PRINCIPAL

Scott-Moncrieff
business advisers and accountants

MILNBANK HOUSING ASSOCIATION LIMITED

Report and Financial Statements

For the year ended 31 March 2016

MILNBANK HOUSING ASSOCIATION LIMITED

Report and Financial Statements
For the year ended 31 March 2016

Contents

Registration information

Financial Conduct Authority	Co-operative and Community Benefit Societies Act 2014. Registered number 1818 R(S)
Scottish Charity Number	SC039891
The Scottish Housing Regulator	Housing (Scotland) Act 2010 Registered number 161

Management Committee, Executives and Advisers

Management Committee

Mr A Scott	(Chairperson)
Mr J Taylor	(Vice-Chairperson)
Mrs C McGuire	(Secretary)
Mrs R Tinney	(Treasurer)
Mrs A Irving	
Ms J Donachy	
Ms C Tartaglia	(resigned 24 September 2015)
Cllr E McDougall	
Mrs M Hutchison	
Mr N Halls	
Mrs T McGinlay	
Mr A Young	
Mrs L Williams	
Ms M Baxter	
Mr J O'Donnell	
Ms D Smythe-Sturrock	(appointed 24 September 2015)

Executive Officers

Mr A Benson	Director
Mrs L Sichi	Depute Director
Mr D McPhail	Finance Manager
Mr J Scott	Housing Manager
Mrs J Leggat	Maintenance Manager

Registered Office

53 Ballindalloch Drive
Glasgow
G31 3DQ

Auditor

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

Bankers

Bank of Scotland
1195 Duke Street
Glasgow
G31 5NJ

Solicitors

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

TC Young
7 West George Street
Glasgow
G2 1BA

Pinsent Masons LLP
141 Bothwell Street
Glasgow
G2 7EQ

Report of the Management Committee (including the Strategic Report)
For the year ended 31 March 2016

The Management Committee present their report and the audited financial statements for the year ended 31 March 2016.

Objectives

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.

The Association's primary objective is to provide low cost high quality housing to its tenants and actively engage in the improvement of the community.

Performance of Business

Turnover increased by £641,370 to £6.84m mainly due to £561,200 of grant funding received from Glasgow City Council to provide insulation to privately owned tenement units in the Association's area of operation. In addition to this there was a small rent increase of 1.5% applied on 1 April 2015 and the additional rental income from 28 new properties. 26 of these properties were purchased in March 2015 with an additional 2 purchased this year with all 28 purchases being fully grant funded. This led to an increased rental income of £118k this year; however this was offset by an increased voids loss of £83k due to the Association's investment in the refurbishment of these new units as well as the refurbishment of the units that became empty when existing tenants moved to these new units.

The operating expenditure increased from £5,646,881 in 2015 to £6,345,354. This was mainly due to the costs of £561,200 (matched in full by grant funding per above) associated with the insulation of the privately owned tenement units and the increased spend on planned and cyclical maintenance of £190,425 and increased reactive maintenance costs of £146,051.

The Association generated an operating surplus of £494,637 (2015: £551,740). There were 9 property disposals in the year leading to a loss on disposal of £64,148 opposed to a gain of £119,124 in 2015, a swing of £183k. After finance costs of £535,444 (2015: £528,587), bank interest of £5,108 (2015: £11,186) and Gift Aid from the two subsidiaries of £29,599 (2015: £69,528) a deficit is shown in the Statement of Comprehensive Income of £70,248 compared with a surplus of £222,991 in 2015.

The Association has carried out significant amounts of work to both modernise and maintain its properties with £1.96 million spent on component replacements and £158,120 on the purchase of 2 new properties this year. The accelerated component replacement was part funded by a £3m loan taken out with the Clydesdale bank. This saw window replacement phases brought forward and continued improvements to both the structure and backcourt areas of the Association.

The last financial year has seen the Association continue to 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. This year will see the Association concentrate on maximising income and controlling costs with the level of voids expected to stabilise both in numbers and cost.

Financial and non-financial key performance indicators

The Association continues to perform well with key indicators by showing strong returns against all elements of the Annual Return on the Charter to the Scottish Housing Regulator. The Association has amongst the lowest average rents across the sector and enjoys strong satisfaction levels from customer surveys with 96.27% of those surveyed for the ARC being satisfied with the overall service provided by the Association (Indicator 1).The Association enjoys similar positive outcomes against other ARC indicators.

The Association is also fully compliant with all funding and lending covenants.

Report of the Management Committee (including the Strategic Report)
For the year ended 31 March 2016

Future Plans

The Association maintains its partnership agreement with Glasgow City Council to potentially develop cleared sites in Haghill and to purchase and convert the former Haghill Primary School in accordance with a Feasibility Study previously carried out by the Association. However, progress on this and other future developments has not been possible due to funding constraints and uncertainty. The Association will continue to concentrate on delivering Value For Money in the upkeep and improvement of its housing stock and the surrounding area. No significant further acquisitions are planned for 2016/17.

Risk and Uncertainties

The Association recognises the risks and uncertainties that it faces and maintains a comprehensive Risk Register to cover all aspects of its operations. The register is reviewed regularly and a rating system applied to categorise each risk. Key risks are then highlighted and recognised with high scoring areas monitored and reported on to the Management Committee. The major risks remain around Welfare Reform and the ultimate impact of Universal Credit once fully implemented. Brexit is also a new consideration as the implications unfold, particularly around the availability of new long term borrowings if required.

Going Concern

The Association plans and expects to return to a surplus position in 2016/17 and 2017/18 and beyond. The Management Committee is of the opinion that the Association will continue to trade for the foreseeable future due to the strong net assets shown and positive cash position.

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 Management Committee.

Governance

The Association is governed by the Management Committee consisting of the members listed on page 1. The full Management Committee meets monthly with a holiday recess in July. The Committee meetings are structured so that strategic and operational issues are considered separately with the General Committee reviewing strategic issues and the Services Committee reviewing more operational issues. The Audit Sub Committee meets four times per year to review the management accounts and financial matters of the Association and reports on its full remit with recommendations and approvals to the full Management Committee. Regular training and awareness sessions are held to support the various Committees both internally and externally.

In line with SHR requirements regular Committee appraisals are carried out and training logs maintained for each committee member. Members are elected annually at the Association's AGM in September as the rotation requires and in line with SHR expectations on the length of service that members can retain.

The day to day operations of the Association are passed to the management team under the appropriate delegated authority and limits.

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. Details of transactions with Committee members in the year is included in note 25 of the financial statements.

Report of the Management Committee (including the Strategic Report)
For the year ended 31 March 2016

Statement of Management Committee's Responsibilities

Housing Association legislation requires the Management Committee to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Association and of the income and expenditure of the Association for the year ended on that date. In preparing those financial statements the Management 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; and
- prepare the financial statements on a going concern basis unless it is inappropriate to presume that the Association will continue in business.

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

The Management 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.

Statement on 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 has reviewed the effectiveness of the system of internal financial control in existence in the Association for the year ended 31 March 2016. No weaknesses were found in internal financial controls which resulted in material losses, contingencies or uncertainties which required disclosure in the financial statements or in the auditor's report on the financial statements.

Report of the Management Committee (incorporating the Strategic Report)
For the year ended 31 March 2016

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 Management Committee

C McGuire

C McGuire
Secretary

Dated: 13 September 2016

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 2016 which comprise the Statement of Comprehensive Income, the Statement of Changes in Capital and Reserves, the Statement of Financial Position, the Statement of Cash Flows and the related notes. The financial reporting framework that has been applied is applicable law, FRS 102, 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice) and the Statement of Recommended Practice for Social Housing Providers issued in 2014.

This report is made solely to the Association's members as a body, in accordance with the Co-operative and Management 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 the auditor

As explained more fully in the Statement of Management Committee's Responsibilities set out on page 4, the Management Committee is responsible for the preparation of 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 2016 and of its income and expenditure for the year then ended; and
- have been properly prepared in accordance with the requirements of United Kingdom Generally Accepted Accounting Practice, including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice) and the Statement of Recommended Practice for Social Housing Providers issued in 2014;
- 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 2014 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: 13 September 2016

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 4 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 2009/4 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 Controls on page 4 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 Controls 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: 13 September 2016

Statement of Comprehensive Income
For the year ended 31 March 2016

	Note	2016 £	Restated 2015 £
Turnover	4	6,839,991	6,198,621
Operating expenditure	4	(6,345,354)	(5,646,881)
Operating surplus	4	494,637	551,740
(Loss)/gain on disposal of property, plant and equipment		(64,148)	119,124
Interest receivable and other income	10	5,108	11,186
Interest payable and similar charges	11	(535,444)	(528,587)
Gift aid from subsidiaries	25	29,599	69,528
(Deficit)/surplus for the year		(70,248)	222,991
Other comprehensive income			
Actuarial gain/(loss) recognised in the retirement benefit scheme	23	98,000	(140,000)
Total comprehensive income for the year		27,552	82,991

The results for the year relate wholly to continuing activities.

Statement of Changes in Capital and Reserves
For the year ended 31 March 2016

	Share Capital £	Revenue Reserves £	Pension Reserves £	Total Reserves £
Balance at 1 April 2015 (restated)	637	16,769,385	(209,000)	16,561,022
Total comprehensive income	-	(70,248)	98,000	27,752
Share capital issued	46	-	-	46
Transfers	-	10,000	(10,000)	-
Balance at 31 March 2016	683	16,709,137	(121,000)	16,588,820

Statement of Changes in Capital and Reserves
For the year ended 31 March 2015

	Share Capital £	Revenue Reserves £	Pension Reserves £	Total Reserves £
Balance at 1 April 2014 (restated)	633	16,545,394	(68,000)	16,478,027
Total comprehensive income	-	222,991	(140,000)	82,991
Share capital issued	52	-	-	52
Share capital cancelled	(48)	-	-	(48)
Transfers	-	1,000	(1,000)	-
Balance at 31 March 2015 (restated)	637	16,769,385	(209,000)	16,561,022

Statement of Financial Position
As at 31 March 2016

Tangible fixed assets	Note	2016 £	Restated 2015 £
Housing properties	13	31,211,310	29,826,984
Other fixed assets	13	876,613	951,504
	13	32,087,923	30,778,488
Investments			
Investments in subsidiaries	15	2	2
Current assets			
Debtors	16	719,887	926,681
Cash at bank and in hand	17	3,674,752	2,567,746
		4,394,639	3,494,427
Creditors: amounts falling due within one year	18	(3,297,689)	(2,602,330)
Net current assets		1,096,950	892,097
Total assets less current liabilities		33,184,875	31,670,587
Creditors: amounts falling due after more than one year	19	(16,475,055)	(14,900,565)
Retirement benefit pension scheme deficit	23	(121,000)	(209,000)
Net assets		16,588,820	16,561,022
Capital and reserves			
Share capital	22	683	637
Revenue reserve		16,709,137	16,769,385
Pension reserve		(121,000)	(209,000)
		16,588,820	16,561,022

The financial statements were authorised for issue by the Management Committee on 13 September 2016 and are signed on their behalf by:

A Scott — Chairperson

J Taylor — Vice-Chairperson

C McGuire — Secretary

The notes form part of these financial statements.

Statement of Cash Flows
For the year ended 31 March 2016

	Notes	2016 £	2016 £	Restated 2015 £	Restated 2015 £
Net cash generated from operating activities	27		994,716		1,576,851
Cash flow from investing activities					
Purchase of tangible fixed assets		(2,122,529)		(2,471,204)	
Purchase of other tangible fixed assets		-		(140,171)	
Proceeds from sale of tangible fixed assets		259,733		69,097	
Grants received		316,031		1,435,656	
Interest received		5,108		7,186	
			(1,541,657)		(1,099,436)
Cash flow from financing activities					
Interest paid		(488,444)		(469,587)	
New secured loans		3,000,000		-	
Repayment of borrowings		(857,655)		(374,815)	
Issue of share capital		46		52	
			1,653,947		(844,350)
Net changes in cash and cash equivalents			1,107,006		(366,935)
Cash and cash equivalents at 1 April			2,567,746		2,934,681
Cash and cash equivalents at 31 March			3,674,752		2,567,746

Notes to the Financial Statements
For the year ended 31 March 2016

1. General Information

The Association is registered under The Co-operative & Community Benefit Societies Act 2014. The financial statements have been prepared in accordance with United Kingdom Generally Accepted Accounting Policies (UK GAAP), including Financial Reporting Standard 102 (FRS 102) 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice), the Determination of Accounting Requirements 2014 issued by the Scottish Housing Regulator and the Statement of Recommended Practice for Social Housing Providers issued in 2014.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the Association's accounting policies (see note 3).

The presentation currency is pound sterling and the financial statements are rounded to the nearest whole number. These financial statements comprise the results of the Association only.

The Association is defined as a public benefit entity and thus the Association complies with all disclosure requirements relating to public benefit entities. The Association is a registered social landlord in Scotland and its registered number is 161. The registered address is 53 Ballindalloch Drive, Glasgow, G31 3DQ.

2. Accounting policies

Introduction and accounting basis

The financial statements are prepared on the historical cost basis of accounting subject to the revaluation of certain fixed assets and in accordance with applicable accounting standards. However please note that on transition to FRS102, an existing use value has been used as deemed cost for housing properties. The effect of events relating to the year ended 31 March 2016, which occurred before the date of approval of the financial statements by the Board of Management have been included in the financial statements to the extent required to show a true and fair view of the state of affairs as at 31 March 2016 and of the results for the year ended on that date. The accounting policies of the Association are set out below.

This is the first year the financial statements have been prepared under FRS 102 and the new SORP. The impact of this transition is detailed in note 28.

Going Concern

The Management Committee anticipates that a surplus will be generated in the year to 31 March 2017 and the year to 31 March 2018. 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 continues to adopt the going concern basis of accounting in preparing the annual financial statements.

Turnover

Turnover represents rental and service charge income, nursery fees, fees for the provision of supported housing, and fees or revenue grants receivable from Glasgow City Council and from the Scottish Government. Also included is any income from first tranche shared ownership disposals.

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.

Notes to the Financial Statements
For the year ended 31 March 2016

2. Accounting policies (continued)

Interest receivable

Interest receivable is recognised in the Statement of Comprehensive Income using the effective interest method.

Interest payable

Finance costs are charged to the Statement of Comprehensive Income over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

Fixed assets - Housing properties

Housing properties are stated at cost, 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.

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 100 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

Notes to the Financial Statements
For the year ended 31 March 2016

2. Accounting policies (continued)

Depreciation (continued)

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.

Shared equity

On completion of construction, shared equity units are held in stock along with the grant received. On completion of the first tranche sale, the Association's obligation ceases and the cost and grant are derecognised through the Statement of Comprehensive Income.

Financial instruments

The company only enters into basic financial instruments transactions that result in the recognition of financial assets and liabilities like trade and other accounts receivable and payable, loans from banks and related parties.

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at the present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade payables or receivables, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration, expected to be paid or received. However if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or financed at a rate of interest that is not a market rate or in case of an out-right short-term loan not at market rate, the financial asset or liability is measured, initially, at the present value of the future cash flow discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost.

Financial assets are derecognised when contractual rights to the cash flows from the assets expire, or when the company has transferred substantially all the risks and rewards of ownership.

Financial liabilities are derecognised only once the liability has been extinguished through discharge, cancellation or expiry.

Debtors

Short term debtors are measured at transaction price, less any impairment.

Rental Arrears

Rental arrears represent amounts due by tenants for rental of social housing properties at the year end. Rental arrears are reviewed regularly by management and written down to the amount deemed recoverable. Any provision deemed necessary is shown alongside gross rental arrears in note 16.

Notes to the Financial Statements
For the year ended 31 March 2016

2. Accounting policies (continued)

Cash & cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

Creditors

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

Government capital grants

Government Capital Grants, at amounts approved by The Scottish Government or Glasgow City Council, are paid directly to the Association as required to meet its liabilities during the development process. This is treated as a deferred capital grant and is released to income in accordance with the accrual model over the useful life of the asset it relates to on completion of the development phase. The accrual model requires the Association to recognise income on a systematic basis over the period in which the Association recognises the related costs for which the grant is intended to compensate.

Government revenue grants

Government revenue grants are recognised using the accrual model which means the Association recognises the grant in income on a systematic basis over the period in which the Association recognises the related costs for which the grant is intended to compensate.

Non-government grants

Non-government capital and revenue grants are recognised using the performance model. If there are no performance conditions attached the grants are recognised as revenue when the grants are received or receivable.

A grant that imposes specific future performance related conditions on the recipient is recognised as revenue only when the performance related conditions are met.

A grant received before the revenue recognition criteria are satisfied is recognised as a liability.

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 Government.

Notes to the Financial Statements
For the year ended 31 March 2016

2. Accounting policies (continued)

Pensions (note 23)

Scottish Housing Association Pension Scheme (SHAPS)

The Association participates in The Scottish Housing Associations' Defined Benefits Pension Scheme (SHAPS) and retirement benefits to employees of the Association are funded by the contributions from all participating employers and employees in the scheme. Payments are made in accordance with periodic calculations by consulting actuaries and are based on pension costs applicable across the various participating Associations taken as a whole.

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.

Thus the Scheme is accounted for as a defined contribution scheme. However the Association has entered into a past service deficit repayment agreement with the Pension Trust and per FRS 102, this discounted past service deficit liability has been recognised in the Statement of Financial Position.

Strathclyde Pension Fund

The Association also has employees who are members of the Strathclyde Pension Fund. In accordance with FRS 102, the operating and financing costs of pension and post retirement schemes (determined by a qualified actuary) are recognised separately in the Statement of Comprehensive Income. 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 in the actuarial assumptions, is recognised in Other Comprehensive Income.

Financial Commitments

Assets held under finance leases where substantially all the risks and rewards of ownership of the asset have passed to the Association. Rentals paid under operating leases are charged to the Statement of Comprehensive Income on a straight line basis over the lease term.

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.

Notes to the Financial Statements
For the year ended 31 March 2016

3. Judgements in applying policies and key sources of estimation uncertainty

In preparing the financial statements, management is required to make estimates and assumptions which affect reported income, expenses, assets, and liabilities. Use of available information and application of judgement are inherent in the formation of estimates, together with past experience and expectations of future events that are believed to be reasonable under the circumstances. Actual results in the future could differ from such estimates.

The Management Committee are satisfied that the accounting policies are appropriate and applied consistently. Key sources of estimation have been applied as follows:

Estimate	Basis of estimation
Valuation of Housing Properties	Housing Properties are held at deemed cost which is based on an existing use valuation at the date of transition. The assumptions used in the existing use value were reviewed and are considered reasonable.
Useful lives of property, plant and equipment	The useful lives of property, plant and equipment are based on the knowledge of senior management at the Association, with reference to expected asset life cycles. The useful life of the structure of housing properties held for letting and shared ownership properties has been increased from 60 years to 100 years.
The main components of housing properties and their useful lives	The cost of housing properties is split into separately identifiable components. These components were identified by knowledgeable and experienced staff members and based on costing models.
Recoverable amount of rental and other trade receivables	Rental arrears and other trade receivables are reviewed by appropriately experienced senior management team members on a case by case basis with the balance outstanding together with the payment history of the individual tenant being taken into account.
The obligations under the SHAPs pension scheme and Strathclyde Pension Scheme.	This has relied on the actuarial assumptions of qualified actuaries which have been reviewed and are considered reasonable and appropriate. The past service deficit liability in respect of the SHAPs pension scheme has been calculated using the 2015 provisional valuation.
The valuation of investment properties	The investment properties were valued by an appropriately qualified surveyor using market data at the date of valuation.

Notes to the Financial Statements
For the year ended 31 March 2016

4. Particulars of Turnover, Operating Expenditure and Operating Surplus/(Deficit)

	2016			Restated 2015		
	Turnover £	Operating Expenditure £	Operating Surplus £	Turnover £	Operating Expenditure £	Operating Surplus/ (deficit) £
Social Lettings (Note 5)	5,535,685	(5,026,329)	509,356	5,402,683	(4,844,372)	558,311
Other activities (Note 6)	1,304,306	(1,319,025)	(14,719)	795,938	(802,509)	(6,571)
	6,839,991	(6,345,354)	494,637	6,198,621	(5,646,881)	551,740

Notes to the Financial Statements
For the year ended 31 March 2016

5. Particulars of turnover, operating expenditure and operating surplus from social letting activities

	General Needs Housing £	Supported Housing * £	Shared Ownership £	2016 Total £	Restated 2015 Total £
Income from rent and service charges					
Rent receivable net of service charges	4,965,361	162,666	8,863	5,136,890	5,018,741
Service charges	3,710	-	-	3,710	7,614
Gross income from rents and service charges	4,969,071	162,666	8,863	5,140,600	5,026,355
Less voids	(118,411)	-	-	(118,411)	(35,733)
Net income from rents and service charges	4,850,660	162,666	8,863	5,022,189	4,990,622
Other revenue grants	35,337	344,788	-	380,125	350,929
Amortisations of deferred government capital grants	67,961	-	65,410	133,371	45,344
Other income	-	-	-	-	15,788
Total turnover from social letting activities	4,953,958	507,454	74,273	5,535,685	5,402,683
Expenditure					
Management and maintenance administration costs	(2,503,535)	(507,067)	(58,293)	(3,068,895)	(3,089,131)
Service charges	-	-	-	-	-
Planned cyclical maintenance including major repairs	(577,098)	-	-	(577,098)	(386,673)
Reactive maintenance costs	(828,719)	-	-	(828,719)	(682,668)
Bad debts – rents and service charges	(1,913)	-	-	(1,913)	(100,000)
Depreciation of social housing**	(533,724)	-	(15,980)	(549,704)	(585,900)
Operating costs for social letting activities	(4,444,989)	(507,067)	(74,273)	(5,026,329)	(4,844,372)
Operating surplus on letting activities, 2016	508,969	387	-	509,356	
Restated operating surplus / on letting activities, 2015	537,266	21,045	-		558,311

*Relates to Walpole and Circus Drive.
**Depreciation includes £433,210 (2015: £533,756) of actual depreciation, and the net book value of disposed components of £116,494 (2015: £52,144) which has been included in depreciation in accordance with the SORP.

Notes to the Financial Statements
For the year ended 31 March 2016

6. Particulars of turnover, operating expenditure and operating surplus/(deficit) from other activities

	Grants from Scottish Ministers	Other revenue grants	Supporting people income	Other income	Total Turnover 2016	Operating costs 2016	Surplus/ (Deficit) 2016	Total Turnover 2015	Operating costs 2015	Surplus/ (Deficit) 2015
	£	£	£	£	£	£	£	£	£	£
Wider role activities #	294,366	-	-	-	294,366	(372,352)	(77,986)	362,151	(379,675)	(17,524)
Carbon Footprint Nursery	-	89,620	-	321,914	411,534	(363,758)	47,776	378,066	(364,197)	13,869
Insulation works on behalf of GCC*	561,200	-	-	-	561,200	(561,200)	-	-	-	-
Supporting people	-	-	37,206	-	37,206	(21,715)	15,491	55,721	(58,637)	(2,916)
Total from other activities-2016	855,566	89,620	37,206	321,914	1,304,306	(1,319,025)	(14,719)			
Total from other activities-2015	156,332	307,468	55,721	276,417				795,938	(802,509)	(6,571)

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

* This relates to the insulation of tenement units owned by private owners. The Association performed this on behalf of Glasgow City Council.

Notes to the Financial Statements
For the year ended 31 March 2016

7. 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. The Association considers key management personnel to be the Management Committee and the Senior Management Team (the Executive Officers as per page 1) of the Association. The Management Committee received remuneration of £nil (2015: £nil) for their services in the year. The director's remuneration is as follows:

	2016 £	2015 £
Total emoluments of the highest paid Director (excluding pension Contributions)	84,094	79,643

The Director is a member of the Association's pension scheme, as described in note 23. The Director's pension contribution in the year to 31 March 2016 was £8,792 (2015: £8,364) with estimated past service deficit payments of £20,715 (2015: £20,111)

	2016 £	2015 £
Total emoluments paid to those earning more than £60,000	150,426	142,140
Pension contributions paid to those earning more than £60,000	15,738	15,208
Past service deficit payments in respect of those earning more than £60,000	37,054	35,975

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

	No	No
£60,001 - £65,000	-	1
£65,001 - £70,000	1	-
£70,001 - £75,000	-	-
£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	2,251	1,238
Total emoluments paid to key management personnel including pension contributions	363,973	351,314

8. Employee Information

The full time equivalent number of employees employed during the year was:	2016 No.	2015 No.
Administration & Finance	17	14
Housing services management	10	11
Property services (including maintenance)	36	27
Housing with Support	11	13
Wardens & Cleaners	10	5
Nursery	15	17
	99	87

Notes to the Financial Statements
For the year ended 31 March 2016

8. Employee Information (continued)

	2016 £	Restated 2015 £
Staff costs (including Directors' Emoluments):		
Wages and salaries	2,145,449	1,867,230
Social security costs	151,384	149,928
Pension costs	99,808	73,468
Defined benefit pension charge – Strathclyde Pension Fund (Note 23)	3,000	5,000
	2,399,641	2,095,626
SHAPS re-measurements charge (Note 23)	(7,000)	130,000

9. Operating Surplus

	2016 £	Restated 2015 £
Operating surplus is stated after charging:		
Depreciation on tangible fixed assets	508,101	610,887
Depreciation due to loss on disposal of components	116,494	52,144
Auditor's remuneration (excl VAT)		
- In their capacity as auditor	8,950	8,950
- In respect of other services	4,750	1,750

10. Interest Receivable and Other Income

	2016 £	2015 £
Interest receivable on deposits	5,108	7,186
Strathclyde Pension Fund finance charge (note 23)	-	4,000
	5,108	11,186

11. Interest payable and similar charges

	2016 £	Restated 2015 £
On private loans	488,444	469,587
Strathclyde Pension Fund finance charge (note 23)	7,000	-
SHAPS past service deficit fund finance charge (note 23)	40,000	59,000
	535,444	528,587

12. Taxation

As a charity, Milnbank Housing Association Limited's charitable activities are not subject to taxation. However the surpluses from non-charitable activities are subject to taxation. No corporation tax was due on non-charitable activities (2015: £nil).

Notes to the Financial Statements
For the year ended 31 March 2016

13. Tangible Fixed Assets

	Housing Properties Held for Letting £	Housing Properties under Development £	Shared Ownership Properties £	Investment Properties £	Office and Storage Units £	Furniture Fittings & Equipment £	Nursery £	Restated Total £
Cost								
At start of year as restated	29,710,617	17,296	878,927	52,500	809,536	356,510	386,884	32,212,270
Additions during year	2,122,529	-	-	-	-	-	-	2,122,529
Disposals – units	(134,504)	-	(79,902)	-	-	-	-	(214,406)
Disposals – components	(121,612)	-	-	-	-	-	-	(121,612)
At end of year as restated	31,577,030	17,296	799,025	52,500	809,536	356,510	386,884	33,998,781
Depreciation								
At start of year as restated	516,177	-	263,679	-	402,272	243,916	7,738	1,433,782
Charge for year	417,230	-	15,980	-	13,185	53,968	7,738	508,101
On disposals – units	(2,236)	-	(23,671)	-	-	-	-	(25,907)
On disposals – components	(5,118)	-	-	-	-	-	-	(5,118)
At end of year as restated	926,053	-	255,988	-	415,457	297,884	15,476	1,910,858
Net Book Value								
At end of year	30,650,977	17,296	543,037	52,500	394,079	58,626	371,408	32,087,923
At start of year as restated	29,194,440	17,296	615,248	52,500	407,264	112,594	379,146	30,778,488

Note 1: Properties with a cost of £214,406 (2015: £9,443) and depreciation of £25,907 (2015: £nil) have been disposed of in the year with net proceeds totalling £259,736 (2015: £69,097). SHG of £135,385 (2015: £58,258) is due to be repaid to the Scottish Government in respect of these disposals. This has been written back against gain on sale. In 2015 there was an adjustment of £117,728 to reflect an overstatement of SHG due on disposal.

Note 2: Components with a total cost of £1,964,409 (2015: £1,039,549) were capitalised in the year. The purchase of additional housing units with a total cost of £158,120 were capitalised in the year. Additions to Housing Properties during the year includes £nil (2015: £nil) capitalised interest and £nil (2015: £nil) capitalised administration costs. The amount spent on maintenance of housing properties held for letting and shared ownership properties can been seen in Note 5.

Note 3: Investment properties are valued at market value based upon valuation reports prepared for the association by JLL, chartered surveyors.

Notes to the Financial Statements
For the year ended 31 March 2016

14. Housing Stock

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

	Units in management			
	2016		2015	
	Improved	Unimproved	Improved	Unimproved
General needs	1,679	5	1,664	26
Supported – Walpole (self contained units)	7	-	7	-
Shared ownership	10	-	11	-
	1,696	5	1,682	26

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

15. Investments in subsidiaries

	2016 £	2015 £
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 and a gift aid payment to the Association for the year ended 31 March 2016 was £nil (2015: £nil). The capital and reserves of Milnbank Community Enterprises Limited as at 31 March 2016 was £64 (2015: £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, whose principal activity is the provision of factoring services including the provision of repair and maintenance services. The profit on ordinary activities after taxation and a gift aid payment to the Association for the year ended 31 March 2016 was £nil (2015: £nil). The capital and reserves of Milnbank Property Services Limited as at 31 March 2016 was £71 (2015: £71).

16. Debtors

	2016 £	2015 £
Amounts falling due within one year:		
Rental arrears	396,233	363,537
Less: provision for bad debts	(121,278)	(121,278)
	274,955	242,259
Amounts owed by subsidiaries	163,442	339,685
Other debtors and prepayments	281,490	344,737
	719,887	926,681

Notes to the Financial Statements
For the year ended 31 March 2016

17. Cash and cash equivalents

	2016 £	Restated 2015 £
Balances held in current accounts	933,779	890,723
Balances held in deposit accounts	2,740,973	1,677,023
	3,674,752	2,567,746

18. Creditors: amounts falling due within one year

	2016 £	2015 £
Bank loans	937,132	336,000
Trade creditors	289,904	351,663
Other creditors	1,594,393	1,446,338
Accruals	19,000	52,582
Rent prepaid	180,887	182,058
Other taxes and social security	47,452	43,512
Deferred capital grant (Note 20)	82,497	45,344
SHAPS past service pension deficit liability	146,424	144,833
	3,297,689	2,602,330
Secured creditors	937,132	336,000

At the year-end pension contributions of £37,127 (2015 £nil) were outstanding and included within other creditors.

19. Creditors: amounts falling due out with one year

	2016 £	Restated 2015 £
Deferred capital grant (Note 20)	2,066,082	1,920,575
Bank loans	13,637,349	12,096,136
SHAPS past service pension deficit liability	771,624	883,854
	16,475,055	14,900,565
Secured creditors	13,637,349	12,096,136

Loans are secured by specific charges on the Association's properties. The loan outstanding to Nationwide Building Society is repayable at a rate of interest of 3.34% in instalments and is due to be repaid by 31 March 2042. The loan outstanding to Royal Bank of Scotland is repayable at a rate of interest of 7.9% in instalments and is due to be repaid by 31 March 2018. The loans outstanding to Clydesdale Bank are repayable at rates of interest of between 1.59% and 3.99% in instalments and are due to be repaid by 31 March 2042.

Notes to the Financial Statements
For the year ended 31 March 2016

19. Creditors: amounts falling due out with one year (continued)

The loans are due to be repaid in instalments as follows:-

	2016 £	2015 £
Due between one and two years	934,000	318,732
Due between two and five years	2,246,203	918,000
Due in five years or more	10,457,146	10,859,404
	13,637,349	12,096,136

20. Deferred capital grants

	2016 £	2015 £
Housing grants		
At 1 April	1,965,919	575,607
Grants received in year	316,031	1,435,656
Released to income in year	(133,371)	(45,344)
At 31 March	2,148,579	1,965,919
The ageing on deferred capital grants is as follows:		
Due in less than one year	82,497	45,344
Due in one to two years	82,497	45,344
Due between two and five years	329,988	181,376
Due in five years or more	1,653,597	1,693,855
	2,148,579	1,965,919

21. Financial Instruments

	2016 £	2015 £
Financial Assets		
Financial assets measured at amortised cost	719,887	926,681
Financial Liabilities		
Financial liabilities measured at amortised cost	17,576,713	15,493,464

Financial assets measured at amortised cost comprise rental arrears, amounts owed by subsidiaries and other debtors.

Financial liabilities measured at amortised cost comprise bank loans, trade creditors, other creditors, accruals, rent prepaid, and the SHAPS past service pension deficit liability.

Notes to the Financial Statements
For the year ended 31 March 2016

22. Share capital

	2016 £	2015 £
At 1 April	637	633
Shares of £1 each fully paid and issued during the year	46	52
Shares forfeited in year	-	(48)
At 31 March	683	637

A share entitles the owner the right to vote at meetings. There are no rights to receive dividends attached to the shares or to the distribution of assets should the Association be wound up.

23. Pensions

Scottish Housing Association Pension Scheme (SHAPS)

Milnbank Housing Association Limited (the "Association") participates in the Scottish Housing Association Pension Scheme (SHAPS) (the "Scheme"). The Scheme is a multi-employer defined benefit scheme. There are six benefit structures available, namely:

(a) Final salary with a 1/60th accrual rate;
(b) Career average revalued earnings with a 1/60th accrual rate;
(c) Career average revalued earnings with a 1/70th accrual rate;
(d) Career average revalued earnings with a 1/80th accrual rate;
(e) Career average revalued earnings with a 1/120th accrual rate, contracted-in; and
(f) 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.

Milnbank Housing Association has elected to operate the final salary with a 1/60th accrual rate for existing members but closed this option for new members at 31 March 2015. As at the Statement of Financial Position date there were 13 (2015: 13) active members of the Defined Benefit Scheme employed by Milnbank Housing Association Limited. The annual pensionable payroll in respect of these members was £583,124 (2015: £582,251).

From 1 April 2015 new members are offered the option of joining the Defined Contribution Scheme. This Defined Contribution Scheme is also the default position for Auto Enrolment. In the year 47 employees were auto enrolled and stayed in the Defined Contribution Scheme.

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

The actuarial valuation assesses whether the Scheme's assets at the valuation date are likely to be sufficient to pay the pension benefits accrued by members as at the valuation date. Asset values are calculated by reference to market values. Accrued pension benefits are valued by discounting expected future benefit payments using a discount rate calculated by reference to the expected future investment returns.

During the year, Milnbank Housing Association Limited paid contributions in respect of the Final 1/60th Scheme at the rate of 12.3% of pensionable salaries. Member contributions were 12.3%. Employer contributions to the Defined Contribution Scheme are set at 5% and employees contributed 4% of their salaries. There was an additional annual employer past service deficit contribution of £143,639 (net of administration costs) made in the year ended 31 March 2016 (2015: £131,916).

23. Pensions (continued)

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.

Thus the scheme is accounted for as a defined contribution scheme. However the Association has entered into a past service deficit repayment agreement with the Pension Trust and per FRS 102, this discounted past service deficit liability has been recognised in the Statement of Financial Position on the basis of the 2015 provisional valuation.

The last formal valuation of the Scheme was performed as at 30 September 2012 by a professionally qualified actuary using the "projected unit credit" method. The market value of the Scheme's assets at the valuation date was £394 million. The valuation revealed a shortfall of assets compared to liabilities of £304 million, equivalent to a past service funding level of 56.4%.

The key valuation assumptions used to determine the assets and liabilities of the Scheme as at 30 September 2012 are detailed below.

Financial Assumptions

The financial assumptions underlying the valuation were as follows:		%pa
- Investment return pre-retirement		5.3
- Investment return post retirement	- Non pensioners	3.4
	- Pensioners	3.4
- Rate of salary increases		4.1
- Rate of pension increases	- pension accrued pre 6 April 2005	2.0
	- pension accrued from 6 April 2005	1.7
(for leavers before 1 October 1993 pension increases are 5%)		
- Rate of price inflation		2.6

2015 valuation

As highlighted at the 2015 Employer Forums, the triennial valuation has been undertaken against a challenging economic backdrop for defined benefit (DB) schemes like SHAPS. That said, the deficit has reduced from £304m as at 30 September 2012 to £198m as at 30 September 2015; an improvement in the funding position from 56% to 76%.

A summary of the headline provisional valuation results is set out in the table below:

Valuation	2016	2015
Assets (£ million)	394	612
(Liabilities) (£ million)	(698)	(810)
(Deficit) (£ million)	(304)	(198)*
Funding level	56%	76%
Aggregate annual deficit contributions for the year from 1 April 2017 (£ million)	28.7 (26.3 on inception from 1 April 2014)	28.7
Annual increases to deficit contributions	3.0%	3.0%
Proposed deficit contribution (recovery) plan) and date	30 September 2027	28 February 2022

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 2016

23. Pensions (continued)

The Trustees have recently supplied Milnbank Housing Association Limited with an estimated updated contribution figure to the past service deficit. The net past service deficit contribution for 2016/17 is £152,884 (discounted = £146,424). From 1 April 2017 Milnbank Housing Association Limited will be required to pay £158,510 (net of administration costs) per annum as a contribution to the past service deficit. This will increase by 3% per year. The deficit is now expected to be removed from the Scheme by 28 February 2022 (previously 30 September 2027). The past service deficit liability recognised in the financial statements is based on the revised estimated contribution schedule provided to the Association on 3 March 2016 by the Pensions Trust.

Past service deficit repayment liability

	2016 £	Restated 2015 £
Provision at start of period	1,028,687	971,603
Unwinding of the discount factor (interest expense)	40,000	59,000
Deficit contribution paid	(143,639)	(131,916)
Re-measurements – impact of any changes in assumptions	(7,000)	130,000
Provision at end of period	918,048	1,028,687
Liability split as:		
< 1 year	146,424	144,833
1-2 years	153,365	146,424
2-5 years	466,511	466,511
> 5 years	151,748	270,919
	918,048	1,028,687

Statement of Comprehensive Income Impact	2016 £	2015 £
Interest expense	40,000	59,000
Re-measurements – impact of any change in assumptions	(7,000)	130,000

Assumptions	2016	2015
Rate of discount	2.29%	2.22%

The discount rates shown above are the equivalent single discount rates, which when used to discount the future recovery plan contributions due, would give the same results as using a full AA corporate band yield curve to discount the same recovery plan contributions.

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.

Notes to the Financial Statements
For the year ended 31 March 2016

23. Pensions (continued)

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.

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 2015 is £5,450,099 (2015: £4,929,446).

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, Hymans Robertson, in their FRS 17 calculations are as follows:

Assumptions as at	**31 March 2016**	**31 March 2015**
Inflation / Pension Increase Rate	2.2%	2.5%
Salary increases	4.2%	4.4%
Discount rate	3.6%	3.3%

Mortality

Life expectancy is based on the Fund's VitaCurves with improvements in line with 80% of the CMI 2012 model assuming current rates of improvements have peaked and will converge to a long term rate of 1.8% p.a. for males and 1.25% p.a. for females. Based on these assumptions, the average future life expectancies at 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 2016 £'000	**Value at 31 March 2015 £'000**
Fair value of plan assets	575	542
Present value of scheme liabilities	(696)	(751)
Net pension liability	(121)	(209)

Notes to the Financial Statements
For the year ended 31 March 2016

23. Pensions (continued)

Reconciliation of defined benefit obligation

	31 Mar 2016 £'000	31 Mar 2015 £'000
Opening Defined Benefit Obligation	751	492
Current Service Cost	19	25
Interest cost	25	15
Plan participants contributions	4	6
Changes in financial assumptions	(102)	84
Changes in demographic assumptions	-	31
Other experience	-	99
Estimated Benefits Paid	(1)	(1)
Closing Defined Benefit Obligation	696	751

Reconciliation of fair value of employer assets

	31 Mar 2016 £(000)	31 Mar 2015 £(000)
Opening Fair Value of Employer Assets	542	424
Expected Return on Assets	-	74
Plan participants contributions	4	6
Contributions by the Employer	16	20
Contributions in respect of Unfunded Benefits	-	-
Interest income on plan assets	18	19
Assets Acquired in a Business Combination	-	-
Return on assets excluding amounts included in net interest	(4)	-
Estimated Unfunded Benefits Paid	-	-
Estimated Benefits Paid	(1)	(1)
Closing Fair Value of Employer Assets	575	542
Net pension liability	(121)	(209)

Analysis of amount recognised in Other Comprehensive Income

	2016 £	2015 £
Return on assets excluding amounts included in net interest	(4,000)	74,000
Changes in financial assumptions	102,000	(84,000)
Changes in demographic assumptions	-	(31,000)
Other experience	-	(99,000)
Total remeasurement recognised in Other Comprehensive Income	98,000	(140,000)

Notes to the Financial Statements
For the year ended 31 March 2016

23. Pensions (continued)

Sensitivity analysis

	Approximate % increase to Employer Liability	Approximate monetary amount (£000's)
0.5% decrease in real discount rate	13%	92
1 year increase in member life expectancy	3%	21
0.5% increase in the Salary Increase Rate	7%	49
0.5% increase in the Pension Increase Rate	6%	41

24. Revenue Commitments

At the year end the Association was committed to making the following payments under operating leases with the total commitments split as follows:

	Office Equipment, Premises & Motor Vehicles	
	2016	2015
	£	£
Within one year	248,741	185,397
Between one and five years	497,621	314,642
More than five years	9,357	21,486
	755,719	521,525

25. Related Party Transactions

Milnbank Community Enterprises Limited

In the year ended 31 March 2016, 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 £8,976 (2015: £8,517).

Milnbank HA Limited also paid the 2015 corporation tax fee and audit fee of £2,190 (2015: £2,160) on behalf of Milnbank Community Enterprises Limited during the year. These were recharged.

A gift aid payment of £9,474 (2015: £15,178) is to be made by Milnbank Community Enterprises Limited to Milnbank Housing Association Limited in respect of the year ended 31 March 2016.

During the year, Milnbank Community Enterprises Limited paid amounts of £15,178 (2015: £4,358) in respect of the 2015 gift aid payment and £15,287 (2015: £9,197) in respect of the remainder of the balance that was outstanding at 31 March 2015.

The balance owed to Milnbank Housing Association Limited by Milnbank Community Enterprises Limited at 31 March 2016 was £23,713 (2015: £33,538). This is included within amounts owed by subsidiaries in debtors.

Notes to the Financial Statements
For the year ended 31 March 2016

25. Related Party Transactions (continued)

Milnbank Property Services Limited

For the year ended 31 March 2016, 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 £194,860 (2015: £152,539).

During the year, expenditure of £76,649 (2015: £90,255) 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 £47,180 (2015: £11,171) 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, £nil (2015: £2,139) was received by Milnbank Housing Association Limited from factored owners on behalf of Milnbank Property Services Limited.

A gift aid payment of £20,125 (2015: £54,350) is to be made by Milnbank Property Services Limited to Milnbank Housing Association Limited in respect of the year 31 March 2016.

£410,872 (2015: £210,235) was paid over by Milnbank Property Services Limited to the Association in the year in respect of the monies owed. This included the payment of the 2015 gift aid.

The balance owed to Milnbank Housing Association Limited by Milnbank Property Services Limited at 31 March 2016 was £139,729 (2015: £306,147). This is included within amounts owed by subsidiaries in debtors.

Management Committee members

The Association has Management Committee members who are also tenants. The total rent received in the year relating to tenant Management Committee members is £17,328 (2015: £19,659). The total rent prepaid relating to tenant Board members included within creditors at the year-end is £995 (2015: £1,185).

Some members of the Management Committee receive factored services from Milnbank Property Services Limited. At the year-end included in debtors was £5,193 (2015: £4,933).

26. Legislative Provisions

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

Notes to the Financial Statements
For the year ended 31 March 2016

27. Net Cash Flow from Operating Activities

	2016 £	Restated 2015 £
Surplus for the year	(70,248)	222,991
Interest payable	488,444	469,587
Interest received	(5,108)	(7,186)
Proceeds from sale of tangible fixed assets	(259,733)	(69,097)
Repayment of grant on disposal of tangible fixed assets	135,382	(117,728)
Carrying amount of tangible fixed asset disposals	188,499	67,701
Depreciation tangible fixed assets	624,595	663,031
SPF – non-cash movement	10,000	1,000
SHAPS deficit movement	33,000	189,000
Decrease in debtors	206,794	107,743
(Decrease) / increase in creditors	(79,899)	227,117
Release of deferred grant	(133,371)	(45,344)
SHAPS past service deficit payment	(143,639)	(131,916)
Shares forfeited	-	(48)
	994,716	1,576,851

28. Transition to FRS 102

The Association has adopted Financial Reporting Standard 102 (FRS 102) and the Housing SORP 2014: Statement of Recommended Practice for social housing providers (SORP 2014) for the year ended 31 March 2016. This has led to a number of changes in accounting policy, judgements and estimates and necessitates the prior year comparative amounts to be restated using these new policies in order that they give a comparable view of the prior year position.

The following changes to accounting policies and estimates have been applied:

In accordance with FRS 102 the Association does not present an Income and Expenditure Account or a Statement of Recognised Gains and Losses (STRGL) as was presented in the financial statements to 31 March 2015 as items that previously appeared in these statements are now included in the Statement of Comprehensive Income.

As prescribed by FRS 102 the Association now prepares a Statement of Changes in Capital and Reserves whereas in the financial statements to 31 March 2015 capital and reserves were analysed as part of the notes to the financial statements.

As permitted by FRS 102 the Association has renamed the Balance Sheet as the Statement of Financial Position.

Housing units have been valued on an existing use value at 1 April 2014 and this has been taken as deemed cost.

Investment properties have been revalued at the transition date of 1 April 2014.

Depreciation on housing properties has been restated to reflect that the charge is no longer net of Government Capital Grants and is now based on gross cost.

The Association held shared equity units where the first tranche was sold prior to 1 April 2014 and the remaining cost (£810,518) and grant (£810,518) were held on the Statement of Financial Position at £nil net book value. However on completion of the first tranche sale, the Association's obligation ceases and the cost and grant should be derecognised. On transition to FRS102, the coast and grant has been derecognised. This has nil impact on the surplus or net assets figure.

Notes to the Financial Statements
For the year ended 31 March 2016

28. Transition to FRS 102 (continued)

Government Capital Grants were transferred to Revenue Reserves at 1 April 2014 as the Association opted to use an existing use value as deemed cost. This is in accordance with the SORP. From 1 April 2014, Government Capital Grants are now recognised in line with the accrual model. The accrual model results in the grant being recognised over the expected useful life of the housing property structure and other components (excluding land). Other non-government grants are recognised in the Statement of Comprehensive Income in line with the performance model.

Loan arrangement fees previously expensed are now amortised over the life of the respective loan facility.

The Association participates in the Scottish Housing Association Pension Scheme (SHAPS) pension scheme and makes annual contributions towards the deficit in line with the fund plan. Under FRS102, the future contributions in respect of the deficit must now be shown as a liability on the Statement of Financial Position with the actual payment being released to the Statement of Comprehensive Income as it falls due.

Designated reserves are no longer shown separately in the financial statements and instead are combined with the revenue reserve.

The Carbon Footprints Nursery was restated to deemed cost at 1 April 2014 using a valuation of its market value at 1 April 2014 performed by a qualified valuer. The depreciation charge for 2014/15 was restated due to this change in the carrying cost. Non-Government grants received in respect of the construction of the Nursery have been recognised in the Revenue Reserves.

Restated surplus for the year ended 31 March 2015

	£
Surplus per 31 March 2015 as previously stated	410,494
Effects of:	
Amortisation of deferred government grants	45,344
Movement in the SHAPS past service deficit liability	(49,668)
Restated depreciation on housing properties	(196,413)
Restated depreciation on the nursery	17,847
Restated housing property disposals	(4,613)
Restated surplus for the year ended 31 March 2015 as restated	222,991

Notes to the Financial Statements
For the year ended 31 March 2016

28. Transition to FRS 102 (continued)

Restated statement of financial position

	£
Capital and reserves as at 31 March 2015 as previously stated	3,805,540
Effects of:	
Restatement of housing properties at deemed cost	13,924,892
Revaluation of investment properties	52,500
Incorporation of SHAPS pension liability	(979,019)
Amortisation of deferred government grants for shared ownership properties	(223,417)
Restated depreciation of shared ownership properties	223,847
Release of non-government grants	805,700
Revaluation of the nursery	(861,518)
2014/15 FRS 102 transition adjustments	
Amortisation of deferred government grants	45,344
Movement in the SHAPS past service deficit liability	(49,668)
Restatement of housing property depreciation charge	(196,413)
Restated housing property disposals	(4,613)
Restated depreciation charge on nursery	17,847
Restated capital and reserves as at 31 March 2015	16,561,022

Restated statement of financial position

	£
Capital and reserves as at 1 April 2014 as previously stated	3,535,042
Effects of:	
Restatement of housing properties at deemed cost	13,924,892
Revaluation of investment properties	52,500
Incorporation of SHAPS pension liability	(979,019)
Amortisation of deferred government grants for shared ownership properties	(223,417)
Restated depreciation of shared ownership properties	223,847
Release of non-government grant	805,700
Revaluation of the nursery	(861,518)
Restated capital and reserves as at 1 April 2014	16,478,027

29. Capital Commitments

	2016 £	**2015** £
Capital expenditure that has been contracted for but has not been provided for in the financial statements	-	-
Capital expenditure that has been approved by the Committee but has not been contracted for	-	-