

Maryhill Housing Association Limited

Report and Financial Statements

For the year ended 31st March 2013

Registered Housing Association No.HCB159

FCA Reference No. 1904R(S)

Scottish Charity No. SC032468

MARYHILL HOUSING ASSOCIATION LIMITED

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MARYHILL HOUSING ASSOCIATION LIMITED

**BOARD, EXECUTIVES AND ADVISERS
YEAR ENDED 31st MARCH 2013**

BOARD

Lorain Mackinnon	Chairperson
Catherine Stylianou	Vice-Chairperson
Edith Ward	Secretary
Martin Rhodes	Resigned 5 February 2013
Eleanor Brown	
Billy McAllister	Resigned 16 July 2013
Les Currie	
Roy Greatorex	Resigned 19 February 2013
John Brown	Resigned 18 June 2013
Brian Trearty	
Roger Popplewell	
David Brophy	
Councillor Mohammed Razaq	Corporate Representative of GCC
Isabella McTaggart	Appointed 7 August 2012
Sandra Blair	Appointed 6 November 2012
Phillip Robertson	Appointed 2 October 2012/Resigned 5 February 2013

EXECUTIVE OFFICERS

W Briody	Chief Executive
E Biggs	Director of Corporate Services
D Birrell	Director of Development & Regeneration
A 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	Royal Bank Of Scotland
Corporate & Commercial Division	3rd Floor
PO BOX 177	Kirkstane House
120 George Street	139 St Vincent Street
Edinburgh	Glasgow
EH2 4LH	G2 5JF

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

REPORT OF THE BOARD FOR THE YEAR ENDED 31ST MARCH 2013

The Board presents its report and the Financial Statements for the year ended 31st March 2013.

Legal Status

The Association is a registered non-profit making organisation under the Industrial and Provident Societies Act 1965 No.1904R(S). The Association is constituted under its Rule Book. The Association is a registered Scottish Charity with the charity number SC032468.

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 a Board, elected by its members. Its responsibility is to agree the long term strategy and approve the policies and overall direction of the organisation.

Maryhill Housing Association provides high quality, value for money homes and works alongside the community with other partners to create opportunities and a safe environment.

The Association's strategic objectives are to:

- meet the needs of the community by providing and maintaining affordable housing of a suitable range and quality
- provide high quality, customer focused services
- ensure that we have and manage resources to meet our present and future needs
- empower our tenants and owners and involve the wider community in our work
- work with partners in the social and economic development of the community

Our core values are:

- respect
- working together
- making a positive difference
- commitment

Operational objectives are identified each year as part of the business plan and these set out how we will deliver our core services. The Executive Officers are responsible for achieving the strategic objectives and meeting the operational objectives in conjunction with the overall staff team.

The Board is responsible to the wider membership of the Association. The Board serves in a voluntary capacity and we recognise that this puts more onus on us to set and achieve high standards of professionalism. Strong governance is essential to the organisation and we continue to build and strengthen our governance arrangements.

We recruited three independent Board members in the year and this has given new strength to the Board. We work with seven Registered Tenants Organisations and have established an RTO Forum providing our customers with opportunities to influence the organisation's future. We have regular contact with the Scottish Housing Regulator and use this as an opportunity to further advance governance and our proposals for the future.

REPORT OF THE BOARD
FOR THE YEAR ENDED 31ST MARCH 2013

Review of Business and Future Developments (Contd.)

The Association moved to a three year review for Investors in People reaccréditation and in the year carried out an interim review. The results of our assessment will assist us to make further improvements in staff development and performance. We have put in place a Staff Charter and developed appraisals and a competencies framework which we intend to build on in the forthcoming year.

Achievements and Performance

The results for the year are shown in the Income and Expenditure Account. In the year to 31 March 2013 the Association made an operating deficit of £745,732. This reflects a full year post stock transfer and the level of investment made in the housing stock.

Since the stock transfer we continue to work at refining policies, procedures and systems to ensure that we meet the promises we made to tenants. We have made significant achievements although there is still much to be accomplished. The main challenges lie with Housing Services and front line contact with our customers including:

- Reletting void properties
- Managing arrears and the impact of welfare reform measures
- Estate management and anti-social behaviour
- Maintenance procurement and programme implementation
- Asset management

The Association's financial position remains strong and we annually review and update medium and long term financial projections to ensure that the financial plans meet the organisation's future investment and business needs. We have improved procurement methods and have developed framework agreements with a view to achieving efficiencies and economies.

Development and Regeneration

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 2012/13, £7.7 million was spent on the capital programme for which we received around £4.7 million in grant funding. Work continued on the Maryhill Locks Phase 2 project consisting of 125 units for rent and 19 for sale under new supply shared equity (NSSE) and is the second phase of new build within the Maryhill Transformational Regeneration Area (TRA) being delivered by Maryhill Housing Association and its partners. The project is due for completion in April 2014 and includes an art project designed by the local community.

The Association's first planned investment project, the over-cladding at Glenavon Road, was completed in the year and has provided improved thermal performance and other associated improvements to three multi storey blocks.

REPORT OF THE BOARD
FOR THE YEAR ENDED 31ST MARCH 2013

Review of Business and Future Developments (Contd.)

Maintenance and Investment

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.

A new three year contract has been put in place to provide reactive and void repairs service across the Association's stock and we monitor and seek feedback on performance to ensure a high level of service is provided to our customers.

We have expanded our maintenance and investment teams to implement maintenance programmes and carry out stock condition surveys with a view to developing a comprehensive asset management database providing robust maintenance programmes and costs.

Our factoring service has grown significantly as owners previously factored through GHA transferred to the Association. We have reviewed title deeds, improved factoring administration and invoicing systems and are working towards the requirements of the Property Factors (Scotland) Act 2011.

Housing Services

The Association maintains an active waiting list of prospective tenants. Together with partner agencies and other Registered Social Landlords we are continuing towards the implementation of a common housing register. 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 and providing an improved application process for customers.

The Association continues to focus on void management in order to improve performance. In the year to 31 March 2013 void loss represented 2.1% of gross rents and service charges receivable. We have reviewed processes and intend to implement a more robust void management policy in the coming year.

Managing rent arrears is a priority for the Association with the income maximisation team responsible for arrears recovery. Total rent arrears at the year-end represented 9.88% of gross rent and service charges receivable.

Concierge services are highly valued by the local residents. In 2013 we will work with our customers to develop and agree concierge standards.

Sheltered housing services are also greatly valued and in high demand. The Care Inspectorate provided a very positive report on the services we provide and we will act on their recommendation to increase consultation opportunities.

Community Engagement

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

The Association's Customer Engagement Manager works with these groups on a variety of projects which will enhance and improve the local community. Successful funding applications have allowed one group to take forward plans to regenerate a community space.

We carried out a customer satisfaction survey in the year and will use the feedback from our stakeholders to implement improvements where we can.

REPORT OF THE BOARD
FOR THE YEAR ENDED 31ST MARCH 2013

Review of Business and Future Developments (Contd.)

Performance Management

Service delivery is underpinned by staff performance and this remains a high priority. The Association is committed to staff training and development. Staff appraisals provide an opportunity to review performance and achievements and identify personal development requirements which feed into the organisation's annual training plan.

The Association involves staff across the organisation in decision making and policy development and actively seeks contributions to the development of the business plan through planning days and 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 and compliance. The annual audit plan for the year included reviews of governance - performance monitoring, risk management - integration, ICT - disaster recovery, payroll, responsive maintenance, gas safety, rent arrears and allocations and lettings. The audit results highlighted our strengths and identified some areas for improvement.

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 2013 the Association had borrowings of £10 million and an overall facility of £19.5million.

Under the terms of the loan agreement with Royal Bank of Scotland the Association is required to meet a number of financial and operational covenants based on annual business plan projections. These loan covenants were achieved.

Risk Management

The Association has developed a strategic risk register and strategic risk map to assess the business risks faced by the organisation and implements risk management controls 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 are reviewed annually to take account of changes and new risks within the overall business framework.

Wider Role

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 continue to build on our successes in the area with partner organisations including Glasgow Regeneration Agency (GRA), Glasgow Life and North United Communities.

With funding secured, the Association and its partners have delivered the Brightening Young Futures project. Working with Maryhill Citizens Advice Bureau, the Association is able to provide a money advice project for the local community.

The development contract at Maryhill Locks includes a community benefit clause which requires the contractor to deliver a wider social benefit and includes a range of employment and training opportunities for local people

Other learning and training opportunities are provided in partnership with Glasgow Life 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 now complete and open to the public and is a fine example of what can be achieved through partnership working.

**REPORT OF THE BOARD
FOR THE YEAR ENDED 31ST MARCH 2013**

Board and Executive Officers

The members of the Board and the Executive Officers are listed on Page 1.

Each individual on the Board who is a member of the Association holds one fully paid share of £1. Independent Board members and the Executive Officers hold no interest in the share capital of the Association. Although not having the legal status of Directors, the Executive Officers act as Executives within the authority delegated by the Board.

The members of the Board are also Trustees of the Charity. Members of the Board are appointed by the members at the Association's Annual General Meeting.

Statement of Board's Responsibilities

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

The Industrial and Provident Societies Acts 1965 to 2002 require the Board 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 Board 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 Board 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 Acts 1965 to 2002, the Housing (Scotland) Act 2010 and the Determination of Accounting Requirements 2012. 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 Board 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 Board 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 Board 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 Board confirms that the Financial Statements comply with the above requirements.

REPORT OF THE BOARD
FOR THE YEAR ENDED 31ST MARCH 2013

Statement on Internal Financial Control

The Board 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 Board's responsibility to establish and maintain systems of Internal Financial Control. Such systems can only provide reasonable and not absolute assurance against material financial mis-statement or loss. Key elements 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 Executive Officers and the Board 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 Board;
- the Board receive 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 Board has reviewed the effectiveness of the system of internal financial controls in place at 31 March 2013. No significant weaknesses were found which resulted in material losses, contingencies or uncertainties which require disclosure in the Financial Statements.

Donations

During the year the Association made charitable donations amounting to £800 (2012 - £50).

Auditors

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

By order of the Board



Secretary

03 September 2013

REPORT BY THE AUDITORS TO THE BOARD 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 Board and Officers of the Association, and examination of relevant documents, we have satisfied ourselves that the Board'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
03 September 2013

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

We have audited the financial statements of Maryhill Housing Association Limited for the year ended 31st March 2013 which comprise an income and expenditure account, balance sheet, cash flow statement and related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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 Board and Auditors

As explained more fully in the Statement of Board's Responsibilities the Association's Board, are responsible for the preparation of the Financial Statements that 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 on the Financial Statements

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

Opinion on the financial statements

In our opinion the Financial Statements:

- give a true and fair view of the state of the Association's affairs as at 31st March 2013 and of its results for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice: and
- have been properly prepared in accordance with the Industrial and Provident Societies Acts 1965 to 2002, the Housing (Scotland) Act 2010 and the Determination of Accounting Requirements 2012.

In our opinion the exemption granted by the Financial Services Authority from the requirement to prepare Group Accounts is applicable as the amounts involved are not material.

Matters on which we are required to report by exception

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

- the information given in the Board's Report is inconsistent with the financial statements.
- proper books of account have not been kept by the Association in accordance with the requirements of the legislation.

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

Matters on which we are required to report by exception (contd.)

- a satisfactory system of control over transactions has not been maintained by the Association in accordance with the requirements of the legislation.
- the Income and Expenditure Account to which our report relates, and the Balance Sheet are not in agreement with the books of the Association.
- we have not received all the information and explanations necessary for the purposes of our audit.

We have nothing to report in respect of these matters.

Alexander Sloan

ALEXANDER SLOAN
Chartered Accountants
Statutory Auditors
GLASGOW
03 September 2013

MARYHILL HOUSING ASSOCIATION LIMITED

INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED 31st MARCH 2013

	Notes	2013 £	2012 £
TURNOVER	2.	9,900,300	8,453,945
Operating Costs	2.	(10,646,032)	(6,731,354)
OPERATING (DEFICIT) / SURPLUS	9.	(745,732)	1,722,591
Gain On Sale Of Housing Stock	7.	15,839	41,033
Release of Negative Goodwill	24.	311,205	7,582,769
Exceptional Item		-	23,412
Interest Receivable and Other Income		79,790	82,941
Interest Payable and Similar Charges	8.	(532,549)	(464,920)
Other Finance Gain	26	5,000	18,000
		(120,715)	7,283,235
(DEFICIT) / SURPLUS FOR THE YEAR		(866,447)	9,005,826

All amounts relate to continuing activities.

Historical cost surpluses and deficits are identical to those shown in the accounts.

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

	2013 £	2012 £
(Deficit) / Surplus for the year	(866,447)	9,005,826
Actuarial (loss) recognised in year	26 (111,000)	(46,000)
Prior year adjustment	-	3,082,725
Total losses and gains recognised since last annual report	(977,447)	12,042,551

MARYHILL HOUSING ASSOCIATION LIMITED

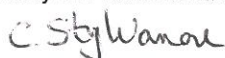
BALANCE SHEET AS AT 31st MARCH 2013

	Notes	2013	2012
		£	£
TANGIBLE FIXED ASSETS			
Housing Properties - Depreciated Cost	11.(a)	74,418,992	69,989,781
Less: Social Housing Grant	11.(a)	(48,675,424)	(44,837,354)
: Other Public Grants	11.(a)	(1,257,013)	(594,902)
		<u>24,486,555</u>	<u>24,557,525</u>
Other fixed assets	11.(b)	1,160,040	1,157,692
		<u>25,646,595</u>	<u>25,715,217</u>
Negative Goodwill	24.	(12,641,531)	(12,952,736)
FIXED ASSET INVESTMENTS			
Investment in subsidiaries	22.	1	1
Shared Equity Cost	22.	1,350,306	1,180,650
Shared Equity Grant	22.	(1,350,306)	(1,180,650)
		<u>-</u>	<u>-</u>
CURRENT ASSETS			
Stock		-	280
Debtors	14.	1,364,794	810,668
Development Cost of Housing Property	23.	-	68,950
Investments	25.	3,650,337	8,017,598
Cash at bank and in hand		6,762,725	3,811,639
		<u>11,777,856</u>	<u>12,709,135</u>
CREDITORS: Amounts falling due within one year	15.	(2,093,801)	(1,873,814)
NET CURRENT ASSETS		<u>9,684,055</u>	<u>10,835,321</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>22,689,120</u>	<u>23,597,803</u>
CREDITORS: Amounts falling due after more than one year	16.	(10,414,157)	(10,445,373)
PROVISIONS FOR LIABILITIES AND CHARGES			
Pension Liability	26	(156,000)	(56,000)
		<u>(156,000)</u>	<u>(56,000)</u>
NET ASSETS		<u>12,118,963</u>	<u>13,096,430</u>
CAPITAL AND RESERVES			
Share Capital	18.	237	257
Revenue Reserves	19.(a)	12,274,726	13,152,173
Pension Reserve	19.(b)	(156,000)	(56,000)
		<u>12,118,963</u>	<u>13,096,430</u>

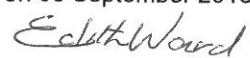
The Financial Statements were approved by the Board and signed on their behalf on 03 September 2013.



Chairperson



Vice-Chairperson



Secretary

MARYHILL HOUSING ASSOCIATION LIMITED

CASH FLOW STATEMENT FOR THE YEAR ENDED
31st MARCH 2013

	Notes	£	2013 £	£	2012 £
Net Cash Inflow from Operating Activities	17.		3,153,087		1,532,641
Returns on Investment and Servicing of Finance					
Interest Received		92,389		39,058	
Interest Paid		(645,004)		(348,056)	
Net Cash Outflow from Investment and Servicing of Finance			(552,615)		(308,998)
Capital Expenditure and Financial Investment					
Acquisition and Construction of Properties		(7,693,341)		(3,870,396)	
Purchase of Other Fixed Assets		(328,595)		(553,527)	
Social Housing Grant Received		3,885,773		3,560,633	
Social Housing Grant Repaid		(63,150)		(147,336)	
Other Grants Received		150,143		237,673	
Proceeds on Disposal of Properties		32,519		-	
SST Costs Incurred Net of Grant		-		(268,913)	
SST Cash Dowry Received		-		7,653,620	
Net Cash (Outflow) / Inflow from Capital Expenditure and Financial Investment			(4,016,651)		6,611,754
Net Cash (Outflow) / Inflow before use of Liquid Resources and Financing			(1,416,179)		7,835,397
Management of Liquid Resources					
Change in short term deposits with banks			4,367,261		(7,017,598)
Financing					
Loan Advances Received		-		10,000,000	
Loan Redemption Payments		-		(8,269,374)	
Loan Incentive Received		-		500,000	
Share Capital Issued		4		19	
Net Cash Inflow from Financing			4		2,230,645
Increase in Cash	17.		<u>2,951,086</u>		<u>3,048,444</u>

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2013

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 2010, and on the historical cost basis. They also comply with the Determination of Accounting Requirements 2012. A summary of the more important accounting policies is set out below.

Basis Of Consolidation

The Association has obtained exemption from the Financial Services Authority from producing Consolidated Financial Statements as provided by Section 14(2A) of the Friendly and Industrial and Provident Societies Act 1968. The Financial Statements for Maryhill Housing Association Limited present information about it as an individual undertaking and not about its Group.

Turnover

Turnover represents rental and service charge income receivable, fees receivable and revenue grants receivable.

Retirement Benefits

Scottish Housing Associations' Pension Scheme

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.

The expected cost to the Association of pensions is charged to income so as to spread the cost of pensions over the service lives of the employees in the scheme taken as a whole.

Strathclyde Pension Fund

The Association also participates in the Strathclyde Pension Fund 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 organisations taken as a whole.

In respect of the Strathclyde Pension Fund, the Association has fully adopted accounting standard FRS17 'Retirement Benefits' during the year. The impact of the this standard has been reflected throughout the financial statements. The difference between the fair value of the assets held in the scheme and the liabilities measured on an actuarial basis using the projected unit method is recognised in the balance sheet as a pension liability.

Valuation Of Housing Properties

Housing Properties are stated at cost, less social housing and other public grants and 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 11. Impairment reviews are carried out if events or circumstances indicate that the carrying value of the components listed on the next page is higher than the recoverable amount.

MARYHILL HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2013

NOTES TO THE FINANCIAL STATEMENTS (Continued)

1 PRINCIPAL ACCOUNTING POLICIES (Continued.)

Valuation Of Housing Properties continued

<i>Component</i>	<i>Useful Economic Life</i>
Structure	50 years
Roofing	50 years
Exterior Walls	40 years
Windows	35 years
Balconies	50 years
Doors	30 years
Controlled entry	10 years
Kitchens	15 years
Bathrooms	20 years
Central heating - pipes & radiators	30 years
Central heating - boilers	15 years
Central heating - electric storage heaters	25 years
Electrics	30 years
Communal lighting	30 years
Lifts	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%
Furniture and Fittings	20%
Computer Equipment	50%
Office Equipment	20%

The carrying value of tangible fixed assets are 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.

Social Housing Grant attributed to individual components is written off to the Income and Expenditure Account when these components are replaced.

Social Housing Grant received in respect of revenue expenditure is credited to the Income and Expenditure Account in the same period as the expenditure to which it relates.

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

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2013

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 and 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.

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.

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.

Negative Goodwill

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

MARYHILL HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2013

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

	Notes	2013			2012		
		Turnover	Operating Costs	Operating (Deficit)	Turnover	Operating Costs	Operating Surplus / (Deficit)
		£	£	£	£	£	£
Social Lettings	3.	9,649,664	9,926,093	(276,429)	7,767,257	5,404,111	2,363,146
Other Activities	4.	250,636	719,939	(469,303)	686,688	1,327,243	(640,555)
Total		9,900,300	10,646,032	(745,732)	8,453,945	6,731,354	1,722,591

3. PARTICULARS OF INCOME & EXPENDITURE FROM SOCIAL LETTINGS

	General Needs Housing	Shared ownership	2013 Total	2012 Total
	£	£	£	£
Income from Lettings				
Rent Receivable Net of Identifiable Service Charges	9,545,044	27,045	9,572,089	7,623,771
Service Charges Receivable	239,259	3,181	242,440	222,108
Gross Rents Receivable	9,784,303	30,226	9,814,529	7,845,879
Less: Rent losses from voids	206,082	-	206,082	132,423
Net Rents Receivable	9,578,221	30,226	9,608,447	7,713,456
Revenue Grants from Scottish Ministers	41,217	-	41,217	53,801
Total Income From Social Letting	9,619,438	30,226	9,649,664	7,767,257
Expenditure on Social Letting Activities				
Service Costs	159,198	-	159,198	137,619
Management and maintenance administration costs	3,808,096	8,635	3,816,731	2,653,098
Reactive Maintenance	1,687,208	-	1,687,208	900,559
Bad Debts - Rents and Service Charges	105,340	-	105,340	361,809
Planned and Cyclical Maintenance, including Major Repairs	1,166,341	-	1,166,341	678,784
Depreciation of Social Housing	617,691	2,530	620,221	554,538
Impairment of Housing	2,371,054	-	2,371,054	117,704
Operating Costs of Social Letting	9,914,928	11,165	9,926,093	5,404,111
Operating (Deficit)/Surplus on Social Letting Activities	(295,490)	19,061	(276,429)	2,363,146
2012	2,344,949	18,197		

The Impairment of Housing figure relates to investment in the Association's multi-storey properties during the year. These properties were acquired from GHA and, at the time of transfer, had a negative value, i.e. the future costs of maintaining them were greater than the future rental income which would be derived from them.

In carrying out an impairment review, the value of these properties remains negative therefore an impairment charge has been recorded in the Financial Statements.

MARYHILL HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2013

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) 2013	Operating Surplus / (Deficit) 2012
	£	£	£	£	£	£	£	£	£
Wider Role Activities	34,772	10,120	-	5,000	49,892	-	334,372	(284,480)	(273,031)
Factoring	-	-	-	76,315	76,315	46,281	134,275	(104,241)	(56,252)
Development and construction of property activities	-	-	-	-	-	-	114,771	(114,771)	(80,292)
New Supply Shared equity sales	-	-	-	76,160	76,160	-	76,160	-	-
Sundry Activities	-	-	-	3,722	3,722	-	5,261	(1,539)	268
Maryhill Burgh Halls Trust	-	-	-	-	-	-	6,577	(6,577)	(45,949)
Radio Mast Income	-	-	-	34,361	34,361	-	-	34,361	12,808
Commercial Properties	-	-	-	10,186	10,186	-	2,242	7,944	7,683
LHO Stock Transfer	-	-	-	-	-	-	-	-	(205,790)
Total From Other Activities	34,772	10,120	-	205,744	250,636	46,281	673,658	(469,303)	(640,555)
2012	99,336	-	-	587,352	686,688	17,782	1,309,461	(640,555)	(640,555)

MARYHILL HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2013

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 Board, managers or servants of the Association.	2013	2012
	£	£
Aggregate Emoluments payable to Officers with Emoluments greater than £60,000 (excluding Pension Contributions)	199,057	143,191
Pension contributions made on behalf on Officers with emoluments greater than £60,000	16,693	11,040
Emoluments payable to Chief Executive (excluding pension contributions)	73,012	74,504

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	2	1
£70,001 to £80,000	1	1

6. EMPLOYEE INFORMATION

	2013	2012
	No.	No.
The average monthly number of full time equivalent persons employed during the year was	81	63
The average total number of Employees employed during the year was	86	65
Staff Costs were:	£	£
Wages and Salaries	2,539,528	1,892,030
Social Security Costs	210,675	153,009
Other Pension Costs	279,061	243,104
Temporary, Agency and Seconded Staff	222,524	185,206
	3,251,788	2,473,349

MARYHILL HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2013

NOTES TO THE FINANCIAL STATEMENTS (Continued)

7. GAIN ON SALE OF HOUSING STOCK

	2013	2012
	£	£
Sales Proceeds	32,519	237,673
Cost of Sales	<u>16,680</u>	<u>196,640</u>
Gain On Sale Of Housing Stock	<u>15,839</u>	<u>41,033</u>

8. INTEREST PAYABLE AND SIMILAR CHARGES

	2013	2012
	£	£
On Bank Loans & Overdrafts	<u>532,549</u>	<u>464,920</u>

Interest incurred in the development period of housing properties which has been written off to the income and expenditure account amounted to £nil (2012 - £nil).

9. (DEFICIT) / SURPLUS ON ORDINARY ACTIVITIES BEFORE TAXATION

	2013	2012
	£	£
(Deficit) / Surplus on Ordinary Activities before Taxation is stated after charging:-		
Depreciation - Tangible Owned Fixed Assets	3,080,718	759,620
Auditors' Remuneration - Audit Services	23,374	13,600
- Other Services	9,343	1,674
Operating Lease Rentals - Other	<u>7,830</u>	<u>7,830</u>

10. TAX ON (DEFICIT) / SURPLUS ON ORDINARY ACTIVITIES

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 2013

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 £
COST				
As at 1st April 2012	68,636,084	3,369,301	604,021	72,609,406
Additions	58,445	7,434,914	-	7,493,359
Disposals	(72,873)	-	-	(72,873)
As at 31st March 2013	68,621,656	10,804,215	604,021	80,029,892
DEPRECIATION				
As at 1st April 2012	2,581,765	-	37,860	2,619,625
Charge for Year	2,993,155	-	2,530	2,995,685
Disposals	(4,410)	-	-	(4,410)
As at 31st March 2013	5,570,510	-	40,390	5,610,900
SOCIAL HOUSING GRANT				
As at 1st April 2012	41,194,359	3,165,466	477,529	44,837,354
Additions	34,879	3,847,535	-	3,882,414
Disposals	(44,344)	-	-	(44,344)
As at 31st March 2013	41,184,894	7,013,001	477,529	48,675,424
OTHER CAPITAL GRANTS				
As at 1st April 2012	594,902	-	-	594,902
Additions	662,111	-	-	662,111
As at 31st March 2013	1,257,013	-	-	1,257,013
NET BOOK VALUE				
As at 31st March 2013	20,609,239	3,791,214	86,102	24,486,555
As at 31st March 2012	24,265,058	203,835	88,632	24,557,525

Additions to housing properties includes capitalised development administration costs of £164,049 (2012 - £154,462) and capitalised major repair costs to existing properties of £nil (2012 - £114,155)

All land and housing properties are freehold.

Impairment Charges

An impairment review was carried out on housing land and buildings during the year. As a result of this the following impairment charges have been recognised and are included within depreciation charges above.

	Housing Properties Held for Letting £	Housing Properties In course of Construction £	Completed Shared Ownership £	Total £
Impairment Charge	2,371,054	-	-	2,371,054

This impairment charge has resulted in reduction of surplus and the net book value of housing properties by the amount of the charge

MARYHILL HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2013

NOTES TO THE FINANCIAL STATEMENTS (Continued)

11. TANGIBLE FIXED ASSETS (Continued)

b) Other Tangible Assets	Motor Vehicles £	Office Premises £	Furniture & Equipment £	Total £
COST				
As at 1st April 2012	4,988	1,407,247	385,687	1,797,922
Additions	-	62,260	25,121	87,381
As at 31st March 2013	4,988	1,469,507	410,808	1,885,303
AGGREGATE DEPRECIATION				
As at 1st April 2012	4,988	357,486	277,756	640,230
Charge for year	-	25,899	59,134	85,033
As at 31st March 2013	4,988	383,385	336,890	725,263
NET BOOK VALUE				
As at 31st March 2013	-	1,086,122	73,918	1,160,040
As at 31st March 2012	-	1,049,761	107,931	1,157,692

12. CAPITAL COMMITMENTS

	2013 £	2012 £
Capital Expenditure that has been contracted for but has not been provided for in the Financial Statements	8,259,607	16,965,688

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:-	2013 £	2012 £
Other		
Expiring between two and five years	8,160	-
Expiring in over five years	-	7,830

MARYHILL HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2013

NOTES TO THE FINANCIAL STATEMENTS (Continued)

14. DEBTORS

	2013	2012
	£	£
Arrears of Rent & Service Charges	969,305	888,382
Less: Provision for Doubtful Debts	(684,436)	(618,941)
	<u>284,869</u>	<u>269,441</u>
Social Housing Grant Receivable	270,138	257,360
Other Debtors	809,787	283,867
	<u>1,364,794</u>	<u>810,668</u>

15. CREDITORS: Amounts falling due within one year

	2013	2012
	£	£
Trade Creditors	458,876	272,881
Rent in Advance	223,563	192,461
Social Housing Grant Repayable	28,915	-
Other Taxation and Social Security	-	3,314
Amounts Due to Group Undertakings	1	1
Other Creditors	872,365	750,903
Accruals and Deferred Income	478,865	623,039
RBS Deferred Income	31,216	31,215
	<u>2,093,801</u>	<u>1,873,814</u>

At the balance sheet date there were pension contributions outstanding of £65,882 (2012 - £nil)

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

	2013	2012
	£	£
Housing Loans	10,000,000	10,000,000
RBS Deferred Income	414,157	445,373
	<u>10,414,157</u>	<u>10,445,373</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	-	-
Between one and two years	-	-
Between two and five years	700,000	300,000
In five years or more	9,300,000	9,700,000
	<u>10,000,000</u>	<u>10,000,000</u>
Less: Amount shown in Current Liabilities	-	-
	<u>10,000,000</u>	<u>10,000,000</u>

As part of the loan facility with RBS which was negotiated during 2012, the Association received an incentive payment of £500,000. This incentive payment is being released to the Income and Expenditure Account over the life of the loan. The balance at year end is shown within "RBS Deferred Income" in the above notes.

MARYHILL HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2013

NOTES TO THE FINANCIAL STATEMENTS (Continued)

17. CASH FLOW STATEMENT

<i>Reconciliation of operating (deficit) / surplus to net cash inflow from operating activities</i>	2013 £	2012 £
Operating (Deficit) / Surplus	(745,732)	1,722,591
Depreciation	3,080,718	759,620
Change in properties developed for resale	68,950	(68,950)
Change in Debtors	(60,417)	(159,569)
Change in Creditors	815,312	(707,989)
Share Capital Written Off	(24)	(4)
Change in Stock	280	942
Contributions payable to Defined Benefit Scheme (Strathclyde)	(110,000)	(76,000)
Service cost on Defined Benefit Scheme (Strathclyde)	104,000	62,000
Net Cash Inflow from Operating Activities	<u>3,153,087</u>	<u>1,532,641</u>

<i>Reconciliation of net cash flow to movement in net debt</i>	2013 £	2012 £
Increase in Cash	2,951,086	3,048,444
Cash flow from management of liquid resources	(4,367,261)	7,017,598
Cash flow from change in debt	-	(1,730,626)
Movement in net debt during year	(1,416,175)	8,335,416
Net debt at 1st April 2012	1,829,237	(6,506,179)
Net debt at 31st March 2013	<u>413,062</u>	<u>1,829,237</u>

<i>Analysis of changes in net debt</i>	At 01.04.12 £	Cash Flows £	At 31.03.13 £
Cash at bank and in hand	3,811,639	2,951,086	6,762,725
Liquid Resources	8,017,598	(4,367,261)	3,650,337
Debt: Due within one year	-	-	-
Due after more than one year	(10,000,000)	-	(10,000,000)
Net Debt	<u>1,829,237</u>	<u>(1,416,175)</u>	<u>413,062</u>

MARYHILL HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2013

NOTES TO THE FINANCIAL STATEMENTS (Continued)

18. SHARE CAPITAL

Shares of £1 each Issued and Fully Paid	£
At 1st April 2012	257
Issued in year	4
Cancelled in year	<u>(24)</u>
At 31st March 2013	<u>237</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) Revenue Reserves	Total
	£
At 1st April 2012	13,152,173
(Deficit) for the year	(866,447)
Transfer (to) Pension Reserve	<u>(11,000)</u>
At 31st March 2013	<u>12,274,726</u>
(b) Pension Reserve	Total
	£
At 1st April 2012	(56,000)
Transfer from Revenue Reserves	11,000
Actuarial (loss) recognised in year	<u>(111,000)</u>
At 31st March 2013	<u>(156,000)</u>

20. HOUSING STOCK

The number of units of accommodation in management at the year end was:-	2013	2012
	No.	No.
General Needs - New Build	462	463
- Rehabilitation	2,492	2,494
Shared Ownership	<u>17</u>	<u>17</u>
	<u>2,971</u>	<u>2,974</u>

MARYHILL HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2013

NOTES TO THE FINANCIAL STATEMENTS (Continued)

21. RELATED PARTY TRANSACTIONS

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

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

7 members are tenants of the Association

1 member is a factored owner

1 member is a relevant local councillor

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

	2013 £	2012 £
Shared Equity Properties		
Development Cost of Shared Equity Property	1,350,306	1,180,650
Less: Grants Receivable	1,350,306	1,180,650
	<u>-</u>	<u>-</u>
Investments in Subsidiaries		
As at 31st March 2013 & 31st March 2012	<u>1</u>	<u>1</u>

In the opinion of the Board 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 has a 100% owned subsidiary Maryhill Communities Limited. The company was incorporated on 26 April 2011 and did not trade during the year end 31 March 2012 or 31 March 2013.

The aggregate amount of capital and reserves and the results of Maryhill Communities Limited for the year ended 31st March 2013 were as follows:

	2013 £	2012 £
Capital & Reserves	<u>1</u>	<u>1</u>
Loss for the year	<u>-</u>	<u>-</u>

MARYHILL HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2013

NOTES TO THE FINANCIAL STATEMENTS (Continued)

23. DEVELOPMENT COST OF HOUSING PROPERTY

	2013 £	2012 £
Shared Equity Properties		
In the course of construction	350,773	107,209
Completed Properties Unsold	-	245,816
	<u>350,773</u>	<u>353,025</u>
Less: Grants Received from Scottish Ministers	(350,773)	(284,075)
	<u>-</u>	<u>68,950</u>

24. NEGATIVE GOODWILL

	2013 £	2012 £
Balance as at 1st April 2012	12,952,736	20,535,505
Release during the year	(311,205)	(7,582,769)
	<u>12,641,531</u>	<u>12,952,736</u>

25. CURRENT ASSET INVESTMENTS

	2013 £	2012 £
Short Term Deposits	<u>3,650,337</u>	<u>8,017,598</u>

MARYHILL HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2013

NOTES TO THE FINANCIAL STATEMENTS (Continued)

26 RETIREMENT BENEFIT OBLIGATIONS

a) Scottish Housing Associations' Pension Scheme

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 9.6% and 6.6% of pensionable salaries. Member contributions were 9.6% and 6.6%.

As at the balance sheet date there were 33 active members of the Scheme employed by Maryhill Housing Association Limited. The annual pensionable payroll in respect of these members was £1,082,142. 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 2013

NOTES TO THE FINANCIAL STATEMENTS (Continued)

26 RETIREMENT BENEFIT OBLIGATIONS (Continued)

The last formal valuation of the Scheme was performed as at 30th 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 £394m. The valuation revealed a shortfall of assets compared with the value of liabilities of £304m (equivalent to a past service funding level of 56.4%).

Financial Assumptions

The financial assumptions underlying the valuation as at 30th September 2012 were as follows:

	% 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

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.

MARYHILL HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2013

NOTES TO THE FINANCIAL STATEMENTS (Continued)

26 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	24.6
Career average 60ths	22.4
Career average 70ths	19.2
Career average 80ths	16.9
Career average 120ths	11.4

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.

The trustees have recently supplied Maryhill Housing Association with an updated contribution figure to the past service deficit. From 1 April 2014 Maryhill Housing Association will be required to pay £233,529 per annum as a contribution to the past service deficit. This will represent an increase of 158% in Maryhill Housing Association's contribution to the past service deficit. The deficit contribution will increase each April by 3%

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

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2013

NOTES TO THE FINANCIAL STATEMENTS (Continued)

26 RETIREMENT BENEFIT OBLIGATIONS (Continued)

b) Strathclyde Pension Scheme

Defined Benefit Scheme

The Association operates a defined benefit scheme as an admitted body under the Strathclyde Pension Fund, the assets of which are held in a separate trustee administered fund.

The Association became an admitted body in this scheme by virtue of the Second Stage Transfer that took place on 27 June 2011.

The administering authority has responsibility for the management of the Fund. As most of the Fund's investments are equity based, there is an inherent risk of volatility in the investment market having a significant effect on the value of the fund's assets. In order to mitigate this risk, the Fund holds a diverse investment portfolio with a range of investment managers.

At the balance sheet date, there were 23 active members of the scheme employed by the Association. Total pension contributions made by the Association for the year were £97,754. Gross pensionable salaries for the year were £525,560.

The following figures are prepared by the Actuaries in accordance with their understanding of Financial Reporting Standard 17 - 'Retirement Benefits' (FRS 17) and Guidance Note 36: Accounting for Retirement Benefits under Financial Reporting Standard 17 issued by the Institute and Faculty of Actuaries.

Principal Actuarial Assumptions

Assumptions as at 31st March	31 March 2013	31 March 2012	27 June 2011
	%p.a.	%p.a.	%p.a.
Pension increase rate	2.8	2.5	2.8
Salary increase rate	5.1	4.8	5.1
Expected return on assets	5.2	5.8	6.9
Discount rate	4.5	4.8	5.4

The defined benefit obligation is estimated to comprise of the following:

	2013	2012
	£	£
Employee members	1,187,000	821,000
	<u>1,187,000</u>	<u>821,000</u>
Net Pension Liability	2013	2012
	£	£
Fair value of employer's assets	1,031,000	765,000
Present value of scheme liabilities	1,187,000	821,000
	<u>(156,000)</u>	<u>(56,000)</u>
Present value of unfunded liabilities		

MARYHILL HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2013

NOTES TO THE FINANCIAL STATEMENTS (Continued)

26 RETIREMENT BENEFIT OBLIGATIONS (Continued)

Analysis of amount charged to the Income and Expenditure Account

	2013 £	2012 £
Charged to operating costs:		
Service cost	104,000	62,000
	<u>104,000</u>	<u>62,000</u>
Charged to Other Finance Costs / (Income)		
Expected Return on employer assets	(48,000)	(48,000)
Interest on pension scheme liabilities	43,000	30,000
	<u>(5,000)</u>	<u>(18,000)</u>
Net Charge to the Income and Expenditure Account	<u>99,000</u>	<u>44,000</u>
Actual Return on Plan Assets	<u>124,000</u>	<u>19,000</u>

Expected Return on Assets

The expected return on assets is based on the long-term future expected investment return for each asset class as at the beginning of the period as follows:

Asset Class	31 March 2013 % p.a.	31 March 2012 % p.a.	27 June 2011 % p.a.
Equities	5.7	6.3	7.5
Bonds	3.4	3.9	5.0
Property	3.9	4.4	5.5
Cash	3.0	3.5	4.6

Other Assumptions

Mortality Rates

Life expectancy is based on the Fund's VitaCurves. Based on these assumptions, the average future life expectancies at age 65 are summarised below:

	Males (Years)	Females (Years)
Current Pensioners	21.0	23.4
Future Pensioners	23.3	25.3

MARYHILL HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2013

NOTES TO THE FINANCIAL STATEMENTS (Continued)

26 RETIREMENT BENEFIT OBLIGATIONS (Continued)

Employer membership statistics	2013	2012
	(Number)	(Number)
Actives	20	20
Fair Value of employer assets	2013	2012
	£	£
Opening fair value of employer assets	765,000	-
Expected Return on Assets	48,000	48,000
Contributions by Members	33,000	21,000
Contributions by the Employer	110,000	76,000
Actuarial Gains / (Losses)	75,000	(30,000)
Assets Acquired in a Business Combination	-	650,000
Closing fair value of employer assets	1,031,000	765,000
Fair value of scheme assets by category	2013	2012
	£	£
Equities	784,000	589,000
Bonds	144,000	84,000
Property	72,000	54,000
Cash	31,000	38,000
	1,031,000	765,000
Reconciliation of defined benefit obligations	2013	2012
	£	£
Opening defined benefit obligation	821,000	-
Current Service Cost	104,000	62,000
Interest Cost	43,000	30,000
Contributions by members	33,000	21,000
Assets acquired in a business combination	-	692,000
Actuarial Losses	186,000	16,000
	1,187,000	821,000

MARYHILL HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2013

NOTES TO THE FINANCIAL STATEMENTS (Continued)

26 RETIREMENT BENEFIT OBLIGATIONS (Continued)

Analysis of projected amount to be charged to the Income & Expenditure Account for the year ended 31 March 2014

	£	% of pay
Projected current service cost	131,000	24.0
Interest on obligation	57,000	10.4
Expected return on plan assets	<u>(57,000)</u>	<u>(10.4)</u>
	<u>131,000</u>	<u>24.0</u>

Contributions made by the Association for the year ended 31 March 2014 are estimated to be approximately £113,000.

Amounts for the current and previous accounting periods:

	2013	2012
	£	£
Fair value of employer assets	1,031,000	765,000
Present value of defined benefit obligations (Deficit)	(1,187,000)	(821,000)
Experience Gains / (losses) on assets	75,000	(30,000)

Actuarial Gain / (Loss) recognised in the Statement of Recognised Gains and Losses

	2013	2012
	£	£
Actuarial gain / (loss) recognised in year	(111,000)	(46,000)
Cumulative actuarial gains	(157,000)	(46,000)