £	Shared ownership £	2011 Total £	2010 Total £
<b>Income from Lettings</b>				
Rent Receivable Net of Identifiable Service Charges	2,591,179	26,941	2,618,120	2,378,777
Service Charges Receivable	102,348	3,366	105,714	93,118
<b>Gross Rents Receivable</b>	<b>2,693,527</b>	<b>30,307</b>	<b>2,723,834</b>	<b>2,471,895</b>
<b>Less: Rent losses from voids</b>	<b>23,419</b>	<b>-</b>	<b>23,419</b>	<b>12,165</b>
<b>Net Rents Receivable</b>	<b>2,670,108</b>	<b>30,307</b>	<b>2,700,415</b>	<b>2,459,730</b>
Revenue Grants from Scottish Ministers	-	-	-	46,297
<b>Total Income From Social Letting</b>	<b>2,670,108</b>	<b>30,307</b>	<b>2,700,415</b>	<b>2,506,027</b>
<b>Expenditure on Social Letting Activities</b>				
Service Costs	102,431	-	102,431	92,279
Management and maintenance administration costs	714,138	4,997	719,135	876,546
Reactive Maintenance	270,379	-	270,379	240,577
Bad Debts - Rents and Service Charges	40,911	-	40,911	20,976
Planned and Cyclical Maintenance, including Major Repairs	519,751	-	519,751	412,041
Depreciation of Social Housing	188,728	2,713	191,441	160,888
<b>Operating Costs of Social Letting</b>	<b>1,836,338</b>	<b>7,710</b>	<b>1,844,048</b>	<b>1,803,307</b>
<b>Operating Surplus on Social Letting Activities</b>	<b>833,770</b>	<b>22,597</b>	<b>856,367</b>	<b>702,720</b>
<b>2010</b>	<b>681,271</b>	<b>21,449</b>		

# MARYHILL HOUSING ASSOCIATION LIMITED

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2011

### NOTES TO THE FINANCIAL STATEMENTS (Continued)

#### 4. PARTICULARS OF TURNOVER, OPERATING COSTS AND OPERATING SURPLUS OR DEFICIT FROM OTHER ACTIVITIES

	Grants From Scottish Ministers	Other Revenue Grants	Supporting People Income	Other Income	Total Turnover	Operating Costs Bad Debts	Operating Costs Other	Operating Surplus / (Deficit) 2011	Operating Surplus / (Deficit) 2010
	£	£	£	£	£	£	£	£	£
Wider Role Activities	48,873	-	-	16,316	65,189	-	190,398	(125,209)	(139,648)
Property Management Services	-	-	-	33,760	33,760	16,133	54,655	(37,028)	(38,817)
Development and construction of property activities	-	-	-	-	-	-	440	(440)	(241)
Sundry Activities	-	-	-	100	100	-	-	100	1,025
Maryhill Burgh Halls Trust	269,422	-	-	26,014	295,436	-	321,651	(26,215)	(41,329)
Maryhill Online	-	-	-	-	-	-	2,548	(2,548)	(672)
Development of Property for sale to RSLs	-	-	-	340,070	340,070	-	340,070	-	-
Commercial Properties	-	-	-	9,345	9,345	-	1,340	8,005	8,112
LHO Stock Transfer	-	-	-	13,976	13,976	-	389,920	(375,944)	(44,478)
Ruchill Park Adventure Play Centre	-	-	-	-	-	-	44,975	(44,975)	(63,639)
<b>Total From Other Activities</b>	<b>318,295</b>	<b>-</b>	<b>-</b>	<b>439,581</b>	<b>757,876</b>	<b>16,133</b>	<b>1,345,997</b>	<b>(604,254)</b>	<b>(319,687)</b>
<b>2010</b>	<b>294,326</b>	<b>26,305</b>	<b>-</b>	<b>60,065</b>	<b>380,696</b>	<b>5,970</b>	<b>694,413</b>	<b>(319,687)</b>	

## MARYHILL HOUSING ASSOCIATION LIMITED

### FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2011

#### NOTES TO THE FINANCIAL STATEMENTS (Continued)

##### 5. OFFICERS' EMOLUMENTS

The Officers are defined in s74 of the Industrial and Provident Societies Act 1965 as the members of the Management Committee, managers or servants of the Association.

	2011	2010
	£	£
Aggregate Emoluments payable to Officers with Emoluments greater than £60,000 (excluding Pension Contributions)	<u>68,074</u>	<u>62,427</u>
Pension contributions made on behalf on Officers with emoluments greater than £60,000	<u>9,563</u>	<u>9,181</u>
Emoluments payable to Chief Executive (excluding pension contributions)	<u>68,074</u>	<u>62,427</u>

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
£60,001 to £70,000	1	1

##### 6. EMPLOYEE INFORMATION

	2011	2010
	No.	No.
The average monthly number of full time equivalent persons employed during the year was	<u>28</u>	<u>25</u>
Staff Costs were:	£	£
Wages and Salaries	917,407	824,847
Social Security Costs	70,833	65,194
Other Pension Costs	111,938	110,178
Temporary, Agency and Seconded Staff	77,087	50,117
	<u>1,177,265</u>	<u>1,050,336</u>

## MARYHILL HOUSING ASSOCIATION LIMITED

### FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2011

#### NOTES TO THE FINANCIAL STATEMENTS (Continued)

##### 7. GAIN ON SALE OF HOUSING STOCK

	2011	2010
	£	£
Sales Proceeds	-	112,495
Cost of Sales	-	73,527
Gain On Sale Of Housing Stock	-	<u>38,968</u>

##### 8. INTEREST PAYABLE

	2011	2010
	£	£
On Bank Loans & Overdrafts	293,868	202,618
On Other Loans	-	14,656
	<u>293,868</u>	<u>217,274</u>
Less: Interest Capitalised	<u>54,762</u>	<u>6,467</u>
	<u>239,106</u>	<u>210,807</u>

Interest incurred in the development period of housing properties which has been written off to the income and expenditure account amounted to £Nil (2010 £Nil).

Interest capitalised was incurred at varying rates of interest.

##### 9. (DEFICIT) / SURPLUS ON ORDINARY ACTIVITIES

	2011	2010
	£	£
(Deficit) / Surplus on Ordinary Activities is stated after charging:-		
Depreciation - Tangible Owned Fixed Assets	225,910	197,873
Auditors' Remuneration - Audit Services	7,832	7,473
- Other Services	1,650	-
Operating Lease Rentals - Other	<u>2,524</u>	<u>2,623</u>

##### 10. TAXATION

The Association is a Registered Scottish Charity and is not liable to United Kingdom Corporation Tax on its charitable activities.

# MARYHILL HOUSING ASSOCIATION LIMITED

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2011

### NOTES TO THE FINANCIAL STATEMENTS (Continued)

#### 11. TANGIBLE FIXED ASSETS

a) Housing Properties	Housing Properties Held for Letting £	Housing Properties In course of Construction £	Completed Shared Ownership Properties £	Total £
<b>COST</b>				
As at 1st April 2010	39,924,146	7,177,211	648,575	47,749,932
Additions	103,932	7,067,415	-	7,171,347
Disposals	-	-	-	-
Schemes Completed	11,448,816	(11,448,816)	-	-
As at 31st March 2011	51,476,894	2,795,810	648,575	54,921,279
<b>DEPRECIATION</b>				
As at 1st April 2010 Restated	1,465,488	-	35,675	1,501,163
Charge for Year	188,728	-	2,713	191,441
Disposals	-	-	-	-
As at 31st March 2011	1,654,216	-	38,388	1,692,604
<b>SOCIAL HOUSING GRANT</b>				
As at 1st April 2010	32,548,966	6,807,427	511,163	39,867,556
Additions	101,293	4,835,362	-	4,936,655
Disposals	-	-	-	-
Schemes Completed	8,956,968	(8,956,968)	-	-
As at 31st March 2011	41,607,227	2,685,821	511,163	44,804,211
<b>OTHER CAPITAL GRANTS</b>				
As at 1st April 2010	618,900	-	-	618,900
Additions	-	-	-	-
Disposals	-	-	-	-
Schemes Completed	-	-	-	-
As at 31st March 2011	618,900	-	-	618,900
<b>NET BOOK VALUE</b>				
As at 31st March 2011	7,596,551	109,989	99,024	7,805,564
As at 31st March 2010	5,290,792	369,784	101,737	5,762,313

Additions to housing properties includes capitalised development administration costs of £127,873 (2010 - £114,529) and capitalised major repair costs to existing properties of £Nil (2010 £Nil)

All land and housing properties are freehold.

# MARYHILL HOUSING ASSOCIATION LIMITED

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2011

### NOTES TO THE FINANCIAL STATEMENTS (Continued)

#### 11. TANGIBLE FIXED ASSETS (Continued)

b) Other Tangible Assets	Motor Vehicles £	Office Premises £	Furniture & Equipment £	Total £
<b>COST</b>				
As at 1st April 2010	4,988	750,636	239,198	994,822
Additions	-	-	8,359	8,359
Eliminated on Disposals	-	-	-	-
As at 31st March 2011	<u>4,988</u>	<u>750,636</u>	<u>247,557</u>	<u>1,003,181</u>
<b>AGGREGATE DEPRECIATION</b>				
As at 1st April 2010	4,988	316,328	197,067	518,383
Charge for year	-	14,013	20,456	34,469
Eliminated on disposal	-	-	-	-
As at 31st March 2011	<u>4,988</u>	<u>330,341</u>	<u>217,523</u>	<u>552,852</u>
<b>NET BOOK VALUE</b>				
As at 31st March 2011	<u>-</u>	<u>420,295</u>	<u>30,034</u>	<u>450,329</u>
As at 31st March 2010	<u>-</u>	<u>434,308</u>	<u>42,131</u>	<u>476,439</u>

#### 12. CAPITAL COMMITMENTS

	2011 £	2010 £
Capital Expenditure that has been contracted for but has not been provided for in the Financial Statements	<u>2,886,833</u>	<u>5,925,714</u>

The above commitments will be financed by a mixture of public grant, private finance and the Association's own resources.

#### 13. COMMITMENTS UNDER OPERATING LEASES

At the year end, the annual commitments under operating leases were as follows:-	2011 £	2010 £
<b>Other</b>		
Expiring within one year	328	1,283
Expiring between two and five years	<u>1,368</u>	<u>1,340</u>



# MARYHILL HOUSING ASSOCIATION LIMITED

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2011

### NOTES TO THE FINANCIAL STATEMENTS (Continued)

#### 14. DEBTORS

	2011	2010
	£	£
Arrears of Rent & Service Charges	172,958	131,636
Less: Provision for Doubtful Debts	(110,703)	(78,322)
	<u>62,255</u>	<u>53,314</u>
Social Housing Grant Receivable	1,847,274	1,830,610
Other Debtors	157,738	86,640
SST Prepayments	171,317	-
	<u>2,238,584</u>	<u>1,970,564</u>

SST prepayments relate specifically to pre-acquisition expenses associated with the post year end Second Stage Transfer which shall be reported through the Financial Statements to 31 March 2012.

#### 15. CREDITORS: Amounts falling due within one year

	2011	2010
	£	£
Housing Loans	32,433	32,131
Trade Creditors	163,278	311,875
Rent in Advance	72,589	66,662
Other Taxation and Social Security	-	21,895
Other Creditors	261,333	270,414
Accruals	2,270,256	104,401
SST Deferred income	168,200	-
	<u>2,968,089</u>	<u>807,378</u>

SST deferred income relates to revenue grant income receivable in contribution towards pre-acquisition expenses associated with the post year end Second Stage Transfer which shall be reported through the Financial Statements to 31 March 2012.

At the balance sheet date there were pension contributions outstanding of £2,037 (2010 £13,738)

# MARYHILL HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2011

NOTES TO THE FINANCIAL STATEMENTS (Continued)

## 16. CREDITORS: Amounts falling due after more than one year

	2011	2010
	£	£
Housing Loans	<u>8,236,941</u>	<u>5,976,038</u>
Housing Loans are secured by specific charges on the Association's housing properties and are repayable at varying rates of interest in instalments, due as follows:-		
Within one year	32,433	32,131
Between one and two years	1,096,941	39,092
Between two and five years	1,000,000	2,096,946
In five years or more	<u>6,140,000</u>	<u>3,840,000</u>
	8,269,374	6,008,169
Less: Amount shown in Current Liabilities	<u>32,433</u>	<u>32,131</u>
	<u>8,236,941</u>	<u>5,976,038</u>

The above loans were redeemed in full on 27 June 2011 as the Association re-financed its loan portfolio. Further details are provided in notes 25 and 26 of the Financial Statements.

# MARYHILL HOUSING ASSOCIATION LIMITED

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2011

### NOTES TO THE FINANCIAL STATEMENTS (Continued)

#### 17. CASH FLOW STATEMENT

<i>Reconciliation of operating surplus to net cash inflow from operating activities</i>	2011 £	2010 £
Operating Surplus	252,113	383,033
Depreciation	225,910	197,873
Change in properties developed for resale	30,164	(29,978)
Change in Debtors	(251,356)	991,177
Change in Creditors	(100,925)	(118,502)
Share Capital Written Off	(23)	(11)
Change in Stock	(276)	478
Net Cash Inflow from Operating Activities	<u>155,607</u>	<u>1,424,070</u>

<i>Reconciliation of net cash flow to movement in net debt</i>	2011 £	2010 £
Decrease in Cash	(52,419)	(713,614)
Cash flow from management of liquid resources	1,000,000	-
Cash flow from change in debt	<u>(2,261,205)</u>	<u>(858,067)</u>
Movement in net debt during year	(1,313,624)	(1,571,681)
Net debt at 1st April 2010	(5,192,555)	(3,620,874)
Net debt at 31st March 2011	<u>(6,506,179)</u>	<u>(5,192,555)</u>

<i>Analysis of changes in net debt</i>	At 01.04.10 £	Cash Flows £	Other Changes £	At 31.03.11 £
Cash at bank and in hand	815,614	(52,419)		763,195
Bank Overdrafts	-	-		-
	<u>815,614</u>	<u>(52,419)</u>		<u>763,195</u>
Liquid Resources	-	1,000,000		1,000,000
Debt: Due within one year	(32,131)	38,795	(39,097)	(32,433)
Due after more than one year	<u>(5,976,038)</u>	<u>(2,300,000)</u>	<u>39,097</u>	<u>(8,236,941)</u>
Net Debt	<u>(5,192,555)</u>	<u>(1,313,624)</u>	<u>-</u>	<u>(6,506,179)</u>

# MARYHILL HOUSING ASSOCIATION LIMITED

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2011

### NOTES TO THE FINANCIAL STATEMENTS (Continued)

#### 18. SHARE CAPITAL

Shares of £1 each Issued and Fully Paid	£
At 1st April 2010	264
Issued in year	1
Cancelled in year	(23)
At 31st March 2011	<u>242</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.

#### 19. RESERVES

(a) Designated Reserves	Major	Total
	Repairs	
	£	£
At 1st April 2010	511,397	511,397
Transfer to Revenue Reserves	(511,397)	(511,397)
At 31st March 2011	<u>-</u>	<u>-</u>

(b) Revenue Reserves	Total
	£
At 1st April 2010	1,760,963
(Deficit) / Surplus for the year	(1,218,738)
Transfer from Designated Reserves	511,397
At 31st March 2011	<u>1,053,622</u>

#### 20. HOUSING STOCK

The number of units of accommodation in management at the year end was:-	2011	2010
	No.	No.
General Needs - New Build	446	368
- Rehabilitation	465	465
Shared Ownership	18	18
Supported Housing	-	-
	<u>929</u>	<u>851</u>

# MARYHILL HOUSING ASSOCIATION LIMITED

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2011

### NOTES TO THE FINANCIAL STATEMENTS (Continued)

#### 21. RELATED PARTY TRANSACTIONS

Members of the Management Committee are related parties of the Association as defined by Financial Reporting Standard 8.

The related party relationships of the members of the Management Committee is summarised as follows:

8 members are tenants of the Association

2 members are factored owner

2 members are relevant local councillors

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.

Governing Body Members cannot use their position to their advantage. Any transactions between the Association and any entity with which a Governing Body Member has a connection with is made at arm's length and is under normal commercial terms.

#### 22. FIXED ASSET INVESTMENT

	2011 £	2010 £
<b>Investments in Subsidiaries</b>		
As at 31st March 2011 & 31st March 2010	-	-

In the opinion of the Management Committee the aggregate value of the assets of the subsidiary is not less than the aggregate of the amounts at which those assets are stated in the Association's balance sheet.

The Association held 100% of the shares in a dormant subsidiary, Maryhill Workspace Limited until December 2010 when the company dissolved.

There were no transactions between the parent and subsidiary in the current or previous years.

The aggregate amount of capital and reserves and the results of Maryhill Workspace Limited for the year ended 31st March 2011 were as follows:

	2011 £	2010 £
Capital & Reserves	-	-
Loss for the year	-	-

## MARYHILL HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2011

NOTES TO THE FINANCIAL STATEMENTS (Continued)

### 23. DEVELOPMENT COST OF HOUSING PROPERTY

	2011	2010
	£	£
<b>Shared Equity Properties</b>		
In the course of construction	593,098	172,925
Completed Properties Unsold	-	-
	<u>593,098</u>	<u>172,925</u>
Less: Grants Received from Scottish Ministers	(593,098)	(172,925)
	<u>-</u>	<u>-</u>
<b>Other Properties for Sale</b>		
In the course of construction	-	605,729
Completed Properties Unsold	-	-
	<u>-</u>	<u>605,729</u>
Less: Grants Received from Scottish Ministers	-	(575,565)
	<u>-</u>	<u>30,164</u>
<b>Total Development Cost of Housing Properties</b>	<u>-</u>	<u>30,164</u>

### 24. CURRENT ASSET INVESTMENTS

	2011	2010
	£	£
Short Term Deposits	<u>1,000,000</u>	<u>-</u>

# MARYHILL HOUSING ASSOCIATION LIMITED

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2011

### NOTES TO THE FINANCIAL STATEMENTS (Continued)

#### 25. EXCEPTIONAL ITEMS

	2011	2010
	£	£
Pensions Trust Growth Plan	22,580	-
Lloyds TSB Loan Breakage Costs	1,209,700	-
	<u>1,232,280</u>	<u>-</u>

The Association withdrew from the Pensions Trust Growth Plan. The debt which crystallised upon withdrawal from the Plan, payable by the Association including actuarial charges, was £22,580.

Following an extensive exercise, the Association approved the redemption of its loan portfolio with Lloyds TSB, in advance of significant changes in the future financing requirements of the organisation brought about primarily by the Second Stage Transfer from GHA. In redeeming the outstanding loans with Lloyds, breakage costs totalling £1,209,700 were incurred. These exceptional costs are reported within accruals at the year end date.

#### 26. POST BALANCE SHEET EVENTS

The following significant events took place post year end :

The Association successfully completed the Second Stage Transfer (SST) of 2,032 units, together with related assets and undertakings, from Glasgow Housing Association (GHA) on 27 June 2011. 36 staff from GHA transferred over under TUPE regulations and further staff have been recruited to fill posts within the new organisational structure. The transfer value of the agreement, payable to Maryhill Housing Association at the transfer date of 27 June 2011, was £7,719,140.

The Association registered for VAT with HM Revenue and Customs as a condition of stock transfer and a subsidiary company has been set up to provide a factoring service to owners. It is hoped that the subsidiary will be developed to offer additional services to owners and our communities in the future.

The Association refinanced its loan portfolio and secured a revolving credit and term loan facility agreement of £19.5m with The Royal Bank of Scotland. This facility was used in part on 27 June 2011 to refinance loans with Lloyds TSB and shall be used for future funding requirements in relation to investment and development.

#### 27. COMPARATIVE FIGURES

A prior year restatement was made in the 2010 financial statements in relation to the identification of costs and Social Housing Grant received for Shared Ownership properties and the allocation of depreciation to Shared Ownership Properties. Depreciation brought forward at 1 April 2010 of £35,675 has been allocated from properties Held For Letting to Shared Ownership properties.

This restatement has had no effect on Reserves brought forward at 1 April 2010 and accordingly no Statement of Recognised Gains or Losses has been prepared.

## MARYHILL HOUSING ASSOCIATION LIMITED

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FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2011

NOTES TO THE FINANCIAL STATEMENTS (Continued)

### 28. RETIREMENT BENEFIT OBLIGATIONS

#### General

Maryhill Housing Association Limited participates in the Scottish Housing Association Pension Scheme (the scheme).

The Scheme is a multi-employer defined benefit scheme. The Scheme is funded and is contracted out of the state scheme.

The Scheme offers five 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

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. An employer can only operate one open benefit structure at any one time. An open benefit structure is one which new entrants are able to join.

Maryhill Housing Association Limited has elected to operate the final salary with a 1/60th accrual rate benefit structure for active members as at 31st March 2011 and the CARE 1/80th accrual rate benefit structure for new entrants from 1st April 2011.

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

The 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.

During the accounting period Maryhill Housing Association Limited paid contributions at the rate of 15.4% of pensionable salaries. Member contributions were 7.7%.

As at the balance sheet date there were 21 active members of the Scheme employed by Maryhill Housing Association Limited. The annual pensionable payroll in respect of these members was £696,078. Maryhill Housing Association Limited continues to offer membership of the Scheme to its employees.

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. Accordingly, due to the nature of the Scheme, the accounting charge for the period under FRS17 represents the employer contribution payable.



# MARYHILL HOUSING ASSOCIATION LIMITED

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2011

### NOTES TO THE FINANCIAL STATEMENTS (Continued)

#### 28. RETIREMENT BENEFIT OBLIGATIONS (Continued)

The last formal valuation of the Scheme was performed as at 30th September 2009 by a professionally qualified actuary using the Projected Unit Credit method. The market value of the Scheme's assets at the valuation date was £295m. The valuation revealed a shortfall of assets compared with the value of liabilities of £160m (equivalent to a past service funding level of 64.8%).

The Scheme Actuary has prepared an Actuarial Report that provides an approximate update on the funding position of the Scheme as at 30th September 2010. Such a report is required by legislation for years in which a full actuarial valuation is not carried out. The funding update revealed an increase in the assets of the Scheme to £335 million and indicated an increase in the shortfall of assets compared to liabilities to approximately £162 million, equivalent to a past service funding level of 67.4%.

#### Financial Assumptions

The financial assumptions underlying the valuation as at 30th September 2009 were as follows:

	% p.a.
- Investment return pre-retirement	7.4
- Investment return post-retirement - non pensioners	4.6
- Investment return post-retirement - pensioners	4.8
- Rate of Salary increases	4.5
- Rate of pension increases:	
pension accrued pre 6 April 2005 in excess of GMP	2.9
pension accrued from 6 April 2005	2.2
(for leavers before 1 October 1993 pension increases are 5.0%)	
- Rate of price inflation	3.0

The valuation was carried out using the SAPS (S1PA) All pensioners Year of Birth Long Cohort with 1% p.a. minimum improvement for non-pensioners and pensioners. The table below illustrates the assumed life expectancy in years for pension scheme members at age 65 using these mortality assumptions:

	<i>Males</i>	<i>Females</i>
	<i>Assumed life expectancy in years at age 65</i>	<i>Assumed life expectancy in years at age 65</i>
Non-pensioners	18.1	20.6
Pensioners	18.1	20.6

## MARYHILL HOUSING ASSOCIATION LIMITED

### FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2011

#### NOTES TO THE FINANCIAL STATEMENTS (Continued)

#### 28. RETIREMENT BENEFIT OBLIGATIONS (Continued)

##### Valuation Results

The long-term joint contribution rates required from employers and members to meet the cost of future benefit accrual were assessed as:

<i>Benefit Structure</i>	<i>Long-term joint contribution rate (% of pensionable)</i>
Final salary - 60ths	19.2
Career average 60ths	17.1
Career average 70ths	14.9
Career average 80ths	13.2
Career average 120ths	9.4

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.

Following consideration of the results of the valuation it was agreed that the shortfall of £160m would be dealt with by the payment of additional contributions of 10.4% of pensionable salaries per annum with effect from 1st April 2011, increasing each 1 April in line with the rate of salary increases assumption.

As a result of Pension Scheme legislation there is a potential debt on the employer that could be levied by the 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.

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.

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 currently participating 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.

## MARYHILL HOUSING ASSOCIATION LIMITED

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FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2011

NOTES TO THE FINANCIAL STATEMENTS (Continued)

### 28. RETIREMENT BENEFIT OBLIGATIONS

#### Growth Plan

Maryhill Housing Association Limited previously participated in the Pension Trust's Growth Plan.

Maryhill Housing Association made the decision to withdraw from the Growth Plan in April 2010, with a 12 month "Period of Grace" being granted to April 2011, at which time the Association's membership of the Growth Plan expired. The Association's debt which crystallised upon withdrawal from the Plan was £19,580.