



**SCOTT-MONCRIEFF**

EDINBURGH AND GLASGOW

**MILNBANK HOUSING ASSOCIATION LIMITED**

**Report and Financial Statements**

**For the year ended 31 March 2010**



# MILNBANK HOUSING ASSOCIATION LIMITED

## Report and Financial Statements For the year ended 31 March 2010

<b>Contents</b>	<b>Page</b>
Members, Executives and Advisers	1
Report of the Management Committee	2-3
Statement of Committee's Responsibilities	4
Report of the Auditors	5-6
Auditor's Report on Corporate Governance Matters	7
Income and Expenditure Account	8
Balance Sheet	9
Cash Flow Statement	10-12
Notes to the Financial Statements	13-28

### Registration information

Financial Services Authority	Industrial and Provident Societies 1965 Registered number 1818 R(S)
Scottish Charity Number	SC039891
The Scottish Housing Regulator	Housing (Scotland) Act 2001 Registered number 161

**Members, Executives and Advisers**

**Management Committee**

Mr J O'Donnell	(Chairperson)
Ms J Donachy	(Vice-Chairperson)
Mrs C McGuire	(Secretary)
Mrs R Tinney	(Treasurer)
Mr A Scott	
Mrs A Irving	
Mrs A Petrucci	
Ms C Tartaglia	
Cllr P Chalmers	GCC Representative
Cllr E McDougall	GCC Representative
Ms S Smith	(resigned 24 September 2009)
Miss A Campbell	(resigned 24 September 2009)
Ms N Skott	
Mr N Halls	(appointed on 26 January 2010)
Mrs M Hannah	(appointed on 26 January 2010)
Mrs T McGinlay	

**Registered Office**

53 Ballindalloch Drive  
Glasgow  
G31 3DQ

**Auditors**

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

**Bankers**

Bank of Scotland  
1195 Duke Street  
Glasgow  
G31 5NJ

**Executive Officers**

Mr A Benson	Director
Mrs L Sichi	Depute Director
Ms B Glass	Support Manager
Mrs J Leggat	Property Services Manager
Ms C Thom	Corporate Services Co-ordinator
Ms P Hamilton	Housing Services Co-ordinator

**Solicitors**

Low Beaton Richmond  
Sterling House  
20 Renfield Street  
Glasgow  
G2 5AP

**Report of the Management Committee  
For the year ended 31 March 2010**

The Committee of Management present their report and the audited financial statements for the year ended 31 March 2010.

**Principal activities**

The principal activity of the Association is the provision of rented accommodation.

**Changes in fixed assets**

Details of fixed assets are set out in note 9.

**Review of Operations**

The Association obtained charitable status on 25 September 2008 and thus the year to 31 March 2010 is the first full year that the Association has had charitable status.

The Association continued with a programme of component replacements to its stock in the Walter Street area. This involved renewing gas central heating systems and window and kitchen replacements.

The Association submitted a detailed Business Plan to Glasgow Housing Association for the transfer of 850 houses in December 2008 as part of the Second Stage Transfer (SST) process. Once the Business Plan is approved, a timetable for a tenants' ballot on the proposed stock transfer will be agreed.

All of the new build houses in Corsock Street were handed over to the Association during the year. The work at the former Great Eastern Hotel began in February 2009. This will see the conversion of the former hotel into 60 flats for sale. The development also includes 48 new build flats for rent together with a purpose built children's nursery.

**Future Developments**

The Association has obtained agreement from Glasgow City Council for the release of sites in the Haghill area. Negotiations are continuing to allow the Association to purchase the former Haghill Primary School and allow the re-development of this site in accordance with the Feasibility Study carried out in 2007.

**The committee of management and executive officers**

The committee of management and executive officers of the Association are listed on page 1.

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

**Internal Financial Controls**

The Committee is responsible for the Association's system of internal financial control, and has reviewed its effectiveness from information provided by management staff.

Any system can only provide reasonable and not absolute assurance against material mis-statement or loss.

The financial control system within the Association is fundamentally simple and appropriate to the size and complexity of the organisation. It includes a combination of regular review of financial results compared with an agreed budget and authorisation of all expenditure by senior staff and Committee. The Deputy Director performs internal audits and reports back to the staff on the findings.

**Report of the Management Committee  
For the year ended 31 March 2010**

**Related Party Transactions**

Some members of the Management Committee are tenants. Their tenancies are on the Association's normal tenancy terms and they cannot use their positions to their advantage.

**Auditors**

A resolution to appoint Scott-Moncrieff, Chartered Accountants as auditors will be put to the members at the annual general meeting.

**By order of the committee**

A handwritten signature in cursive script that reads "C McGuire".

C McGuire  
**Secretary**

Dated: 14 September 2010

**Statement of Committee's Responsibilities**

Housing Association legislation requires the committee to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Association and of the income and expenditure of the Association for the year ended on that date. In preparing those financial statements the committee are required to:-

- Select suitable accounting policies and then apply them consistently;
- Make judgements and estimates that are reasonable and prudent;
- State whether applicable accounting standards have been followed subject to any material departures disclosed and explained in the financial statements;
- Prepare the financial statements on a going concern basis unless it is inappropriate to presume that the Association will continue in business.

The committee is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Association.

The committee is also responsible for safeguarding the assets of the Association and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

**Report of the Auditors to the Members of Milnbank Housing Association Limited**

We have audited the financial statements of Milnbank Housing Association Limited for the year ended 31 March 2010 which comprise the Income and Expenditure Account, the Balance Sheet, the Cashflow Statement and the Notes to the Financial Statements. These financial statements have been prepared under the historical cost convention, the accounting policies set out in the Notes to the Financial Statements and the Statement of Recommended Practice (SORP) Accounting by Registered Social Landlords 2008.

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 auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Association and the Association's members as a body, for our audit work, for this report, or for the opinions we have formed.

**Respective responsibilities of the directors and auditors**

As described in the Statement of Committee's Responsibilities, the Association's Management Committee is responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Industrial and Provident Societies Act 1965 to 2002, Schedule 7 of the Housing (Scotland) Act 2001 and the Registered Social Landlords Accounting Requirements (Scotland) Order 2007. We also report to you if, in our opinion, the Report of the Management Committee is not consistent with the financial statements, if the Association has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding management remuneration and transactions with the Association is not disclosed.

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

**Basis of Opinion**

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

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

**Group accounts Section 14 (2) of the Friendly and Provident Societies Act 1968**

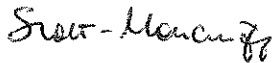
We agree with the opinion of the Management Committee of the Association that it would be of no real value to the members of the Association to consolidate or include the accounts of the Association's subsidiaries in group accounts required to be prepared under Section 13 of the Friendly and Industrial and Provident Societies Act 1968 for the year ended 31 March 2010, because of the immaterial nature of the subsidiary transactions in the year.

**Report of the Auditors to the Members of Milnbank Housing Association Limited**

**Opinion**

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of affairs of the Association at 31 March 2010 and of its results for the year then ended;
- the financial statements have been properly prepared in accordance with the Industrial and Provident Societies Acts 1965 to 2002, Schedule 7 of the Housing (Scotland) Act 2001 and the Registered Social Landlords Accounting Requirements (Scotland) Order 2007;
- the information given in the Report of the Management Committee is consistent with the financial statements.



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

Dated: 14 September 2010



**Report of the Auditors to the Management Committee of  
Milnbank Housing Association Limited on Corporate Governance Matters**

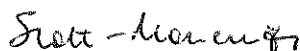
In addition to our audit of the Financial Statements, we have reviewed your Statement in the Report of the Management Committee concerning the Association's compliance with the paragraphs of the Internal Financial Control section within the SFHA's publication "Raising Standards in Housing". The objective of our review is to draw attention to non-compliance with those paragraphs of the Code, if not otherwise disclosed.

**Basis of Opinion**

We carried out our review having regard to Bulletin 2009/4 issued by the Auditing Practices Board. The Bulletin does not require us to perform the additional work necessary to, and we do not, express any opinion on the effectiveness of either the Association's system of internal financial control or its corporate governance procedures.

**Opinion**

In our opinion, your statement on internal financial control in the Report of the Management Committee has provided the disclosures required by the Internal Financial Control section within the SFHA's publication "Raising Standards in Housing" and is not inconsistent with the information which came to our attention as a result of our audit work on the Financial Statements.



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

Dated: 14 September 2010

**Income and Expenditure Account**  
**For the year ended 31 March 2010**

	Note	2010 £	2009 £
<b>Turnover</b>	2	2,376,132	2,149,824
Operating costs	2	(2,008,741)	(1,925,697)
<b>Operating surplus</b>	2	367,391	224,127
Gain on disposal of fixed assets		750	-
Interest receivable and other income	5	2,280	41,496
Interest payable and similar charges	6	(149,489)	(340,524)
<b>Surplus/(Deficit) on ordinary activities before taxation</b>		220,932	(74,901)
Tax on ordinary activities	23	-	(10,657)
Gift aid from subsidiaries	24	6,353	4,511
		227,285	(81,047)
<b>Transfer from major repairs reserve</b>	7	-	38,650
<b>Surplus/(Deficit) for the year</b>		227,285	(42,397)

The results for the year relate wholly to continuing activities.

The Association has no recognised gains and losses other than those included in the surplus / (deficit) above and therefore no separate statement of total recognised gains and losses has been presented.

There is no material difference between the surplus / (deficit) on ordinary activities for the year and the retained surplus / (deficit) for the year stated above and their historical cost equivalents.

**Balance Sheet**  
As at 31 March 2010

	Note	2010 £	2009 £
<b>Tangible fixed assets</b>			
Housing properties – cost less depreciation	9	56,864,335	50,174,440
Less: SHG and other grants	9	(47,212,579)	(43,272,618)
		<u>9,651,756</u>	<u>6,901,822</u>
Other fixed assets	9	471,295	499,435
	9	<u>10,123,051</u>	<u>7,401,257</u>
<b>Investments</b>			
Investments in subsidiaries	10	<u>2</u>	<u>2</u>
<b>Current assets</b>			
Debtors	11	1,549,729	1,312,750
Stock	12	-	-
Cash at bank and in hand		<u>2,154,200</u>	<u>1,460,720</u>
		<u>3,703,929</u>	<u>2,773,470</u>
<b>Creditors:</b> amounts falling due within one year	13	(2,057,990)	(1,985,452)
<b>Net current assets</b>		<u>1,645,939</u>	<u>788,018</u>
<b>Total assets less current liabilities</b>		<u>11,768,992</u>	<u>8,189,277</u>
<b>Creditors:</b> amounts falling due after more than one year	14	(10,300,032)	(6,947,618)
<b>Net assets</b>		<u>1,468,960</u>	<u>1,241,659</u>
<b>Capital and reserves</b>			
Share capital	15	508	492
Designated reserves	7	855,831	835,844
Revenue reserve	8	612,621	405,323
		<u>1,468,960</u>	<u>1,241,659</u>

The financial statements were authorised for issue by the Management Committee on 14 September 2010 and are signed on their behalf by:

J O'Donnell

Chairperson



C McGuire

Secretary



J Donachy

Vice-Chairperson



The notes form part of these financial statements.

Cash Flow Statement  
For the year ended 31 March 2010

	Notes	2010 £	2009 £
Net cash inflow from operating activities	1	344,040	452,422
Returns on investments and servicing of finance	2	(147,209)	(299,028)
Taxation		(10,657)	(23,226)
Capital expenditure	2	(2,969,932)	(1,324,145)
		<u>(2,783,758)</u>	<u>(1,193,977)</u>
Financing	2	3,477,238	975,549
Increase/(Decrease) in cash	4	<u>693,480</u>	<u>(218,428)</u>

Notes to the Cash Flow Statement  
For the year ended 31 March 2010

1) Reconciliation of Surplus for Year to  
Net Cash Inflow from Operating Activities

	2010 £	2009 £
Operating surplus	367,391	224,127
Depreciation	248,888	208,972
(Increase) in debtors	(236,979)	(380,747)
(Decrease)/Increase in creditors	(41,605)	395,573
Shares forfeited	(8)	(14)
Gift aid from subsidiaries	6,353	4,511
	<u>344,040</u>	<u>452,422</u>

2) Gross Cash Flows

	2010 £	2009 £
<b>Returns on investments and servicing of finance</b>		
Interest received	2,280	41,496
Interest paid	(149,489)	(340,524)
	<u>(147,209)</u>	<u>(299,028)</u>
<b>Capital expenditure</b>		
Purchase and development of housing properties	(6,984,006)	(5,072,799)
HAG and other grants received	4,010,607	3,762,272
HAG repaid	(29,464)	(49,959)
Sale of properties	32,929	67,109
Sale of other fixed assets	750	-
Payments to acquire other tangible fixed assets	(748)	(30,768)
	<u>(2,969,932)</u>	<u>(1,324,145)</u>
<b>Financing</b>		
Issue of ordinary share capital	24	11
Loan finance received	3,612,514	1,057,238
Loan repaid	(135,300)	(81,700)
	<u>3,477,238</u>	<u>975,549</u>

Notes to the Cash Flow Statement  
For the year ended 31 March 2010

3) Analysis of changes in net debt	At 31 March 2009 £	Cash Flow £	Other Changes £	At 31 March 2010 £
Cash in hand, at bank	1,460,720	693,480	-	2,154,200
Debt due within 1 year	(135,300)	(124,800)	-	(260,100)
Debt due after 1 year	(6,947,618)	(3,352,414)	-	(10,300,032)
	<u>(5,622,198)</u>	<u>(2,783,734)</u>	<u>-</u>	<u>(8,405,932)</u>

4) Reconciliation of net cash flow to movement in net debt (Note 3)	2010 £	2009 £
Increase/(Decrease) for the year	693,480	(218,428)
Cash used to repay loans and finance leases	135,300	81,700
Loans and finance leases received	(3,612,514)	(1,057,238)
Change in net debt	<u>(2,783,734)</u>	<u>(1,193,966)</u>
<b>Net debt at 1 April 2009</b>	<u>(5,622,198)</u>	<u>(4,428,232)</u>
<b>Net debt at 31 March 2010</b>	<u>(8,405,932)</u>	<u>(5,622,198)</u>

**Notes to the Financial Statements  
For the year ended 31 March 2010**

**1. Accounting policies**

**(a) Introduction and accounting basis**

The principal accounting policies of the Association are set out in paragraphs (b) to (l) below.

These financial statements are prepared under the historical cost convention in accordance with applicable accounting standards, and comply with the requirements of the Registered Social Landlords Accounting Requirements (Scotland) Order 2007 and the Statement of Recommended Practice (SORP) Accounting by Registered Social Landlords 2008.

**(b) Turnover**

Turnover represents rental and service charge income and fees or revenue grants receivable from local authorities, from the Scottish Government, and from other sources. Also included is any income from first tranche shared ownership disposals.

**(c) Loans**

Mortgage loans are advanced by Private Lenders or the Scottish Government under the terms of individual mortgage deeds in respect of each property or housing scheme. Advances are available only in respect of those developments which have been given approval by the Scottish Government.

**(d) Social housing grant (SHG)**

Social Housing Grant, at amounts approved by the Scottish Government, is paid directly to the Association as required to meet its liabilities during the development process.

SHG is repayable under certain circumstances primarily following the sale of the property, but will normally be restricted to net proceeds of sale.

SHG received as a contribution towards the capital cost of housing development is deducted from the cost of those developments. SHG received as a contribution towards revenue expenditure is included in turnover.

**Notes to the Financial Statements**  
**For the year ended 31 March 2010**

**1. Accounting policies (continued)**

**(e) Fixed assets - Housing properties**

Housing properties are stated at cost, less social housing grants (SHG) and other public grants and less accumulated depreciation. The development cost of housing properties includes:-

1. Cost of acquiring land and buildings.
2. Development expenditure including administration costs.

These costs are either termed "qualifying costs" by the Scottish Government for approved social housing grant schemes or are considered for mortgage loans by the relevant lending authorities or are met out of the Association's reserves.

All invoices and architects' certificates relating to capital expenditure incurred in the year at gross value before retentions are included in the accounts for the year, provided that the dates of issue or valuation are prior to the year-end.

Expenditure on schemes which are subsequently aborted is written off in the year in which it is recognised that the schemes will not be developed to completion.

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

**(f) Depreciation**

**1. Housing properties**

Housing properties at cost, less grants received, less land, are depreciated over their expected useful lives of 50 years.

**2. Other fixed assets**

Depreciation is charged on other fixed assets so as to write off the asset cost less any recoverable value over its anticipated useful life.

The following rates have been used:-

Vehicles	- 20% straight line
Furniture, Fittings, & Equipment	- 20% reducing balance
Office and Commercial Property	- 2% to 5% straight line

A full year's depreciation is charged in the year of purchase.

No charge is made in the year of disposal.

**(g) Designated Reserves (Note 7)**

**(i) Cyclical maintenance**

The reserve is based on the Association's liability to maintain the properties in accordance with a planned programme of works, provided it will not be met from revenue in the year in which it is incurred.



**Notes to the Financial Statements  
For the year ended 31 March 2010**

**1. Accounting policies (continued)**

**(g) Designated Reserves (Note 7) (continued)**

**(ii) Major Repairs**

The reserve is based on the Association's requirement to maintain housing properties in a state of repair which at least maintains their residual value in prices prevailing at the time of acquisition and construction. The reserve represents amounts set aside in respect of future costs and will be transferred to General Reserves as appropriate.

**(iii) Walpole**

The reserve relates to the supported housing project at Walpole. These funds are designated for use in this project.

**(h) Apportionment of management expenses**

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

**(i) Pensions (Note 20)**

The Association contributes to a defined benefit scheme, the cost of which is written off to the income and expenditure account on an accruals basis. The assets of the scheme are held separately from those of the Association in an independently administered fund.

**(j) Financial Commitments**

Assets held under finance leases where substantially all the risks and rewards of ownership of the asset have passed to the Association, and hire purchase contracts are capitalised in the balance sheet and are depreciated in the income and expenditure account over the period of their useful lives.

Rentals paid under operating leases are charged to income on a straight line basis over the lease term.

**(k) Stock (Note 12)**

Properties held under the Homestake scheme have been included within stock rather than fixed assets as the cost and HAG held by the Association relates to Glasgow City Council's share of the Homestake property. This will be disposed off when the private owner buys the property outright.

**(l) Consolidation**

The Association and its subsidiary undertakings comprise a group. The Financial Services Authority has granted exemption from preparing group financial statements. The accounts therefore represent the results of the Association and not of the group.

Notes to the Financial Statements  
For the year ended 31 March 2010

2. Particulars of Turnover, Operating Costs and Operating Surplus

Income and Expenditure From lettings	2010		2009	
	Turnover £	Operating Costs £	Turnover £	Operating Costs £
Social Lettings (Note 3)	2,256,128	(1,896,204)	2,025,600	(1,809,947)
Other activities (Note 4)	120,004	(112,537)	124,224	(115,750)
	<u>2,376,132</u>	<u>(2,008,741)</u>	<u>2,149,824</u>	<u>(1,925,697)</u>
		<u>367,391</u>		<u>224,127</u>
				<u>215,653</u>
				<u>8,474</u>

Notes to the Financial Statements  
For the year ended 31 March 2010

3. Particulars of turnover, operating costs and operating surplus from social letting activities

	General Needs Housing £	Supported Housing (Walpole) £	Shared Ownership £	2010 Total £	2009 Total £
<b>Income from rent and service charges</b>					
Rent receivable net of service charges	2,056,812	41,651	10,031	2,108,494	1,898,349
Service charges	-	-	-	-	-
<b>Gross income from rents and service charges</b>	<u>2,056,812</u>	<u>41,651</u>	<u>10,031</u>	<u>2,108,494</u>	<u>1,898,349</u>
<b>Less voids</b>	<u>(42,548)</u>	-	-	<u>(42,548)</u>	<u>(31,584)</u>
<b>Net income from rents and service charges</b>	<u>2,014,264</u>	<u>41,651</u>	<u>10,031</u>	<u>2,065,946</u>	<u>1,866,765</u>
Grants from the Scottish Ministers	-	188,871	-	188,871	158,445
Other revenue grants	-	-	-	-	-
Other income	-	1,311	-	1,311	390
<b>Total turnover from social letting activities</b>	<u>2,014,264</u>	<u>231,833</u>	<u>10,031</u>	<u>2,256,128</u>	<u>2,025,600</u>
<b>Expenditure</b>					
Management and maintenance administration costs	(1,220,925)	(211,846)	(6,781)	(1,439,552)	(1,408,709)
Service charges	-	-	-	-	-
Planned cyclical maintenance including major repairs	(124,851)	-	-	(124,851)	(95,392)
Reactive maintenance costs	(91,567)	-	-	(91,567)	(67,565)
Bad debts – rents and service charges	(20,234)	-	-	(20,234)	(58,197)
Depreciation of social housing	(216,750)	-	(3,250)	(220,000)	(180,084)
<b>Operating costs for social letting activities</b>	<u>(1,674,327)</u>	<u>(211,846)</u>	<u>(10,031)</u>	<u>(1,896,204)</u>	<u>(1,809,947)</u>
<b>Operating Surplus on letting activities, 2010</b>	<u>339,937</u>	<u>19,987</u>	-	<u>359,924</u>	-
<b>Operating Surplus / (Deficit) on letting activities, 2009</b>	<u>223,921</u>	<u>(8,268)</u>	-	-	<u>215,653</u>

Notes to the Financial Statements  
For the year ended 31 March 2010

4. Particulars of turnover, operating costs and operating surplus from other activities

	Grants from Scottish Ministers £	Other revenue grants £	Supporting people income £	Other income £	Total Turnover 2010 £	Operating costs 2010 £	Surplus 2010 £	Total Turnover 2009 £	Operating costs 2009 £	Surplus 2009 £
Wider role activities #	-	-	-	-	-	-	-	-	-	-
Care and repair of property	-	-	-	-	-	-	-	-	-	-
Factoring *	-	-	-	-	-	-	-	-	-	-
Development and construction of property activities	-	-	-	-	-	-	-	-	-	-
Supporting people Care activities	-	-	62,339	-	62,339	(62,339)	-	67,245	(67,245)	-
Agency/management services for other RSLs	-	-	-	-	-	-	-	-	-	-
LHO services	12,983	-	-	-	12,983	(5,516)	7,467	12,983	(4,509)	8,474
Developments for sale to RSLs	-	-	-	-	-	-	-	-	-	-
Development and improvements for sale to non RSLs	-	-	-	-	-	-	-	-	-	-
East End Housing Project	-	-	-	44,682	44,682	(44,682)	-	43,996	(43,996)	-
Commercial rent	-	-	-	-	-	-	-	-	-	-
Total from other activities- 2010	12,983	-	62,339	44,682	120,004	(112,537)	7,467			
Total from other activities- 2009	12,983	-	67,245	43,996				124,224	(115,750)	8,474

# Undertaken to support the community, other than the provision, construction, improvement and management of housing.

\* Factoring Services were transferred to the Association's subsidiary Milnbank Property Services Ltd on 1 April 2008, thus no factoring income has been generated in 2009 or 2010.

Notes to the Financial Statements  
For the year ended 31 March 2010

<b>5. Interest Receivable and Other Income</b>	<b>2010</b>	<b>2009</b>	
	<b>£</b>	<b>£</b>	
Interest receivable on deposits – Association	2,280	37,190	
Interest receivable on deposits – Walpole	-	4,306	
	<u>2,280</u>	<u>41,496</u>	
	<u><u>2,280</u></u>	<u><u>41,496</u></u>	
<b>6. Interest payable and similar charges</b>	<b>2010</b>	<b>2009</b>	
	<b>£</b>	<b>£</b>	
On private loans	149,489	340,524	
	<u>149,489</u>	<u>340,524</u>	
	<u><u>149,489</u></u>	<u><u>340,524</u></u>	
<b>7. Designated Reserves</b>	<b>Opening Balance</b>	<b>Transfer</b>	<b>Closing Balance</b>
	<b>1 April 2009</b>		<b>31 March 2010</b>
	<b>£</b>	<b>£</b>	<b>£</b>
Cyclical maintenance reserve	127,415	-	127,415
Walpole reserve	388,913	19,987	408,900
Major repair reserve	319,516	-	319,516
	<u>835,844</u>	<u>19,987</u>	<u>855,831</u>
	<u><u>835,844</u></u>	<u><u>19,987</u></u>	<u><u>855,831</u></u>
<b>8. Revenue Reserves</b>	<b>2010</b>	<b>2009</b>	
	<b>£</b>	<b>£</b>	
At 1 April 2009	405,323	443,758	
Surplus/(Deficit) for the year	227,285	(81,047)	
	<u>632,608</u>	<u>362,711</u>	
Transfer (to)/from designated reserves	(19,987)	42,612	
	<u>612,621</u>	<u>405,323</u>	
At 31 March 2010	<u><u>612,621</u></u>	<u><u>405,323</u></u>	

Notes to the Financial Statements  
For the year ended 31 March 2010

9. Tangible Fixed Assets	Housing Properties Held for Letting £	Housing Properties under Development £	Shared Ownership Properties £	Office and Commercial Property £	Furniture Fittings & Equipment £	Vehicles £	Total £
<b>Cost</b>							
At start of year	47,958,407	2,387,170	951,705	731,938	142,400	8,620	52,180,240
Additions during year	822,983	6,161,023	-	-	748	-	6,984,754
Transfers	996,120	(996,120)	-	-	-	-	-
Disposals	(74,111)	-	-	-	-	(8,620)	(82,731)
At end of year	49,703,399	7,552,073	951,705	731,938	143,148	-	59,082,263
<b>Depreciation</b>							
At start of year	1,113,038	-	9,804	301,521	73,382	8,620	1,506,365
Charge for year	216,750	-	3,250	11,634	17,254	-	248,888
On disposals	-	-	-	-	-	(8,620)	(8,620)
At end of year	1,329,788	-	13,054	313,155	90,636	-	1,746,633
<b>HAG and other grants</b>							
At start of year	40,427,549	1,984,414	860,655	-	-	-	43,272,618
Additions during year	59,057	3,951,550	-	-	-	-	4,010,607
Transfers	643,808	(643,808)	-	-	-	-	-
On disposals	(70,646)	-	-	-	-	-	(70,646)
At end of year	41,059,768	5,292,156	860,655	-	-	-	47,212,579
<b>Net Book Value</b>							
At end of year	7,313,843	2,259,917	77,996	418,783	52,512	-	10,123,051
At start of year	6,417,820	402,756	81,246	430,417	69,018	-	7,401,257

Included within Housing Properties under Development additions are capitalised development costs of £9,749 (2009: £9,465). Included within additions to HAG and other grants are development allowances of £9,749 (2009: £9,465).

**Notes to the Financial Statements**  
**For the year ended 31 March 2010**

<b>10. Investments</b>	<b>2010</b>	<b>2009</b>
	<b>£</b>	<b>£</b>
Investment in subsidiary undertakings	2	2

Milnbank Housing Association Limited owns 1 ordinary £1 share in Milnbank Community Enterprises Limited. This represents a 100% shareholding in Milnbank Community Enterprises Limited, a company registered in Scotland, whose principal activity is community development. The profit on ordinary activities after taxation of Milnbank Community Enterprises Ltd for the year ended 31 March 2010 was £nil (2009: £nil). The capital and reserves of Milnbank Community Enterprises Ltd as at 31 March 2010 was £64 (2009: £64).

Milnbank Housing Association Limited owns 1 ordinary £1 share in Milnbank Property Services Limited. This represents a 100% shareholding in Milnbank Property Services Limited, a company registered in Scotland. The profit on ordinary activities after taxation of Milnbank Property Services Limited for the year ended 31 March 2010 was £nil (2009: £70). The capital and reserves of Milnbank Property Services Limited as at 31 March 2010 was £71 (2009: £71).

<b>11. Debtors</b>	<b>2010</b>	<b>2009</b>
	<b>£</b>	<b>£</b>
Amounts falling due within one year:		
Rental arrears	157,410	153,581
Less: provision for bad debts	(60,000)	(60,000)
	<u>97,410</u>	<u>93,581</u>
Social Housing Grant receivable	851,000	476,000
Amounts owed by subsidiary	121,571	156,107
Other debtors and prepayments	479,748	587,062
	<u>1,549,729</u>	<u>1,312,750</u>
<b>12. Stock</b>	<b>2010</b>	<b>2009</b>
	<b>£</b>	<b>£</b>
Homestake – Cost	376,542	376,542
Homestake – HAG	(376,542)	(376,542)
	<u>-</u>	<u>-</u>

The above relates to the Homestake scheme administered by the Association on behalf of Glasgow City Council.

<b>13. Creditors: amounts falling due within one year</b>	<b>2010</b>	<b>2009</b>
	<b>£</b>	<b>£</b>
Loans	260,100	135,300
Trade creditors	32,149	351,680
Corporation tax	-	10,657
Other creditors	1,035,508	1,049,637
Contract Retentions	285,430	119,004
Accruals	293,659	33,480
Development creditor	89,674	229,373
Rent prepaid	61,470	56,321
	<u>2,057,990</u>	<u>1,985,452</u>

**Notes to the Financial Statements**  
**For the year ended 31 March 2010**

<b>14. Creditors: amounts falling due out with one year</b>	<b>2010</b>	<b>2009</b>
	<b>£</b>	<b>£</b>
Loans	10,300,032	6,947,618
	<u>                    </u>	<u>                    </u>

Loans are secured by specific charges on the Association's properties and are repayable at varying rates of interest in instalments due as follows:-

	<b>2010</b>	<b>2009</b>
	<b>£</b>	<b>£</b>
Due between one and two years	260,100	135,300
Due between two and five years	767,100	404,906
Due in five years or more	9,272,832	6,407,412
	<u>                    </u>	<u>                    </u>
	<u>10,300,032</u>	<u>6,947,618</u>

<b>15. Share Capital</b>	<b>2010</b>	<b>2009</b>
	<b>£</b>	<b>£</b>
At beginning of year	492	495
Shares of £1 each fully paid and issued during the year	24	11
Shares forfeited in year	(8)	(14)
	<u>                    </u>	<u>                    </u>
At end of year	<u>508</u>	<u>492</u>

**16. Directors' Emoluments**

The directors are defined as the members of the Management Committee, the Director and any other person reporting directly to the Director or the Management Committee. Only the Director's total emoluments exceeded £60,000 per year. No emoluments were paid to any member of the Management Committee during the year.

	<b>2010</b>	<b>2009</b>
	<b>£</b>	<b>£</b>
Emoluments (excluding pension Contributions) of Director	66,616	64,379
	<u>                    </u>	<u>                    </u>

Numbers of Directors whose emoluments exceed £60,000 during the year were as follows (excluding pension contributions):-

£60,001 - £65,000	-	1
£65,001 - £70,000	1	-
	<u>                    </u>	<u>                    </u>
Total expenses reimbursed to directors in so far as not chargeable to United Kingdom income tax	1,193	1,443
	<u>                    </u>	<u>                    </u>

The Director is not a member of the Association's pension scheme described in note 20. An annual payment is made by the Association directly to the Director who has his own private pension. The Association's contribution in 2010 was £8,860 (2009: £8,451).



**Notes to the Financial Statements**  
**For the year ended 31 March 2010**

<b>17. Employee Information</b>	<b>2010 No.</b>	<b>2009 No.</b>
The full time equivalent number of employees employed during the year was:		
Administration & Finance	8	9
Housing services management	4	4
Property services (including maintenance)	16	16
Housing with Support	11	11
Wardens & Cleaners	2	2
	<u>41</u>	<u>42</u>
	<b>2010 £</b>	<b>2009 £</b>
Staff costs (including Directors' Emoluments):		
Wages and salaries	799,694	803,438
Social security costs	73,241	71,823
Pension costs	63,547	65,848
	<u>936,482</u>	<u>941,109</u>
	<b>2010 £</b>	<b>2009 £</b>
<b>18. Operating Surplus</b>		
Operating surplus is stated after charging:		
Depreciation	248,888	208,972
Auditors' remuneration		
- In their capacity as auditors	10,500	10,500
- In respect of other services	4,000	5,000
	<u>262,388</u>	<u>223,472</u>
	<b>2010 £</b>	<b>2009 £</b>
<b>19. Capital Commitments</b>		
Capital expenditure that has been contracted for but has not been provided for in the financial statements.	1,833,436	8,222,966
This will be funded by:		
Housing Grants from the Scottish Government	205,000	5,820,471
Private Finance	1,628,436	2,402,495
Association's own reserves	-	-
	<u>1,833,436</u>	<u>8,222,966</u>

**Notes to the Financial Statements  
For the year ended 31 March 2010**

**20. Pension**

Milnbank Housing Association Limited participates in the SFHA 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 previously operated with a single benefit structure, final salary with a 1/60<sup>th</sup> accrual rate. From April 2008 three benefit structures are available, namely;

- Final salary with a 1/60<sup>th</sup> accrual rate.
- Career average revalued earnings with a 1/60<sup>th</sup> accrual rate.
- Career average revalued earnings with a 1/70<sup>th</sup> accrual rate.

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 open benefit structure is one which new entrants are able to join.

Milnbank Housing Association Limited has elected to operate the final salary with a 1/60<sup>th</sup> accrual rate benefit structure for active members as at 1 April 2009 and the final salary with a 1/60<sup>th</sup> accrual rate benefit structure for new entrants from 1 April 2009.

The Trustee commissions an actuarial valuation of the Scheme every 3 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 levels. 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, Milnbank Housing Association Limited paid contributions at the rate of 15.4% of pensionable salaries. Member contributions were 7.7%.

As at the balance sheet date there were 17 active members of the Scheme employed by Milnbank Housing Association Limited. Milnbank 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. Accordingly, due to the nature of the Plan, the accounting charge for the period under FRS17 represents the employer's contributions payable.

The last formal valuation of the Scheme was performed as at 30 September 2006 by a professionally qualified actuary using the "projected unit credit" method. The market value of the Scheme's assets at the valuation date was £268 million. The valuation revealed a shortfall of assets compared to liabilities of £54 million (equivalent to a past service funding level of 83%).

The Scheme Actuary has prepared an Actuarial Report that provides an approximate update on the funding position of the Scheme as at 30 September 2008. Such a report is required by legislation for years in which a full actuarial valuation is not carried out. The funding update revealed a decrease in the assets of the Scheme to £265 million and indicated an increase in the shortfall of assets compared to liabilities to approximately £149 million, equivalent to a past service funding level of 63.9%. Annual funding updates of the SFHA Pension Scheme are carried out using approximate actuarial techniques rather than member by member calculations, and will therefore not produce the same results as a full actuarial valuation. However they will provide a good indication of the financial progress of the scheme since the last full valuation.

**Notes to the Financial Statements  
For the year ended 31 March 2010**

**20. Pension (continued)**

Since the contribution rates payable to the Scheme have been determined by reference to the last full actuarial valuation the following notes relate to the formal actuarial valuation as at 30 September 2006.

**Financial Assumptions**

The financial assumptions underlying the valuation were as follows:-	% pa
- Investment return pre retirement	7.2
- Investment return post retirement	4.9
- Rate of salary increases	4.6
- Rate of pension increases	
Pension accrued pre 6 April 2005	2.6
Pension accrued from 6 April 2005	2.25
(for leavers before 1 October 1993 pension increases are 5.0% pa)	
- Rate of price inflation	2.6

**Valuation results**

The valuation was carried out using the PA92C2025 short cohort mortality table for non-pensioners and PA92C2013 short cohort mortality table for pensioners. The table below illustrates the assumed life expectancy in years for pension scheme members at age 65 using these mortality assumptions.

	Males Assumed life expectancy In years at age 65	Females Assumed life expectancy in years at age 65
Non-pensioners	21.6	24.4
Pensioners	20.7	23.6

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

Benefit structure	Long-term joint contribution rate (% of pensionable salaries)
Final salary 60ths	17.8% Comprising employer contributions of 10.1% and member contributions of 7.7%
Career average 60ths	14.6% Comprising employer contributions of 8.0% and member contributions of 6.6%
Career average 70ths	12.6% Comprising employer contributions of 6.6% and member contributions of 6.0%

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.

**Notes to the Financial Statements**  
**For the year ended 31 March 2010**

**20. Pension (continued)**

Following consideration of the results of the valuation it was agreed that the shortfall of £54 million would be dealt with by the payment of additional employer contributions of 5.3% of pensionable salaries with effect from 1 April 2009. It is the Scheme policy that the joint contribution rate payable is split between employers and members in the ratio 2:1. Accordingly the joint contribution rates from 1 April 2009 for each of the benefit structures will be:

Benefit structure	Joint contribution rate (% of pensionable salaries)
Final salary 60ths	23.1% Comprising employer contributions of 15.4% and member contributions of 7.7%
Career average 60ths	19.9% Comprising employer contributions of 13.3% and member contributions of 6.6%
Career average 70ths	17.9% Comprising employer contributions of 11.9% and member contributions of 6.0%

A small number of employers that have closed the Scheme to new entrants are required to pay an additional employer contribution loading of 3.5% to reflect the higher costs of a closed arrangement.

If the valuation assumptions are borne out in practice this pattern of contributions should be sufficient to eliminate the past service deficit, on an ongoing funding basis, by 31 March 2020.

A copy of the recovery plan, setting out the level of deficit contributions payable and the period for which they will be payable, must be sent to the Pensions Regulator. The Regulator has the power under Part 3 of the Pensions Act 2004 to issue scheme funding directions where it believes that the actuarial valuation assumptions and/or recovery plan are inappropriate. For example the Regulator could require that the Trustee strengthens the actuarial assumptions (which would increase the scheme liabilities and hence impact on the recovery plan) or impose a schedule of contributions on the Scheme (which would effectively amend the terms of the recovery plan). The Regulator has reviewed the recovery plan for the SFHA Pension Scheme and confirmed that, in respect of the September 2006 actuarial valuation, it does not propose to issue any scheme funding directions under Part 3 of the Pensions Act 2004.

Following a change in legislation in September 2005 there is a potential debt on the employer that could be levied by the Trustee of the Scheme. The debt would be 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.

**Notes to the Financial Statements**  
**For the year ended 31 March 2010**

**20. Pension (continued)**

The Association has been notified by the Pensions Trust of the estimated employer debt on withdrawal from the Scheme based on the financial position of the Scheme as at 30 September 2009. As of this date the estimated employer debt for the Association was £3,466,998.

The Association does not intend to withdraw from the scheme and the trustee has confirmed that there is no intention to wind up the Scheme.

The actuarial results for the triennial valuation performed as at 30 September 2009 are due out in the Autumn. The provisional results show a deficit of £160.1 million. The funding position of the Scheme has deteriorated to 64.8% as at 30 September 2009.

**21. Housing Stock**

The number of units of accommodation in management was as follows:-

	Units in management			
	2010		2009	
	Improved	Unimproved	Improved	Unimproved
General needs	774	-	763	-
Supported – Walpole (self contained units)	7	-	7	-
Shared ownership	13	-	13	-
	<u>794</u>	<u>-</u>	<u>783</u>	<u>-</u>
	<u><u>794</u></u>	<u><u>-</u></u>	<u><u>783</u></u>	<u><u>-</u></u>

**22. Revenue Commitments**

At the year end the Association was committed to making the following payments during the next year in respect of operating leases with expiry dates as follows:

	Office Equipment & Motor Vehicles	
	2010 £	2009 £
Within one year	-	405
Between one and five years	37,979	17,379
More than five years	40,598	49,340
	<u>78,577</u>	<u>67,124</u>
	<u><u>78,577</u></u>	<u><u>67,124</u></u>

Notes to the Financial Statements  
For the year ended 31 March 2010

23. Corporation Tax charge	2010 £	2009 £
Corporation tax charge at nil% (2009: 21%)	-	10,657

The Association became a charity on 25 September 2008. Thus, for the whole of 2010, the Association was a charity and was therefore not subject to corporation tax on its charitable activities.

#### 24. Related Party Transactions

##### Milnbank Community Enterprises Ltd

As part of a service level agreement, £1,000 (2009: £1,000) was recharged in the year to 31 March 2010 to Milnbank Community Enterprises Ltd by Milnbank Housing Association Ltd. This is in respect of salary costs that are incurred by the Association in respect of employees who work on Milnbank Community Services Limited's affairs.

A gift aid payment of £5,903 (2009: £3,711) was made by Milnbank Community Enterprises Ltd to Milnbank Housing Association Ltd in the year.

The balance owed to Milnbank Housing Association Limited by Milnbank Community Enterprises Limited at 31 March 2010 was £13,538 (2009: £11,216).

##### Milnbank Property Services Ltd

The provision of factoring services was transferred from Milnbank Housing Association Ltd to its fully owned subsidiary, Milnbank Property Services Ltd from 1 April 2008.

As part of a service level agreement, £75,352 (2009: £67,000) was recharged in the year to 31 March 2010 to Milnbank Property Services Ltd by Milnbank Housing Association Ltd. This is in respect of salary costs that are incurred by the Association in respect of employees who work on Milnbank Property Services Limited's affairs.

During the year, expenditure of £44,689 (2009: £74,484) was incurred by Milnbank Housing Association Ltd on behalf of Milnbank Property Services Ltd in respect of work performed to factored properties. These costs were recharged to Milnbank Property Services Ltd during the year.

During the year, expenditure of £11,658 (2009: £nil) was incurred by Milnbank Property Services Limited on behalf of Milnbank Housing Association Limited in respect of work performed to factored properties which are shared by owners and Housing Association tenants. These costs were recharged by Milnbank Property Services Limited during the year to the Association.

A gift aid payment of £450 (2009: £800) was made by Milnbank Property Services Ltd to Milnbank Housing Association Ltd in the year.

The balance owed to Milnbank Housing Association Limited by Milnbank Property Services Limited at 31 March 2010 was £108,033 (2009: £144,891).

#### 25. Legislative Provisions

The Association is incorporated under the Industrial and Provident Societies Act 1965.