

**Maryhill Housing Association Limited**

**Report and Financial Statements**

**For the year ended 31st March 2014**

**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

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**BOARD, EXECUTIVES AND ADVISERS**  
**YEAR ENDED 31st MARCH 2014**

**BOARD**

Lorain Mackinnon	Chairperson
Edith Ward	Vice-Chairperson
Sandra Blair	Secretary
Catherine Stylianou	
Eleanor Brown	
Isabella McTaggart	
Brian Trearty	
Les Currie	
Roger Popplewell	
David Brophy	
Councillor Mohammed Razaq	Corporate Representative of GCC
Bruce Dunsmore	Appointed 1 October 2013
Alistair Goold	Appointed 1 October 2013

**EXECUTIVE OFFICERS**

W Briody	Chief Executive - Retired 27 June 2014
A Brunt	Interim Chief Executive - Appointed 20 May 2014
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 Corporate & Commercial Division PO BOX 177 120 George Street Edinburgh EH2 4LH	Royal Bank of Scotland 3rd Floor Kirkstane House 139 St Vincent Street Glasgow G2 5JF
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**SOLICITORS**

T C Young 7 West George Street Glasgow G2 1BA	Harper McLeod LLP The Ca'd'oro 45 Gordon Street Glasgow G1 3PE
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## MARYHILL HOUSING ASSOCIATION LIMITED

### REPORT OF THE BOARD FOR THE YEAR ENDED 31ST MARCH 2014

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The Board presents its report and the Financial Statements for the year ended 31st March 2014.

#### Legal Status

The Association is a registered non-profit making organisation under the Co-operative and Community Benefit Societies Act 2014 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 which is elected by its members. Its responsibility is to agree the long term strategy and business plan and approve the policies and overall direction of the Association.

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 corporate plan and these set out how we will deliver our core services. The Directors 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 governance arrangements.



## MARYHILL HOUSING ASSOCIATION LIMITED

### REPORT OF THE BOARD FOR THE YEAR ENDED 31ST MARCH 2014

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#### Corporate Governance (Contd)

The Board is made up of local tenants and owners and three independent Board members. We work with our Registered Tenants Organisations and have established an RTO Forum providing 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 continuous improvement.

The Association's Chief Executive retired in June 2014 and the organisation is undertaking an options appraisal to review the future structure of the organisation.

The Association is Investors in People accredited and the results of our assessments assist us to make further improvements in staff development and performance. We have a Staff Charter and an appraisal and a competencies framework.

#### Achievements and Performance

The results for the year are shown in the Income and Expenditure Account. In the year to 31 March 2014 the Association made an operating surplus of £373,641.

We have made significant achievements since the stock transfer from Glasgow Housing Association (GHA) in 2011 although there is still much to be accomplished. The main challenges lie with Housing Services and front line contact with our customers including:

- Void management
- Managing arrears and the impact of welfare reform
- 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 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 2013/14, £6.4 million was spent on the capital programme for which we received £2.4 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 2014.

#### 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 three year contract is 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.

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REPORT OF THE BOARD  
FOR THE YEAR ENDED 31ST MARCH 2014

**Maintenance and Investment (Contd)**

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. Title deeds have been comprehensively reviewed and we have developed internal systems to meet the requirements of the Property Factors (Scotland) Act 2011. We are engaging with owners to manage arrears and to consult on planned maintenance programmes over the coming years.

**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 2014 void loss represented 2.2% of gross rents and service charges receivable. In the past year we have improved and relet a number of long term voids and have developed a strategy for properties which are more difficult to let.

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 9.04% of gross rent and service charges receivable.

Concierge services are highly valued by the local residents and we aim to develop and build on this success. We developed concierge standards of service in consultation with the local RTO and aim to develop these services and the office facilities over the next few years.

Sheltered housing is also greatly valued and in high demand. We completed an upgrade of one communal area this year and will develop proposals for the remaining facilities in consultation with residents.

**Community Engagement**

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

The Customer Engagement Team works closely with these groups to enhance and improve the local community. Two groups secured funding to develop a mural adjacent to the recently developed play area and to regenerate a community space.

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**REPORT OF THE BOARD  
FOR THE YEAR ENDED 31ST MARCH 2014**

**Performance Management**

Service delivery is underpinned by staff performance and 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 and corporate plan through 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 the development strategy, equality and diversity, compliance with the Regulatory Framework, insurance, disaster recovery, ICT management controls, ICT network controls, cyclical maintenance, reactive contract management, management of service charges, performance and outcome monitoring of the Income Management team, complaints management and neighbourhood management. The audit results highlighted our strengths and identified some areas for improvement which we will implement in the forthcoming year.

**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 2014 the Association had borrowings of £10.383 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 and approval. 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 local community councils, Glasgow Life, Children's Inclusion Partnership and North United Communities.



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REPORT OF THE BOARD  
FOR THE YEAR ENDED 31ST MARCH 2014

**Wider Role (Contd)**

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 a range of employment and training opportunities for local people including apprenticeships, learning opportunities and careers and school information events.

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.

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**REPORT OF THE BOARD  
FOR THE YEAR ENDED 31ST MARCH 2014**

**Board and Executive Officers**

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

Each individual on the Board holds one fully paid share of £1 in the Association. Independent Board members and the Executive Officers hold no interest in the Association's share capital. 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 Co-operative and Community Benefit Societies Act 2014 requires 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 them to ensure that the Financial Statements comply with the Co-operative and Community Benefit Societies Act 2014, 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.

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REPORT OF THE BOARD  
FOR THE YEAR ENDED 31ST MARCH 2014

**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 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.

**Donations**

During the year the Association made charitable donations amounting to £5,210 (2013 £800).

**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**



**SANDRA BLAIR**  
Secretary  
05 August 2014

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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 8 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 8 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  
Chartered Accountants

GLASGOW  
05 August 2014



**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 2014 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 87 of the Co-operative and Community Benefit Societies Act 2014. Our audit work has been undertaken so that we might state to the Association's members those matters we are required to state to them in an 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 is 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 and to identify any information that is apparently materially incorrect based on, or materially inconsistent with the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications 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 2014 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 Co-operative and Community Benefit Societies Act 2014, 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.



**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 (contd.)**

- proper books of account have not been kept by the Association in accordance **with** the requirements of the legislation.
- 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**  
Chartered Accountants  
Statutory Auditors  
GLASGOW  
05 August 2014

MARYHILL HOUSING ASSOCIATION LIMITED

INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED 31st MARCH 2014

	Notes	2014 £	2013 £
TURNOVER	2.	10,201,263	9,900,300
Operating Costs	2.	(9,827,622)	(10,646,032)
<b>OPERATING SURPLUS / (DEFICIT)</b>	9.	373,641	(745,732)
Gain On Sale Of Housing Stock	7.	88,953	15,839
Release of Negative Goodwill	24	299,771	311,205
Interest Receivable and Other Income		33,390	79,790
Interest Payable and Similar Charges	8.	(661,113)	(532,549)
Other finance gain	26	-	5,000
		(238,999)	(120,715)
<b>SURPLUS / (DEFICIT) FOR THE YEAR</b>		134,642	(866,447)

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.

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

	2014 £	2013 £
Surplus/(Deficit) for the financial year	134,642	(866,447)
Actuarial (loss) recognised in year	(110,000)	(111,000)
<b>Total gains and losses recognised since last annual report</b>	24,642	(977,447)

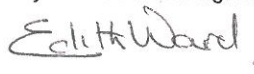
MARYHILL HOUSING ASSOCIATION LIMITED

BALANCE SHEET AS AT 31st MARCH 2014

	Notes	£	2014 £	£	2013 £
<b>TANGIBLE FIXED ASSETS</b>					
Housing Properties - Depreciated Cost	11.(a)		78,713,651		74,068,219
Less: Social Housing Grant	11.(a)		(50,756,572)		(48,324,651)
: Other Public Grants	11.(a)		(1,257,013)		(1,257,013)
			<u>26,700,066</u>		<u>24,486,555</u>
Other fixed assets	11.(b)		1,173,822		1,160,040
			<u>27,873,888</u>		<u>25,646,595</u>
Negative Goodwill	24		(12,341,760)		(12,641,531)
<b>FIXED ASSET INVESTMENTS</b>					
Investment in subsidiaries	22.		1		1
Shared Equity Cost	22.	1,350,306		1,350,306	
Shared Equity Grant	22.	(1,350,306)		(1,350,306)	
			<u>-</u>		<u>-</u>
<b>CURRENT ASSETS</b>					
Debtors	14.	529,380		1,364,794	
Development Cost of Housing Property	23.	861,765		-	
Investments	25	3,664,151		3,650,337	
Cash at bank and in hand		4,350,699		6,762,725	
			<u>9,405,995</u>	<u>11,777,856</u>	
<b>CREDITORS: Amounts falling due within one year</b>	15.	(2,119,817)		(2,093,801)	
<b>NET CURRENT ASSETS</b>			<u>7,286,178</u>		<u>9,684,055</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			<u>22,818,307</u>		<u>22,689,120</u>
<b>CREDITORS: Amounts falling due after more than one year</b>	16.	(10,382,703)		(10,414,157)	
<b>PROVISIONS FOR LIABILITIES AND CHARGES</b>					
Pension liability	26	(292,000)		(156,000)	
			<u>(292,000)</u>	<u>(156,000)</u>	
<b>NET ASSETS</b>			<u>12,143,604</u>		<u>12,118,963</u>
<b>CAPITAL AND RESERVES</b>					
Share Capital	18.		236		237
Pension Reserve	19.(a)		(292,000)		(156,000)
Revenue Reserves	19.(b)		12,435,368		12,274,726
			<u>12,143,604</u>		<u>12,118,963</u>

The Financial Statements were approved by the Board and signed on their behalf on 05 August 2014.

  
Chairperson

  
Vice-Chairperson

  
Secretary

MARYHILL HOUSING ASSOCIATION LIMITED

CASH FLOW STATEMENT FOR THE YEAR ENDED  
31st MARCH 2014

	Notes	2014 £	2013 £
<b>Net Cash Inflow from Operating Activities</b>	17.	733,030	3,153,087
<b>Returns on Investment and Servicing of Finance</b>			
Interest Received		32,516	92,389
Interest Paid		(511,359)	(645,004)
<b>Net Cash Outflow from Investment and Servicing of Finance</b>		(478,843)	(552,615)
<b>Capital Expenditure and Financial Investment</b>			
Acquisition and Construction of Properties		(6,181,852)	(7,693,341)
Purchase of Other Fixed Assets		(80,576)	(328,595)
Social Housing Grant Received		2,894,304	3,885,773
Social Housing Grant Repaid		7,210	(63,150)
Other Grants Received		545,804	150,143
Proceeds on Disposal of Properties		162,704	32,519
Proceeds on Disposal of Other Fixed Assets		-	-
<b>Net Cash Outflow from Capital Expenditure and Financial Investment</b>		(2,652,406)	(4,016,651)
<b>Net Cash Outflow before use of Liquid Resources and Financing</b>		(2,398,219)	(1,416,179)
<b>Management of Liquid Resources</b>			
Change in short term deposits with banks		(13,814)	4,367,261
<b>Financing</b>			
Share Capital Issued		7	4
<b>Net Cash Inflow from Financing</b>		7	4
<b>(Decrease) / Increase in Cash</b>	17.	(2,412,026)	2,951,086

# MARYHILL HOUSING ASSOCIATION LIMITED

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## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2014

### 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 98 of the Co-operative and Community Benefit Societies Act 2014. 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 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 below is higher than the recoverable amount.



## MARYHILL HOUSING ASSOCIATION LIMITED

### FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2014

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

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

###### Valuation of Housing Properties

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

###### 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.

# MARYHILL HOUSING ASSOCIATION LIMITED

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## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2014

### 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 2014**

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

**2. PARTICULARS OF TURNOVER, COST OF SALES, OPERATING COSTS AND OPERATING SURPLUS/(DEFICIT)**

	Notes	2014			2013		
		Turnover	Operating Costs	Operating Surplus	Turnover	Operating Costs	Operating (Deficit)
		£	£	£	£	£	£
<b>Social Lettings</b>	3.	10,033,636	9,363,920	669,716	9,649,664	9,926,093	(276,429)
<b>Other Activities</b>	4.	167,627	463,702	(296,075)	250,636	719,939	(469,303)
<b>Total</b>		<u>10,201,263</u>	<u>9,827,622</u>	<u>373,641</u>	<u>9,900,300</u>	<u>10,646,032</u>	<u>(745,732)</u>

**3. PARTICULARS OF INCOME & EXPENDITURE FROM SOCIAL LETTINGS**

	General Needs Housing	Shared ownership	2014 Total	2013 Total
	£	£	£	£
<b>Income from Lettings</b>				
Rent Receivable Net of Identifiable Service Charges	9,945,820	28,429	9,974,249	9,572,089
Service Charges Receivable	258,128	3,311	261,439	242,440
<b>Gross Rents Receivable</b>	<u>10,203,948</u>	<u>31,740</u>	<u>10,235,688</u>	<u>9,814,529</u>
Less: Rent losses from voids	229,173	-	229,173	206,082
<b>Net Rents Receivable</b>	<u>9,974,775</u>	<u>31,740</u>	<u>10,006,515</u>	<u>9,608,447</u>
Revenue Grants from Scottish Ministers	27,121	-	27,121	41,217
<b>Total Income From Social Letting</b>	<u>10,001,896</u>	<u>31,740</u>	<u>10,033,636</u>	<u>9,649,664</u>
<b>Expenditure on Social Letting Activities</b>				
Service Costs	198,810	-	198,810	159,198
Management and maintenance administration costs	4,234,465	19,105	4,253,570	3,816,731
Reactive Maintenance	1,784,888	-	1,784,888	1,687,208
Bad Debts - Rents and Service Charges	119,871	-	119,871	105,340
Planned and Cyclical Maintenance, including Major Repairs	1,281,375	-	1,281,375	1,166,341
Depreciation of Social Housing	653,689	2,530	656,219	620,221
Impairment of Housing	1,069,187	-	1,069,187	2,371,054
<b>Operating Costs of Social Letting</b>	<u>9,342,285</u>	<u>21,635</u>	<u>9,363,920</u>	<u>9,926,093</u>
<b>Operating Surplus on Social Letting Activities</b>	<u>659,611</u>	<u>10,105</u>	<u>669,716</u>	<u>(276,429)</u>
<b>2013</b>	<u>(295,490)</u>	<u>19,061</u>		

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 2014

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) 2014	Operating Surplus /(Deficit) 2013
	£	£	£	£	£	£	£	£	£
Wider Role Activities	-	62,763	-	-	62,763	-	267,221	(204,458)	(284,480)
Factoring	-	-	-	78,510	78,510	(21,453)	133,449	(33,486)	(104,241)
Development and construction of property	-	-	-	-	-	-	58,189	(58,189)	(114,771)
Maryhill Online	-	-	-	-	-	-	1,843	(1,843)	-
Commercial Properties	-	-	-	10,899	10,899	-	3,378	7,521	7,944
Radio Mast Income	-	-	-	14,793	14,793	-	-	14,793	34,361
Maryhill Burgh Halls Trust	-	-	-	-	-	-	-	-	(6,577)
Sundry Activities	-	-	-	662	662	-	21,075	(20,413)	(1,539)
<b>Total From Other Activities</b>	-	<b>62,763</b>	-	<b>104,864</b>	<b>167,627</b>	<b>(21,453)</b>	<b>485,155</b>	<b>(296,075)</b>	<b>(469,303)</b>
2013	34,772	10,120	-	205,744	250,636	46,281	673,658	(469,303)	

## MARYHILL HOUSING ASSOCIATION LIMITED

### FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2014

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

#### 5. OFFICERS' EMOLUMENTS

The Officers are defined in s149 of the Co-operative and Community Benefit Society Act 2014 as the members of the Board, managers or servants of the Association.

	2014	2013
	£	£
Aggregate Emoluments payable to Officers with Emoluments greater than £60,000 (excluding Pension Contributions)	<u>197,250</u>	<u>199,057</u>
Pension contributions made on behalf of Officers with emoluments greater than £60,000	<u>17,735</u>	<u>16,693</u>
Emoluments payable to Chief Executive (excluding pension contributions)	<u>72,265</u>	<u>73,012</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	2	2
£70,001 to £80,000	1	1

#### 6. EMPLOYEE INFORMATION

	2014	2013
	No.	No.
The average monthly number of full time equivalent persons employed during the year was	<u>88</u>	<u>81</u>
The average total number of Employees employed during the year was	<u>90</u>	<u>86</u>
Staff Costs were:	£	£
Wages and Salaries	2,682,048	2,539,528
Social Security Costs	214,183	210,675
Other Pension Costs	321,054	279,061
Temporary, Agency and Seconded Staff	135,606	222,524
	<u>3,352,891</u>	<u>3,251,788</u>

## MARYHILL HOUSING ASSOCIATION LIMITED

### FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2014

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

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

	2014	2013
	£	£
Sales Proceeds	162,704	32,519
Cost of Sales	<u>73,751</u>	<u>16,680</u>
Gain On Sale Of Housing Stock	<u>88,953</u>	<u>15,839</u>

##### 8. INTEREST PAYABLE

	2014	2013
	£	£
On Bank Loans & Overdrafts	<u>661,113</u>	<u>532,549</u>
	<u>661,113</u>	<u>532,549</u>

Interest incurred in the development period of housing properties which has been written off to the income and expenditure account amounted to £nil (2013 £nil)

##### 9. SURPLUS / (DEFICIT) FOR THE YEAR

	2014	2013
	£	£
Surplus / (Deficit) on Ordinary Activities before Taxation is stated after charging		
Depreciation - Tangible Owned Fixed Assets	1,792,200	3,080,718
Auditors' Remuneration - Audit Services	20,281	23,374
- Other Services	4,637	9,343
Operating Lease Rentals - Other	<u>8,160</u>	<u>7,830</u>

##### 10. TAX ON SURPLUS / (DEFICIT) 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 2014

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 2013	68,621,656	10,453,442	604,021	79,679,119
Additions	1,980,050	4,439,234	-	6,419,284
Disposals	(52,421)	-	-	(52,421)
As at 31st March 2014	70,549,285	14,892,676	604,021	86,045,982
<b>DEPRECIATION</b>				
As at 1st April 2013	5,570,510	-	40,390	5,610,900
Charge for Year	1,722,876	-	2,530	1,725,406
Disposals	(3,975)	-	-	(3,975)
As at 31st March 2014	7,289,411	-	42,920	7,332,331
<b>SOCIAL HOUSING GRANT</b>				
As at 1st April 2013	41,184,894	6,662,228	477,529	48,324,651
Additions	31,684	2,408,462	-	2,440,146
Disposals	(8,225)	-	-	(8,225)
As at 31st March 2014	41,208,353	9,070,690	477,529	50,756,572
<b>OTHER CAPITAL GRANTS</b>				
As at 1st April 2013 and 31st March 2014	1,257,013	-	-	1,257,013
<b>NET BOOK VALUE</b>				
As at 31st March 2014	20,794,508	5,821,986	83,572	26,700,066
As at 31st March 2013	20,609,239	3,791,214	86,102	24,486,555

Additions to housing properties includes capitalised development administration costs of £106,050 (2013 - £164,049) and capitalised major repair costs to existing properties of £1,793,799 (2013 £Nil)

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.

	Housing Properties Held for Letting £	Housing Properties In course of Construction £	Completed Shared Ownership £	Total £
Impairment Charge	1,069,187	-	-	-

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 2014**

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

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

b) Other Tangible Assets

	Motor Vehicles £	Office Premises £	Office Furniture & Equipment £	Total £
<b>COST</b>				
As at 1st April 2013	4,988	1,469,507	410,808	1,885,303
Additions	-	26,213	54,363	80,576
Eliminated on Disposals	(4,988)	-	-	(4,988)
As at 31st March 2014	-	1,495,720	465,171	1,960,891
<b>AGGREGATE DEPRECIATION</b>				
As at 1st April 2013	4,988	383,385	336,890	725,263
Charge for year	-	25,179	41,615	66,794
Eliminated on disposal	(4,988)	-	-	(4,988)
As at 31st March 2014	-	408,564	378,505	787,069
<b>NET BOOK VALUE</b>				
As at 31st March 2014	-	1,087,156	86,666	1,173,822
As at 31st March 2013	-	1,086,122	73,918	1,160,040

**12. CAPITAL COMMITMENTS**

	2014 £	2013 £
Capital Expenditure that has been contracted for but has not been provided for in the Financial Statements	5,910,592	8,259,607

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:-	2014 £	2013 £
<b>Other</b>		
Expiring between two and five years	16,519	8,160

**MARYHILL HOUSING ASSOCIATION LIMITED**

**FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2014**

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

**14. DEBTORS**

	2014	2013
	£	£
Arrears of Rent & Service Charges	925,676	969,305
Less: Provision for Doubtful Debts	(647,419)	(684,436)
	<u>278,257</u>	<u>284,869</u>
Social Housing Grant Receivable	-	270,138
Other Debtors	251,123	809,787
	<u>529,380</u>	<u>1,364,794</u>

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

	2014	2013
	£	£
Trade Creditors	811,310	458,876
Rent in Advance	262,078	223,563
Social Housing Grant repayable	-	28,915
Amounts Due to Group Undertakings	1	1
Other Creditors	968,552	872,365
Accruals and Deferred Income	46,422	478,865
RBS Deferred Income	31,454	31,216
	<u>2,119,817</u>	<u>2,093,801</u>

At the balance sheet date there were pension contributions outstanding of £24,745 (2013 £65,882)

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

	2014	2013
	£	£
Housing Loans	10,000,000	10,000,000
RBS Deferred Income	382,703	414,157
	<u>10,382,703</u>	<u>10,414,157</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	1,100,000	700,000
In five years or more	8,900,000	9,300,000
	<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 2014

NOTES TO THE FINANCIAL STATEMENTS (Continued)

17. CASH FLOW STATEMENT

<i>Reconciliation of operating surplus / (deficit) to net cash inflow from operating activities</i>	2014 £	2013 £
Operating Surplus / (Deficit)	373,641	(745,732)
Depreciation	1,792,200	3,080,718
Change in properties developed for resale	(861,765)	68,950
Change in Debtors	(215,956)	(60,417)
Change in Creditors	(407,082)	815,312
Share Capital Written Off	(8)	(24)
Change in stock		280
Contributions payable to Defined Benefit Scheme (Strathclyde)	(105,000)	(110,000)
Service cost on Defined Benefit Scheme (Strathclyde)	157,000	104,000
Net Cash Inflow from Operating Activities	<u>733,030</u>	<u>3,153,087</u>

<i>Reconciliation of net cash flow to movement in net debt</i>	2014 £	£	2013 £	£
(Decrease) / Increase in Cash	(2,412,026)		2,951,086	
Cash flow from management of liquid resources	13,814		(4,367,261)	
Cash flow from change in debt	-		-	
Movement in net debt during year		(2,398,212)		(1,416,175)
Net debt at 1st April 2013		413,062		1,829,237
Net debt at 31st March 2014		<u>(1,985,150)</u>		<u>413,062</u>

<i>Analysis of changes in net debt</i>	At 01.04.13 £	Cash Flows £	Other Changes £	At 31.03.14 £
Cash at bank and in hand	6,762,725	(2,412,026)		4,350,699
Bank Overdrafts	-	-		-
Liquid Resources	6,762,725	(2,412,026)		4,350,699
Debt: Due within one year	3,650,337	(13,814)		3,664,151
Due after more than one year	(10,000,000)	-		(10,000,000)
Net Debt	<u>413,062</u>	<u>(2,425,840)</u>	<u>-</u>	<u>(1,985,150)</u>

## MARYHILL HOUSING ASSOCIATION LIMITED

### FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2014

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

#### 18. SHARE CAPITAL

Shares of £1 each Issued and Fully Paid	£
At 1st April 2013	237
Issued in year	7
Cancelled in year	(8)
At 31st March 2014	<u>236</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) Pension Reserve

	Total £
At 1st April 2013	(156,000)
Actuarial (loss)	(110,000)
Transfer from Revenue Reserves	(26,000)
At 31st March 2014	<u>(292,000)</u>

##### (b) Revenue Reserves

	Total £
At 1st April 2013	12,274,726
Surplus for the year	134,642
Transfer (to) Pension reserve	26,000
At 31st March 2014	<u>12,435,368</u>

#### 20. HOUSING STOCK

The number of units of accommodation in management at the year end was:-	2014 No.	2013 No.
General Needs - New Build	483	462
- Rehabilitation	2,488	2,492
Shared Ownership	17	17
	<u>2,988</u>	<u>2,971</u>



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## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2014

### 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

	2014 £	2013 £
<b>Shared Equity Properties</b>		
Development Cost of Shared Equity Property	1,350,306	1,350,306
Less: Grants Receivable	1,350,306	1,350,306
	<u>-</u>	<u>-</u>
<b>Investments in Subsidiaries</b>		
As at 31st March 2014 & 31st March 2013	<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 2013 or 31 March 2014.

The aggregate amount of capital and reserves and the results of Maryhill Communities Limited for the year ended 31st March 2014 were as follows:

	2014 £	2013 £
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 2014

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

#### 23. DEVELOPMENT COST OF HOUSING PROPERTY

	2014 £	2013 £
<b>Shared Equity Properties</b>		
In the course of construction	2,112,228	350,773
Completed Properties Unsold	-	-
	<u>2,112,228</u>	<u>350,773</u>
Less: Grants Received from Scottish Ministers	(1,250,463)	(350,773)
	<u>861,765</u>	<u>-</u>

#### 24. NEGATIVE GOODWILL

	2014 £	2013 £
Balance as at 1st April 2013	12,641,531	12,952,736
Release during the year	(299,771)	(311,205)
	<u>12,341,760</u>	<u>12,641,531</u>

#### 25. CURRENT ASSET INVESTMENTS

	2014 £	2013 £
Short Term Deposits	<u>3,664,151</u>	<u>3,650,337</u>

## MARYHILL HOUSING ASSOCIATION LIMITED

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### FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2014

#### 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 six benefit structures to employers, namely:

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

An employer can elect to operate different benefit structures for their active members (as at the first day of April in any given year) and their new entrants. 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 38 active members of the scheme employed by Maryhill Housing Association Limited. The annual pensionable payroll in respect of these members was £1,258,019. 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 2014

#### 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%).

The Scheme Actuary has prepared an Actuarial Report that provides an approximate update on the funding position of the Scheme as at 30 September 2013. 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 £470 million and indicated a decrease in the shortfall of assets compared to liabilities to approximately £272 million, equivalent to a past service funding level of 63%.

#### Financial Assumptions

The key 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 2014

#### 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 Limited with an updated contribution figure to the past service deficit. From 1 April 2015 Maryhill Housing Association Limited will be required to pay £240,535 per annum as a contribution to the past service deficit. This will represent an increase of 3% in Maryhill Housing Association Limited'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 2014

#### 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 24 active members of the scheme employed by the Association. Total pension contributions made by the Association for the year were £160,864. Gross pensionable salaries for the year were £712,916.

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	2014	2013	2012
	%p.a.	%p.a.	%p.a.
Pension increase rate	2.9	2.8	2.5
Salary increase rate	5.2	5.1	4.8
Expected return on assets	6.0	5.2	5.8
Discount rate	4.3	4.5	4.8

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

	2014	2013
	£	£
Employee members	1,569,000	1,187,000
	<u>1,569,000</u>	<u>1,187,000</u>
<b>Net Pension Liability</b>	<b>2014</b>	<b>2013</b>
	£	£
Fair value of employer's assets	1,277,000	1,031,000
Present value of scheme liabilities	1,569,000	1,187,000
	<u>1,569,000</u>	<u>1,187,000</u>
Present value of unfunded liabilities	(292,000)	(156,000)
	<u>(292,000)</u>	<u>(156,000)</u>

MARYHILL HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2014

NOTES TO THE FINANCIAL STATEMENTS (Continued)

**26 RETIREMENT BENEFIT OBLIGATIONS (Continued)**

Analysis of amount charged to the Income and Expenditure Account

	<b>2014</b>	<b>2013</b>
	£	£
Charged to operating costs:		
Service cost	157,000	104,000
	<u>157,000</u>	<u>104,000</u>
Charged to Other Finance Costs / (Income)		
Expected Return on employer assets	(58,000)	(48,000)
Interest on pension scheme liabilities	58,000	43,000
	<u>-</u>	<u>(5,000)</u>
<b>Net Charge to the Income and Expenditure Account</b>	<u>157,000</u>	<u>99,000</u>
<b>Actual Return on Plan Assets</b>	<u>75,000</u>	<u>124,000</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:

<b>Asset Class</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>
	% p.a.	% p.a.	% p.a.
Equities	6.6	5.7	6.3
Bonds	3.7	3.4	3.9
Property	4.8	3.9	4.4
Cash	3.7	3.0	3.5

**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:

	<b>Males</b>	<b>Females</b>
	(Years)	(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 2014

NOTES TO THE FINANCIAL STATEMENTS (Continued)

**26 RETIREMENT BENEFIT OBLIGATIONS (Continued)**

<b>Employer membership statistics</b>	<b>2014</b>	<b>2013</b>
	(Number)	(Number)
Actives	23	20
<b>Fair Value of employer assets</b>	<b>2014</b>	<b>2013</b>
	£	£
Opening fair value of employer assets	1,031,000	765,000
Expected Return on Assets	58,000	48,000
Contributions by Members	40,000	33,000
Contributions by the Employer	131,000	110,000
Actuarial Gains / (Losses)	17,000	75,000
<b>Closing fair value of employer assets</b>	<b>1,277,000</b>	<b>1,031,000</b>
<b>Fair value of scheme assets by category</b>	<b>2014</b>	<b>2013</b>
	£	£
Equities	971,000	784,000
Bonds	153,000	144,000
Property	89,000	72,000
Cash	64,000	31,000
	<b>1,277,000</b>	<b>1,031,000</b>
<b>Reconciliation of defined benefit obligations</b>	<b>2014</b>	<b>2013</b>
	£	£
Opening defined benefit obligation	1,187,000	821,000
Current Service Cost	157,000	104,000
Interest Cost	58,000	43,000
Contributions by members	40,000	33,000
Actuarial Losses	127,000	186,000
	<b>1,569,000</b>	<b>1,187,000</b>



MARYHILL HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2014

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 2015

	£	% of pay
Projected current service cost	183,000	27.8
Interest on obligation	72,000	10.9
Expected return on plan assets	<u>(82,000)</u>	<u>(12.5)</u>
	<u>173,000</u>	<u>26.2</u>

Contributions made by the Association for the year ended 31 March 2015 are estimated to be approximately £134,000.

Amounts for the current and previous accounting periods:

	2014	2013
	£	£
Fair value of employer assets	1,277,000	1,031,000
Present value of defined benefit obligations (Deficit)	(1,569,000)	(1,187,000)
Experience Gains on assets	17,000	75,000

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

	2014	2013
	£	£
Actuarial (loss) recognised in year	(110,000)	(111,000)
Cumulative actuarial losses	(267,000)	(157,000)