

MILNBANK HOUSING ASSOCIATION LIMITED
Report and Financial Statements
For the year ended 31 March 2015



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Registration information

Financial Conduct Authority

Scottish Charity Number

The Scottish Housing Regulator

SC039891

Co-operative and Community Benefit Societies
Act 2014. Registered number 1818 R(S)

Housing (Scotland) Act 2010
Registered number 161

Members, Executives and Advisers

Management Committee

Mr J O'Donnell (Chairperson)

Mr A Scott (Vice-Chairperson)

Mrs C McGuire (Secretary)

Mrs R Tinney (Treasurer)

Mrs A Irving

Mrs J Donachy

Ms C Tartaglia

Cllr E McDougall

Mrs M Hutchison

Mr N Halls

Mrs T McGinlay

Mr A Young

Mrs L Williams

Ms M Baxter

Mr G Harkins

Mr J Taylor

(Appointed 25 September 2014, Resigned 10 March 2015)

(Appointed 25 September 2014)

Executive Officers

Mr A Benson
Mrs L Sichi

Director
Depute Director

Solicitors

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

Bankers

Bank of Scotland
1195 Duke Street
Glasgow
G31 5NJ

Auditor

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

Registered Office

53 Ballindalloch Drive
Glasgow
G31 3DQ

Report of the Management Committee For the year ended 31 March 2015

The Management Committee present their report and the audited financial statements for the year ended 31 March 2015.

Principal activities

The principal activity of the Association is the provision of rented accommodation. The Association also undertakes wider role activities and owns and manages the Carbon Footprint Nursery.

Changes in fixed assets

Details of fixed assets are set out in note 9.

Review of Operations

Turnover has increased by 5.6% to £6.15m, with a healthy operating surplus of £684,299 generated. After finance costs of £469,395 and gift aid from the Association's two subsidiaries of £69,528 a surplus of £410,494 was generated, which is a strong financial performance from the Association.

In February and March of this year, 26 housing units were acquired. This acquisition was fully funded by Glasgow City Council.

During the year, the Association invested £1,039,549 in improving its existing stock in the form of backcourt improvements and replaced components such as new kitchens and new windows.

The last financial year has seen the Association focus on issues related to the management and maintenance of its housing stock. The impact of Welfare Reform and the associated benefit cuts continue to be assessed as these have the potential to impact severely on tenants and the Association's operations.

Future Developments

The Association has a partnership agreement with Glasgow City Council to develop cleared sites in Haghill and to purchase and convert the former Haghill Primary School in accordance with a Feasibility Study that Milnbank Housing Association Limited previously carried out. However, progress on this and other future developments has not been possible due to funding constraints.

Statement of Management 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; and
- 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 Management Committee
For the year ended 31 March 2015**

The Management Committee and executive officers

The Management Committee and executive officers of the Association are listed on page 1.

Each member of the Management Committee 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.

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.

Internal Financial Controls

The Management Committee acknowledge their ultimate responsibility for ensuring that the Association has in place a system of controls that is appropriate to the various business environments 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; and
- The safeguarding of assets against unauthorised use or disposition.

It is the Management Committee's responsibility to establish and maintain systems of internal financial control. Such systems can only provide reasonable and not absolute assurance against material financial mis-statement or loss. Key elements include ensuring that:

- (a) Formal policies and procedures are in place, including the documentation of key systems and rules relating to the delegation of authorities, which allow the monitoring of controls and restrict the unauthorised use of the Association's assets;

- (b) Experienced and suitably qualified staff take responsibility for important business functions. Annual appraisal procedures have been established to maintain standards of performance;

- (c) Forecasts and budgets are prepared which allow the Management Committee and management to monitor the key business risks and financial objectives, and progress towards financial plans set out for the year. During the financial year, regular management accounts are prepared promptly, providing relevant, reliable and up to date financial and other information. Significant variances from budgets are investigated as appropriate;

- (d) All significant new initiatives, major commitments and investment projects are subject to formal authorisation procedures, through the relevant sub-committees which are comprised of Management Committee members;

- (e) The Deputy Director performs internal audit reviews and reports back to the Committee on the findings;

- (f) The Management Committee reviews reports from the external auditor to provide reasonable assurance that control procedures are in place and are being followed; and

- (g) Formal practices have been established for instituting appropriate action to correct weaknesses identified from the reports of the external auditor and the Deputy Director.

The Management Committee have reviewed the effectiveness of the system of internal financial control in existence in the Association for the year ended 31 March 2015. No weaknesses were found in internal financial controls which resulted in material losses, contingencies or uncertainties which require disclosure in the financial statements or in the auditor's report on the financial statements.

Report of the Management Committee
For the year ended 31 March 2015

Auditor

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

Disclosure of information to the auditor

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

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

By order of the Committee



C McGuire
Secretary

Dated: 8 September 2015

Report of the Auditor 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 2015 which comprise the Income and Expenditure Account, the Statement of Total Recognised Gains and Losses, the Balance Sheet, the Cash Flow Statement and the related notes. The financial reporting framework that has been applied 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 auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Association and the Association's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Management Committee and auditor

As explained more fully in the Statement of Management Committee's Responsibilities set out on page 2, the Committee is responsible for the preparation of the financial statements which give a true and fair view.

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

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Association's affairs as at 31 March 2015 and of its income and expenditure for the year then ended; and
- have been prepared in accordance with the requirements of the Co-operative and Community Benefit Societies Act 2014, Part 6 of the Housing (Scotland) Act 2010 and the Determination of Accounting Requirements 2012 issued by the Scottish Housing Regulator.

Matters on which we are required to report by exception

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

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

Scott-Moncrieff

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

Dated: 8 September 2015

Report of the Auditor 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 statements on page 3 concerning the Association's compliance with the information required by the Regulatory Standards in respect of internal financial controls contained within the publication "Our Regulatory Framework" and associated Regulatory Advisory Notes which are issued by the Scottish Housing Regulator.

Basis of Opinion

We carried out our review having regard to the requirements on corporate governance matters within Bulletin 2006/5 issued by the Financial Reporting Council. The Bulletin does not require us to review the effectiveness of the Association's procedures for ensuring compliance with the guidance notes, nor to investigate the appropriateness of the reason given for non-compliance.

Opinion

In our opinion the Statement on Internal Financial Control on page 3 has provided the disclosures required by the relevant Regulatory Standards within the publication "Our Regulatory Framework" and associated Regulatory Advisory Notes issued by the Scottish Housing Regulator in respect of internal financial controls and is consistent with the information which came to our attention as a result of our audit work on the Financial Statements.

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

Scott Moncrieff

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

Dated: 8 September 2015

	2015	2014	£
Turnover	6,153,277	5,829,689	£
Operating costs	(5,468,978)	(5,024,154)	
Operating surplus	684,299	805,535	
Gain/(loss) on disposal of fixed assets	114,876	(6,579)	
Interest receivable and other income	11,186	14,685	
Interest payable and similar charges	(469,395)	(441,487)	
Surplus on ordinary activities before taxation	340,966	372,154	
Gift aid from subsidiaries	69,528	52,867	
Surplus for the year	410,494	425,021	

The results for the year relate wholly to continuing activities.

There are no material differences between the operating surplus for the year and the retained surplus for the year stated above and their historical cost equivalents.

The notes form part of these financial statements.

Statement of Total Recognised Gains and Losses
For the year ended 31 March 2015

	2015	2014
	£	£
Retained surplus for the year	410,494	425,021
Actuarial loss recognised in the retirement benefit scheme (Note 19)	(140,000)	(18,000)
Total recognised gains and losses relating to the year	<u>270,494</u>	<u>407,021</u>

The notes form part of these financial statements.

Balance Sheet
As at 31 March 2015

	2015	2014	
Tangible fixed assets			Note
Housing properties – cost less depreciation	61,444,163	59,646,966	9
Less: SHG and other grants	(47,352,738)	(46,196,772)	9
Other fixed assets	14,091,425	13,450,194	9
	936,975	891,782	9
	15,028,400	14,341,976	9
Investments			
Investments in subsidiaries	2	2	10
Fixed asset investment	-	-	12
Current assets			
Debtors	926,681	1,034,424	11
Cash at bank and in hand	2,567,746	2,934,681	11
	3,494,427	3,969,105	13
Creditors: amounts falling due within one year	(2,412,153)	(2,237,090)	13
Net current assets	1,082,274	1,732,015	
Total assets less current liabilities	16,110,676	16,073,993	
Creditors: amounts falling due after more than one year	(12,096,136)	(12,470,951)	14
Retirement benefit pension scheme deficit	(209,000)	(68,000)	19
Net assets	3,805,540	3,535,042	
Capital and reserves			
Share capital	637	633	15
Designated reserves	746,574	719,748	7
Revenue reserve	3,267,329	2,882,661	8
Pension reserve	(209,000)	(68,000)	8
	3,805,540	3,535,042	

The financial statements were authorised for issue by the Management Committee on 8 September 2015 and are signed on their behalf by:

J O'Donnell
Chairperson

C McGuire
Secretary

A Scott
Vice-Chairperson

The notes form part of these financial statements.

	2015	2014	
	£	£	Notes
Net cash inflow from operating activities	1,634,917	1,185,227	1
Returns on investments and servicing of finance	(462,209)	(426,802)	2
Capital expenditure	(1,164,880)	(935,125)	2
	7,828	(176,700)	
Financing	(374,763)	(514,890)	2
Decrease in cash	(366,935)	(691,590)	4

	2015	2014
1)		
Reconciliation of Surplus for Year to		
Net Cash Inflow from Operating Activities	1,634,917	1,185,227
Operating surplus	684,299	805,535
Depreciation	432,321	390,516
Loss on disposal of components	43,283	71,797
Decrease/(increase) in debtors	107,743	(335,853)
Increase in creditors	292,791	198,372
Shares forfeited	(48)	(7)
Gift aid from subsidiaries	69,528	52,867
FRS17 Pension charge	5,000	2,000
	<u>1,634,917</u>	<u>1,185,227</u>
	£	£
	2015	2014
2)		
Gross Cash Flows		
Returns on investments and servicing of finance	7,186	14,685
Interest received	(469,395)	(441,487)
Interest paid	<u>(462,209)</u>	<u>(426,802)</u>
Capital expenditure	(2,471,204)	(1,029,998)
Purchase and development of housing properties	1,435,656	29,368
SHG and other grants received net of transfers	(58,258)	(222,765)
SHG repaid on disposals	69,097	288,270
Sale of properties	(140,171)	-
Payments to acquire other tangible fixed assets	<u>(1,164,880)</u>	<u>(935,125)</u>
Financing	52	63
Issue of ordinary share capital	(374,815)	(514,953)
Loans repaid	<u>(374,763)</u>	<u>(514,890)</u>

3) Analysis of changes in net debt		At 31 March 2014		At 31 March 2015	
	£	Cash Flow	£	Other Changes	£
Cash in hand, at bank	2,934,681	(366,935)	2,567,746	-	2,567,746
Debt due within 1 year	(336,000)	-	(336,000)	-	(336,000)
Debt due after 1 year	(12,470,951)	374,815	(12,096,136)	-	(12,096,136)
	(9,872,270)	7,880	(9,864,390)	-	(9,864,390)
3) Analysis of changes in net debt					
At 31 March 2014	£	Cash Flow	£	Other Changes	£
	(9,872,270)	7,880	(9,864,390)	-	(9,864,390)
	(12,470,951)	374,815	(12,096,136)	-	(12,096,136)
	(336,000)	-	(336,000)	-	(336,000)
	2,934,681	(366,935)	2,567,746	-	2,567,746
Cash in hand, at bank	2,934,681	(366,935)	2,567,746	-	2,567,746
Debt due within 1 year	(336,000)	-	(336,000)	-	(336,000)
Debt due after 1 year	(12,470,951)	374,815	(12,096,136)	-	(12,096,136)
	(9,872,270)	7,880	(9,864,390)	-	(9,864,390)
4) Reconciliation of net cash flow to movement in net debt (Note 3)					
	£	2015	£	2014	£
Decrease for the year	(366,935)	374,815	(691,590)	514,953	(691,590)
Cash used to repay loans	374,815	374,815	514,953	514,953	514,953
Change in net debt	7,880	(9,872,270)	(176,637)	(9,695,633)	(176,637)
Net debt at 1 April 2014	(9,872,270)	(9,872,270)	(9,695,633)	(9,695,633)	(9,695,633)
Net debt at 31 March 2015	(9,864,390)	(9,864,390)	(9,872,270)	(9,872,270)	(9,872,270)

1. Accounting policies

(a) Introduction and accounting basis

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

These financial statements are prepared in accordance with applicable accounting standards and comply with the requirements of the Co-operative and Community Benefit Societies Act 2014, Part 6 of the Housing (Scotland) Act 2010, the Determination of Accounting Requirements 2012 issued by the Scottish Housing Regulator and the Statement of Recommended Practice (SORP) Accounting by registered social housing providers issued in 2010.

(b) Going Concern

The Management Committee anticipate that a surplus will be generated in the years to 31 March 2016 and 31 March 2017. The Association has a healthy cash position and thus the Management Committee is satisfied that there are sufficient resources in place to continue operating for the foreseeable future. Thus the Management Committee continue to adopt the going concern basis of accounting in preparing the annual financial statements.

(c) Turnover

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

(d) Loans

Mortgage loans are advanced by Private Lenders under the terms of individual mortgage deeds in respect of each property or housing scheme. Security for these loans is only possible once approval has been given by the Scottish Housing Regulator.

(e) 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 a housing development is deducted from the cost of the development. SHG received as a contribution towards revenue expenditure is included in turnover.

Notes to the Financial Statements
For the year ended 31 March 2015

1. Accounting policies (continued)

(f) 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 are included in the accounts for the year at gross value, 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.

(g)

Depreciation

1. Housing properties

Each housing unit has been split between its major component parts. Each major component is depreciated on a straight line basis over its expected economic useful life. The following major components and useful lives have been identified by the Association:

Land - not depreciated
Structure - over 50 years
Kitchen - over 15 years
Bathrooms - over 30 years
Boiler - over 20 years
Central Heating / Fixtures - over 20 years
Windows - over 30 years
Rewiring / Electrics - over 20 years
Common Doors - over 30 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:-

Furniture, fittings, & equipment - 20% reducing balance & 33% straight line
Office and storage units - 2% to 5% straight line
Nursery - 2% straight line

A full year's depreciation is charged in the year of purchase. No charge is made in the year of disposal.

Notes to the Financial Statements
For the year ended 31 March 2015

1. Accounting policies (continued)

(h) Designated Reserves (Note 7)

- (i) **Cyclical maintenance**
The reserve is based on the Association's requirement 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.
- (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 the Revenue Reserve as appropriate.
- (iii) **Walpole**
The reserve relates to the supported housing project at Walpole. These funds are designated for use in this project.
- (iv) **Circus Drive**
The reserve relates to the supported housing project at Circus Drive. These funds are designated for use in this project.

(i) 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.

(j) Pensions (Note 19)

Scottish Housing Association Pension Scheme (SHAPS)

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. 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 Plan, the accounting charge for the period under FRS17 represents the employer contribution payable.

Strathclyde Pension Fund

The Association also has staff who are members of the Strathclyde Pension Fund. In accordance with 'FRS 17 – Retirement Benefits', the operating and financing costs of pension and post retirement schemes (determined by a qualified actuary) are recognised separately in the Income and Expenditure Account. Service costs are systematically spread over the service lives of the employees and financing costs are recognised in the period in which they arise.

The difference between actual and expected returns on assets during the year, including changes in the actuarial assumptions, is recognised in the Statement of Total Recognised Gains and Losses.

Notes to the Financial Statements
For the year ended 31 March 2015

1. Accounting policies (continued)

(k) Financial Commitments

Rentals paid under operating leases are charged to the Income and Expenditure Account on a straight line basis over the lease term.

(i) Fixed asset investment (note 12)

Shared equity properties, where the first tranche has been sold, are held within fixed asset investments. The fixed asset investment is the net of the cost and SHG of the remaining element of the housing unit held by the Association on behalf of the Scottish Government. This will be disposed of when the private owner buys the property outright.

(m) Consolidation

The Association and its subsidiary undertakings comprise a group. The accounts represent the results of the Association and not of the group. Consolidated group accounts have been prepared and are publicly available.

MILNBANK HOUSING ASSOCIATION LIMITED

Notes to the Financial Statements
For the year ended 31 March 2015

2. Particulars of Turnover, Operating Costs and Operating Surplus

	2015			2014		
	Turnover £	Operating Costs £	Operating Surplus £	Turnover £	Operating Costs £	Operating Surplus £
Income and Expenditure From lettings						
Social Lettings (Note 3)	5,357,339	(4,666,469)	690,870	5,262,664	(4,522,926)	739,738
Other activities (Note 4)	795,938	(802,509)	(6,571)	567,025	(501,228)	65,797
	<u>6,153,277</u>	<u>(5,468,978)</u>	<u>684,299</u>	<u>5,829,689</u>	<u>(5,024,154)</u>	<u>805,535</u>

Notes to the Financial Statements
For the year ended 31 March 2015

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

	General Needs Housing £	Supported Housing* £	Shared Ownership £	2015 Total £	2014 Total £
Income from rent and service charges					
Rent receivable net of service charges	4,846,015	162,324	10,402	5,018,741	4,910,355
Service charges	7,614	-	-	7,614	7,544
Gross income from rents and service charges	4,853,629	162,324	10,402	5,026,355	4,917,899
Less voids	(35,733)	-	-	(35,733)	(51,865)
Net income from rents and service charges	4,817,896	162,324	10,402	4,990,622	4,866,034
Grants from the Scottish Ministers	-	-	-	-	-
Other revenue grants	34,750	316,179	-	350,929	337,918
Other income	-	15,788	-	15,788	58,712
Total turnover from social letting activities	4,852,646	494,291	10,402	5,357,339	5,262,664
Expenditure					
Management and maintenance administration costs	(2,634,443)	(473,246)	(8,813)	(3,116,502)	(2,998,487)
Service charges	-	-	-	-	(47,829)
Planned cyclical maintenance including major repairs	(386,673)	-	-	(386,673)	(407,988)
Reactive maintenance costs	(682,668)	-	-	(682,668)	(662,090)
Bad debts – rents and service charges	(100,000)	-	-	(100,000)	(4,388)
Depreciation of social housing**	(379,037)	-	(1,589)	(380,626)	(402,144)
Operating costs for social letting activities	(4,182,821)	(473,246)	(10,402)	(4,666,469)	(4,522,926)
Operating surplus / (deficit) on letting activities, 2015	669,825	21,045	-	690,870	
Operating surplus / (deficit) on letting activities, 2014	837,145	(97,407)	-	739,738	

*Relates to Walpole and Circus Drive.

**Depreciation includes £337,343 (2014: £330,347) of actual depreciation, and the net book value of disposed components of £43,283 (2014: £71,797) which has been included in depreciation in accordance with the SORP.

MILNBANK HOUSING ASSOCIATION LIMITED

Notes to the Financial Statements
For the year ended 31 March 2015

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 2015	Operating costs 2015	Surplus/ (Deficit) 2015	Total Turnover 2014	Operating costs 2014	Surplus/ (Deficit) 2014
	£	£	£	£	£	£	£	£	£	£
Wider role activities #	156,332	205,819	-	-	362,151	(379,675)	(17,524)	143,416	(146,845)	(3,429)
Carbon Footprint Nursery Development & construction - allowances	-	101,649	-	276,417	378,066	(364,197)	13,869	355,621	(287,497)	68,124
Supporting people	-	-	55,721	-	55,721	(58,637)	(2,916)	67,988	(66,886)	1,102
Total from other activities- 2015	156,332	307,468	55,721	276,417	795,938	(802,509)	(6,571)			
Total from other activities- 2014	97,450	158,751	67,988	242,836				567,025	(501,228)	65,797

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

MILNBANK HOUSING ASSOCIATION LIMITED

Notes to the Financial Statements
For the year ended 31 March 2015

	Housing Properties Held for Letting £	Housing Properties under Development £	Shared Ownership Properties £	Office and Storage Units £	Furniture Fittings & Equipment £	Nursery £	Total £
9. Tangible Fixed Assets							
Cost							
At start of year	61,168,196	17,296	878,927	809,536	248,223	1,247,364	64,369,542
Additions during year	2,471,204	-	-	-	108,287	31,884	2,611,375
Transfers	-	-	-	-	-	-	-
Disposals – units	(76,917)	-	-	-	-	-	(76,917)
Disposals – components	(279,495)	-	-	-	-	-	(279,495)
At end of year	63,282,988	17,296	878,927	809,536	356,510	1,279,248	66,624,505
Depreciation							
At start of year	2,394,770	-	22,683	389,087	187,708	30,846	3,025,094
Charge for year	335,754	-	1,589	13,185	56,208	25,585	432,321
On disposals – units	(2,753)	-	-	-	-	-	(2,753)
On disposals – components	(16,995)	-	-	-	-	-	(16,995)
At end of year	2,710,776	-	24,272	402,272	243,916	56,431	3,437,667
SHG and other grants							
At start of year	45,397,318	-	799,454	-	-	805,700	47,002,472
Additions during year	1,435,656	-	-	-	-	-	1,435,656
On disposals – units	(60,473)	-	-	-	-	-	(60,473)
On disposals – components	(219,217)	-	-	-	-	-	(219,217)
At end of year	46,553,284	-	799,454	-	-	805,700	48,158,438
Net Book Value							
At end of year	14,018,928	17,296	55,201	407,264	112,594	417,117	15,028,400
At start of year	13,376,108	17,296	56,790	420,449	60,515	410,818	14,341,976

Note 1: Properties with a cost of £76,917 (2014: £425,220), SHG of £60,473 (2014: £336,370) and depreciation of £2,753 (2014: £16,766) have been disposed of in the year with net proceeds totalling £69,097 (2014: £288,270). SHG of £58,258 is due to be repaid to the Scottish Government in respect of this disposal. An adjustment has been made this year to correct an overstatement of SHG due on disposals from prior years of £117,728. This has been written back against gain on sale.

Note 2: Components with a total cost of £1,039,549 (2014: £1,012,702) were capitalised in the year.

Notes to the Financial Statements
For the year ended 31 March 2015

	2015	2014
10. Investments	£	£
Investment in subsidiary undertakings	2	2
<p>Milnbank Housing Association Limited owns 1 ordinary £1 share in Milnbank Community Enterprises Limited. This represents a 100% shareholding in Milnbank Community Enterprises Limited. This represents a 100% shareholding in Milnbank Community Enterprises Ltd for the year ended 31 March 2015 was £nil (2014: £nil). The capital and reserves of Milnbank Community Enterprises Ltd as at 31 March 2015 was £64 (2014: £64).</p> <p>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, whose principal activity is the provision of factoring services including the provision of repair and maintenance services. The profit on ordinary activities after taxation of Milnbank Property Services Limited for the year ended 31 March 2015 was £nil (2014: £nil). The capital and reserves of Milnbank Property Services Limited as at 31 March 2015 was £71 (2014: £71).</p>		
11. Debtors	£	£
Amounts falling due within one year:	363,537	419,829
Rental arrears	(121,278)	(147,792)
Less: provision for bad debts	242,259	272,037
Amounts owed by subsidiaries	339,685	253,816
Other debtors and prepayments	344,737	508,571
	926,681	1,034,424
12. Fixed asset investment	£	£
Shared equity – Cost	810,518	810,518
Shared equity – SHG	(810,518)	(810,518)
	-	-
13. Creditors: amounts falling due within one year	£	£
Loans	336,000	336,000
Trade creditors	351,663	139,427
Other creditors	1,446,338	1,539,255
Accruals	52,582	31,444
Rent prepaid	182,058	190,964
Other taxes and social security	43,512	-
	2,412,153	2,237,090

No outstanding pension contributions are included within accruals at the year-end (2014: £12,445). The pension contribution was paid prior to 31 March 2015.

Notes to the Financial Statements
For the year ended 31 March 2015

	2015	2014
14. Creditors: amounts falling due out with one year		
Loans	12,096,136	12,470,951
Loans are secured by specific charges on the Association's properties and are repayable at varying rates of interest in instalments due as follows:-		
Due between one and two years	318,732	336,000
Due between two and five years	918,000	1,008,000
Due in five years or more	10,859,404	11,126,951
	£ 12,096,136	£ 12,470,951
15. Share Capital		
At beginning of year	633	577
Shares of £1 each fully paid and issued during the year	52	63
Shares forfeited in year	(48)	(7)
At end of year	637	633
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.		
Total emoluments (excluding pension Contributions) of Director	79,643	80,440
Numbers of Directors whose emoluments exceed £60,000 during the year were as follows (excluding pension contributions):-	No	No
£75,001 - £80,000	1	-
£80,001 - £85,000	-	1
Total expenses reimbursed to directors in so far as not chargeable to United Kingdom income tax	£ 1,238	£ 1,506

The Director became a member of the Association's pension scheme, as described in note 19, in May 2014. Prior to this the Association made contributions to the Director's private personal pension. The Director's pension contribution in the year to 31 March 2015 was £8,364 (2014: £5,968).

19. Pensions (continued)

The Scheme Actuary has prepared an Actuarial Report that provides an approximate update on the funding position of the Scheme as at 30 September 2014. 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 of £539 million and indicated a decrease in the shortfall of assets compared to liabilities to approximately £281 million, equivalent to a past service funding level of 66%.

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 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 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.

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 2014. As of this date the estimated employer debt for the Association was £4,929,446.

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; and
- Defined contribution (DC) option.

An employer can elect to operate different benefit structures for their active members (as at the first day of April in any given year) and their new entrants. The DC option can be introduced by the employer on the first day of any month after giving a minimum of three months' prior notice.

The Association has elected to operate the final salary with a 1/60th accrual rate for existing members but has closed this option for new members at 31 March 2015. From 1 April 2015 new members will be offered the option of joining the Defined Contribution Scheme. This Defined Contribution Scheme is also the default position for Auto Enrolment from 1 April 2015.

During the accounting period the Association paid contributions at the rate of 12.3% of pensionable salaries. Member contributions were 12.3%. There was also £145,200 (2014: £55,332) paid in respect of past service deficit contributions. The past service deficit contributions expected to be paid in 2015/16 is £148,575.

As at the balance sheet date there were 13 active members of the Scheme employed by the Association. The annual pensionable payroll in respect of these members was £446,349.

Notes to the Financial Statements
For the year ended 31 March 2015

19. Pensions (continued)

The key valuation assumptions used to determine the assets and liabilities of the Scottish Housing Associations' Pension Scheme are:

2012 Valuation Assumptions	
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 pension increases	
Pension accrued pre 6 April 2005 in excess of GMP	2.0
Pension accrued post 5 April 2005	1.7
(for leavers before 1 October 1993 pension increases are 5.0%)	
Rate of price inflation	2.6

Mortality Tables

Non-pensioners
44% of SP1MA (males) and S1PFA (females) projected using CMI_2011 with a long term improvement of 1.50% p.a. for males and 1.25% p.a. for females.

Pensioners
90% of SP1MA (males) and S1PFA (females) projected using CMI_2011 with a long term improvement of 1.50% p.a. for males and 1.25% p.a. for females.

Contribution Rates for Future Service (payable from 1 April 2011)	
Final salary 1/60ths	24.6
Career average revalued earnings 1/60ths	22.4
Career average revalued earnings 1/70ths	19.2
Career average revalued earnings 1/80ths	16.9
Career average revalued earnings 1/120ths	11.4

Strathclyde Pension Fund

There are two employees as well as a third employee who retired on 31 March 2015 who are members of the Strathclyde Pension Fund which is a statutory multi-employer defined benefit scheme. It is administered by Glasgow City Council in accordance with the Local Scheme (Scotland) Regulations 1998, as amended.

The main financial assumptions used by the Council's Actuary, Hyman Robertson, in their FRS 17 calculations are as follows:

Assumptions as at		
	31 March 2015	31 March 2014
Inflation / Pension Increase Rate	2.5%	2.8%
Salary increases	4.4%	5.1%
Expected Return on Assets	3.3%	6.0%
Discount rate	3.3%	4.3%

19. Pensions (continued)

Mortality

Life expectancy is based on the Fund's VitaCurves with improvements in line with 80% of the Medium Cohort lagged for 10 years and a 1.5% per annum underpin for males and a 1.25% per annum underpin for females from 2012. Based on these assumptions, the average future life expectancies at age 65 are summarised below:

	Males	Females
Current Pensioners	22.1 years	23.6 years
Future Pensioners	24.8 years	26.2 years

The following details relate to Milnbank Housing Association Limited and show the fair value of the assets, analysed over the main asset classes, together with the expected returns for each asset class.

Scheme assets

The assets in the scheme and the expected rate of return were:-

	Value at 31 March 2015 £'000	Value at 31 March 2014 £'000
Equities	407	322
Government securities	70	51
Property	60	30
Cash	5	21
Total	542	424
Present value of scheme liabilities	(751)	(492)
Net pension liability	(209)	(68)

Reconciliation of defined benefit obligation

	31 Mar 2015 £'000	31 Mar 2014 £'000
Opening Defined Benefit Obligation	492	421
Current Service Cost	25	22
Interest Cost	22	20
Contributions by Members	6	6
Actuarial Losses / (Gains)	207	23
Past Service Costs / (Gains)	-	-
Liabilities Extinguished on Settlements	-	-
Liabilities Assumed in a Business Combination	-	-
Exchange Differences	-	-
Estimated Unfunded Benefits Paid	-	-
Estimated Benefits Paid	(1)	-
Closing Defined Benefit Obligation	751	492

Notes to the Financial Statements
For the year ended 31 March 2015

19. Pensions (continued)

Reconciliation of fair value of employer assets	
31 Mar 2015	31 Mar 2014
Opening Fair Value of Employer Assets	424
Expected Return on Assets	26
Contributions by Members	6
Contributions by the Employer	20
Contributions in respect of Unfunded Benefits	-
Actuarial Gains / (Losses)	67
Assets Distributed on Settlements	-
Assets Acquired in a Business Combination	-
Exchange Differences	-
Estimated Unfunded Benefits Paid	-
Estimated Benefits Paid	(1)
Closing Fair Value of Employer Assets	542
Net pension liability	(209)
	(68)
Analysis of amount recognised in Statement of Total Recognised Gains and Losses	
	£
	2015
	2014
Actual return less expected return on scheme assets	67,000
Changes in assumptions underlying the present value of scheme liabilities	(207,000)
Actuarial loss recognised in statement of recognised gains and losses	(140,000)
	(18,000)
Analysis of projected amount to be charged to the Income and Expenditure Account for year ended 31 March 2016	
	£
	31 March 2016
Projected current service cost	30
Interest on obligation	25
Expected return on employer assets	(18)
Total	37
	39.0%
Sensitivity analysis	
	Approximate Employer Liability
	% increase to monetary amount
0.5% decrease in real discount rate	13%
1 year increase in member life expectancy	3%
0.5% increase in the Salary Increase Rate	7%
0.5% increase in the Pension Increase Rate	6%
	99
	23
	54
	42
	(£000's)
	Approximate

Notes to the Financial Statements
For the year ended 31 March 2015

20. Housing Stock

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

Units in management	2015		2014	
	Improved	Unimproved	Improved	Unimproved
General needs	1,664	26	1,665	-
Supported – Walpole	7	-	7	-
(self contained units)	11	-	11	-
Shared ownership	1,682	26	1,683	-

The supported units at Circus Drive are leased from Loreto Housing Association Limited.

21. 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, Premises & Motor Vehicles	2015	2014
Within one year	32,434	14,697
Between one and five years	142,012	135,202
More than five years	20,322	-
	<u>194,768</u>	<u>149,899</u>

Milnbank Community Enterprises Limited

In the year ended 31 March 2015, the salary costs incurred by Milnbank Housing Association Limited in respect of the administration and finance services provided to Milnbank Community Enterprises Limited were recharged. The total recharged cost was £8,517 (2014: £10,036).

Milnbank HA Limited also paid the 2014 corporation tax fee and audit fee of £2,160 (2014: £2,160) and various administration costs totalling £nil (2014: £3,650) on behalf of Milnbank Community Enterprises Limited during the year. These were recharged.

A gift aid payment of £15,178 (2014: £4,358) is to be made by Milnbank Community Enterprises Limited to Milnbank Housing Association Limited in respect of the year ended 31 March 2015.

During the year, Milnbank Community Enterprises Limited paid amounts of £4,358 (2014: £6,693) in respect of the 2014 gift aid payment and £9,197 (2014: £16,840) in respect of the remainder of the balance that was outstanding at 31 March 2014.

The balance owed to Milnbank Housing Association Limited by Milnbank Community Enterprises Limited at 31 March 2015 was £33,538 (2014: £21,238). This is included within amounts owed by subsidiaries in debtors.

Notes to the Financial Statements
For the year ended 31 March 2015

22. Related Party Transactions (continued)

Milnbank Property Services Limited

For the year ended 31 March 2015, salary costs, based on the estimated time spent by Association staff on activities of Milnbank Property Services Limited was recharged. The total salary costs recharged was £152,539 (2014: £120,558).

During the year, expenditure of £90,255 (2014: £88,119) was incurred by Milnbank Housing Association Limited on behalf of Milnbank Property Services Limited in respect of works performed to factored properties. These costs were recharged to Milnbank Property Services Limited during the year.

During the year, expenditure of £11,171 (2014: £14,673) was incurred by Milnbank Property Services Limited on behalf of Milnbank Housing Association Limited in respect of work performed to properties which are shared by factored owners and Housing Association tenants. These costs were recharged by Milnbank Property Services Limited during the year to the Association.

During the year, £2,139 (2014: £9,936) was received by Milnbank Housing Association Limited from factored owners on behalf of Milnbank Property Services Limited.

A gift aid payment of £54,350 (2014: £48,509) is to be made by Milnbank Property Services Limited to Milnbank Housing Association Limited in respect of the year 31 March 2015.

£210,235 (2014: £200,253) was paid over by Milnbank Property Services Limited to the Association in the year in respect of the balance owed at 31 March 2014.

The balance owed to Milnbank Housing Association Limited by Milnbank Property Services Limited at 31 March 2015 was £306,147 (2014: £232,578). This is included within amounts owed by subsidiaries in debtors.

23. Capital Commitments

Capital expenditure that has been contracted for but has not been provided for in the financial statements

This will be funded by:
Private Finance

	£	£
	2015	2014
Capital expenditure that has been approved by the Committee but has not been contracted for	-	-

24. Legislative Provisions

The Association is incorporated under the Co-operative and Community Benefit Societies Act 2014.

25. Post Balance Sheet event

Post year end a new loan facility of £3m has been secured. This funding will be used to accelerate the Association's investment in new components for some of its housing stock.