

Principal



Scott-Moncrieff
business advisers and accountants

**MILNBANK HOUSING ASSOCIATION LIMITED
GROUP REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018**

MILNBANK HOUSING ASSOCIATION LIMITED

MANAGEMENT COMMITTEE, EXECUTIVE OFFICERS AND ADVISERS

Management Committee

Mr A Scott	(Chairperson)
Mr J O'Donnell	(Vice-Chairperson)
Mrs C McGuire	(Secretary)
Mrs R Tinney	(Treasurer)
Mrs A Irving	
Cllr E McDougall	
Mrs M Hutchison	
Mr N Halls	
Mrs T McGinlay	
Mr A Young	
Mrs L Williams	
Ms J Donahy	
Ms C Tartaglia	
Mr P Lavery	(appointed 9 May 2017)
Mr P Flynn	(appointed 21 September 2017)
Ms M Baxter	(resigned 12 September 2017)

Registered Office

53 Ballindalloch Drive
Glasgow
G31 3DQ

Auditor

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

Executive Officers

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

Bankers

Bank of Scotland 1195 Duke Street Glasgow G31 5NJ	Clydesdale Bank Corporate & SF 30 St Vincent Place Glasgow G1 2HL	Royal Bank of Scotland Commercial & Corporate 139 St Vincent Street Glasgow G2 5JF	Nationwide Building Society Kings Park Road Moulton Park Northampton NN3 6NW
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Solicitors

Low Beaton Richmond Sterling House 20 Renfield Street Glasgow G2 5AP	TC Young 7 West George Street Glasgow G2 1BA	Pinsent Masons 141 Bothwell Street Glasgow G2 7EQ
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MILNBANK HOUSING ASSOCIATION LIMITED

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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

MILNBANK HOUSING ASSOCIATION LIMITED

REPORT OF THE MANAGEMENT COMMITTEE (INCORPORATING THE STRATEGIC REPORT) FOR THE YEAR ENDED 31 MARCH 2018

The Management Committee present their report and the audited financial statements for the year ended 31 March 2018.

Objectives

The group consists of Milnbank Housing Association Limited, Milnbank Property Services Limited and Milnbank Community Enterprises Limited. The principal activity of the Association is the provision of social rented accommodation. The Association also undertakes wider role activities and owns and manages the Carbon Footprint Nursery. The principal activity of Milnbank Property Services Limited is the provision of factoring services including the provision of repair and maintenance services. The principal activity of Milnbank Community Enterprises Limited is community engagement and development.

The group'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

Association

The financial statements for the prior year have been re-stated to recognise the provisions of Financial Reporting Exposure Draft 68 (FRED 68) and this is fully explained within note 31 of these financial statements. The surplus recorded for 2017-18 is £198,160 (2017 restated: £361,323).

A comparison in turnover shows an increase in turnover of £233k from £6.155m to £6.388m. This is mainly due to a rent review and improved void loss performance. In addition there was an increased £37k release of deferred grant and net increase in other grants of £20k. Wider role grants increased but supporting people grants fell during the year. However Stage 3 grants fell by £18k. Such income can vary each year and no supporting people income is anticipated from next year onwards. The Carbon Footprint Nursery income fell by £25k but this was offset by reduced expenditure of £29k in the year.

The operating expenditure increased from £5.326m in 2017 to £5.889m this year, an increase of £563k. This is attributable to increased spend on reactive and cyclical repairs (£269k), an increased bad debt write off in the year (£119k) and increased property depreciation (£75k). This has resulted in a reduced operating surplus for the year of £499K compared to £829k in the prior year.

There were 9 property disposals in the year leading to a gain on disposal of £39,550 (2017: £52,634). After finance costs of £360,850 (2017: £561,657), bank interest of £4,803 (2017: £11,979) and Gift Aid from the two subsidiaries of £15,427 (2017: £29,599) a surplus is shown in the Statement of Comprehensive Income of £198,160 (2017: £361,323). There was an actuarial gain of £165,000 in the year compared to a loss of £119,000 in 2017, a swing of £284,000. This shows improved total comprehensive income for the year of £363,160 (£2017: £242,323).

The Association continues to carry out significant amounts of work to both modernise and maintain its properties with £1,146,999 (2017: £922,879) spent on component replacements and property/environmental enhancements during the year, and £65,841 (2017: £519,299) on the purchase of 1 new property (a shared ownership buy back) this year (2017: 11 properties). This programme has been funded from existing cash-flows supported by earlier finance of £3m taken out with the Clydesdale Bank in 2015.

The last financial year has again 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 continue to concentrate on maximising income and controlling costs whilst still investing in our area and focusing on the level of voids in both numbers and cost to stabilise expenditure and reduce rent loss.

MILNBANK HOUSING ASSOCIATION LIMITED

REPORT OF THE MANAGEMENT COMMITTEE (INCORPORATING THE STRATEGIC REPORT) FOR THE YEAR ENDED 31 MARCH 2018

Milnbank Property Services Limited

Turnover increased from £240,925 to £245,355 in 2018. The profit after providing for taxation amounted to £16,613 (2017 - £3,323).

Milnbank Community Enterprises Limited

Turnover increased from £64,301 in 2017 to £67,768 in 2018. The profit after providing for taxation amounted to £15,680 (2017 - £12,104).

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 still has amongst the lowest average rents across the sector and enjoys strong satisfaction levels from customer surveys with 97.22% (2017 97.23%) 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.

Future Plans

The Association still 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. There is an improving position evident for potential new development and the Association will consider very carefully any opportunities that may arise, but will never jeopardise its core activities and responsibilities to existing and future tenants. Any new development to be considered will be subject to full due diligence and financial business planning. 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 or anticipated for 2018/19.

During the year the Association undertook a major exercise to re-value its entire stock supported by a comprehensive Life Cycle Costing and Stock Condition Survey review. This was carried out by professional advisors Jones Lang Lasalle for Valuation and Brown & Wallace for stock condition in conjunction with the Association's Maintenance and Finance teams. This exercise has evidenced a significant up-lift in the value of our properties across the portfolio for lending purposes and reflects recent increases in rent levels and the level of investment in the properties since the last valuation in 2015. Existing Use Values have increased from £27.9million to £32.9million an uplift of 17.9% overall. Market Value – Tenanted values have been introduced as a new basis of valuation and this is shown at £78.6million across all stock. Using this improved position, the Association will consider raising additional loan funding to replenish existing cash balances, given the level of expenditure on properties in recent years, and also plan for future expenditure identified in the Stock Condition Survey as part of an overall asset management strategy.

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 consideration as the implications unfold, particularly around the availability of new long term borrowings if required for future plans.

Going Concern

The Group and Association has recorded a surplus in 2017/18 and has planned for and expects to retain a surplus position in 2018/19, 2019/20 and beyond. The Management Committee is of the opinion that the Group and Association will continue to trade for the foreseeable future due to the strong net assets shown, strong and improved loan security valuation, an increased free security base and a positive cash position that will be enhanced from new funding structure being considered.

The Management Committee and Executive Officers

The Management Committee and executive officers of the Association are listed on the first page of the financial statements.

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. 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 are 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 or factored owners. 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 26 of the financial statements.

Statement of the 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 Group or 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 Group or 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 controls. 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 Group and 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 Group and the Association for the year ended 31 March 2018. 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.

Auditor

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

MILNBANK HOUSING ASSOCIATION LIMITED

**REPORT OF THE MANAGEMENT COMMITTEE (INCORPORATING THE STRATEGIC REPORT)
FOR THE YEAR ENDED 31 MARCH 2018**

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: 11 September 2018

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MILNBANK HOUSING ASSOCIATION LIMITED ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

Opinion

We have audited the financial statements of Milnbank Housing Association Limited (the 'Parent Association') and its subsidiaries (the 'Group') for the year ended 31 March 2018 which comprise the Group and Parent Association Statements of Comprehensive Income, the Group and Parent Statements of Changes in Capital and Reserves, the Group and Parent Association Statements of Financial Position, the Group and Parent Association Statements of Cash Flows and the notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the Group's and Parent Association's affairs as at 31 March 2018 and of the Group's and Parent Association's income and expenditure for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the Co-operative and Community Benefit Societies Act 2014, the Co-operative and Community Benefits Societies (Group Accounts) Regulations 1969, Part 6 of the Housing (Scotland) Act 2010 and the Determination of Accounting Requirements 2014 issued by the Scottish Housing Regulator.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Group and Parent Association in accordance with the ethical requirements that are relevant to our audit of the financial statements in the United Kingdom, including the Financial Reporting Council's Ethical Standard and we have fulfilled our ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in which the ISAs (UK) require us to report to you where:

- the Management Committee's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Management Committee has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Group's or the Parent Association's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The Management Committee is responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MILNBANK HOUSING ASSOCIATION LIMITED ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

Other information (continued)

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

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 require us to report to you if, in our opinion:

- a satisfactory system of control over transactions has not been maintained by the Parent Association; or
- the Parent Association has not kept proper accounting records; or
- the Parent Association's 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.

Responsibilities of the Management Committee

As explained more fully in the Statement of the Management Committee's Responsibilities set out on page 3, the Management Committee is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Management Committee determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Management Committee are responsible for assessing the Group's and the Parent Association's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Management Committee either intend to liquidate the Group or the Parent Association or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

We have been appointed as auditor under the Co-operative and Community Benefit Societies Act 2014 and report in accordance with the Act and relevant regulations made or having effect thereunder.

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MILNBANK HOUSING ASSOCIATION
LIMITED ON THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018**

Auditor's responsibilities for the audit of the financial statements (continued)

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the Parent 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 Parent Association's members, as a body, 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 Parent Association and the Parent Association's members, as a body, for our audit work, for this report, or for the opinions we have formed.



Scott-Moncrieff, Statutory Auditor

Eligible to act as an auditor in terms of Section 1212 of the Companies Act 2006

Chartered Accountants

25 Bothwell Street

Glasgow

G2 6NL

Date: 11 September 2018

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 statement 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, Statutory Auditor

Eligible to act as an auditor in terms of Section 1212 of the Companies Act 2006

Chartered Accountants

25 Bothwell Street

Glasgow

G2 6NL

Date: 11 September 2018

MILNBANK HOUSING ASSOCIATION LIMITED

GROUP STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2018

	Note	2018 £	2017 £
Turnover	4	6,701,428	6,460,090
Operating expenditure	4	(6,168,892)	(5,615,895)
Operating surplus	4	532,536	844,195
Gain on disposal of property, plant and equipment		39,550	52,634
Interest receivable and other income	10	4,803	11,979
Interest payable and similar charges	11	(360,850)	(561,657)
Surplus for the year before taxation		216,039	347,151
Taxation	12	(1,013)	-
Surplus for the year after taxation		215,026	347,151
Other comprehensive income			
Actuarial gain/(loss) recognised in the retirement benefit scheme	23	165,000	(119,000)
Total comprehensive income for the year		380,026	228,151

The results for the year relate wholly to continuing activities.

The notes form part of these financial statements.

MILNBANK HOUSING ASSOCIATION LIMITED

ASSOCIATION STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2018

	Note	2018 £	<i>Restated</i> 2017 £
Turnover	4	6,388,305	6,154,864
Operating expenditure	4	(5,889,075)	<i>(5,326,096)</i>
Operating surplus	4	499,230	828,768
Gain on disposal of property, plant and equipment		39,550	52,634
Interest receivable and other income	10	4,803	11,979
Interest payable and similar charges	11	(360,850)	<i>(561,657)</i>
Gift aid from subsidiaries	27	15,427	29,599
Surplus for the year		198,160	361,323
Other comprehensive income			
Actuarial gain/(loss) recognised in the retirement benefit scheme	23	165,000	<i>(119,000)</i>
Total comprehensive income for the year		363,160	242,323

The results for the year relate wholly to continuing activities.

The notes form part of these financial statements.

MILNBANK HOUSING ASSOCIATION LIMITED

**GROUP STATEMENT OF CHANGES IN CAPITAL AND RESERVES
FOR THE YEAR ENDED 31 MARCH 2018**

	Share Capital £	Revenue Reserves £	Total Reserves £
Balance at 1 April 2017			
Total comprehensive income	696	16,816,421	16,817,117
Share capital issued	-	380,026	380,026
Share capital cancelled	60 (41)	-	60 (41)
Balance at 31 March 2018	<u>715</u>	<u>17,196,447</u>	<u>17,197,162</u>

**GROUP STATEMENT OF CHANGES IN CAPITAL AND RESERVES
FOR THE YEAR ENDED 31 MARCH 2017**

	Share Capital £	Revenue Reserves £	Total Reserves £
Balance at 1 April 2016			
Total comprehensive income	683	16,588,270	16,588,953
Share capital issued	-	228,151	228,151
Share capital cancelled	41 (28)	-	41 (28)
Balance at 31 March 2017	<u>696</u>	<u>16,816,421</u>	<u>16,817,117</u>

**ASSOCIATION STATEMENT OF CHANGES IN CAPITAL AND RESERVES
FOR THE YEAR ENDED 31 MARCH 2018**

	Share Capital £	Revenue Reserves £	Total Reserves £
Balance at 1 April 2017 restated			
Total comprehensive income	696	16,800,861	16,801,557
Share capital issued	-	363,160	363,160
Share capital cancelled	60 (41)	-	60 (41)
Balance at 31 March 2018	<u>715</u>	<u>17,164,021</u>	<u>17,164,736</u>

**ASSOCIATION STATEMENT OF CHANGES IN CAPITAL AND RESERVES
FOR THE YEAR ENDED 31 MARCH 2017**

	Share Capital £	Revenue Reserves £	Total Reserves £
Balance at 1 April 2016 restated			
Total comprehensive income	683	16,558,538	16,559,221
Share capital issued	-	242,323	242,323
Share capital cancelled	41 (28)	-	41 (28)
Balance at 31 March 2017 restated	<u>696</u>	<u>16,800,861</u>	<u>16,801,557</u>

MILNBANK HOUSING ASSOCIATION LIMITED

GROUP STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2018

	Note	2018 £	2017 £
Tangible fixed assets			
Housing properties	13	32,485,029	31,973,143
Other fixed assets	13	783,718	802,659
	13	<u>33,268,747</u>	<u>32,775,802</u>
Current assets			
Stock	16	1,706	1,339
Debtors	17	857,483	628,971
Cash at bank and in hand	18	1,718,297	3,000,492
		<u>2,577,486</u>	<u>3,630,802</u>
Creditors: amounts falling due within one year	19	<u>(3,930,653)</u>	<u>(3,398,115)</u>
Net current (liabilities)/assets		<u>(1,353,167)</u>	<u>232,687</u>
Total assets less current (liabilities)/assets		31,915,580	33,008,489
Creditors: amounts falling due after more than one year	20	(14,619,405)	(15,947,372)
Retirement benefit – Strathclyde pension scheme deficit	23	(98,000)	(244,000)
Deferred taxation	24	(1,013)	-
Net assets		<u>17,197,162</u>	<u>16,817,117</u>
Capital and reserves			
Share capital	25a	715	696
Revenue reserve	25b	17,196,447	16,816,421
		<u>17,197,162</u>	<u>16,817,117</u>

The financial statements were authorised for issue by the Management Committee on 11 September 2018 and are signed on their behalf by:

A Scott

Chairperson

J O'Donnell

Vice-Chairperson

C McGuire

Secretary

The notes form part of these financial statements.

MILNBANK HOUSING ASSOCIATION LIMITED

ASSOCIATION STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2018

	Note	2018 £	Restated 2017 £
Tangible fixed assets			
Housing properties	13	32,485,029	31,973,143
Other fixed assets	13	777,757	802,659
	13	<u>33,262,786</u>	<u>32,775,802</u>
Investments			
Investments in subsidiaries	15	2	2
Current assets			
Debtors	17	727,281	581,557
Cash at bank and in hand	18	1,510,250	2,921,005
		<u>2,237,531</u>	<u>3,502,562</u>
Creditors: amounts falling due within one year	19	<u>(3,618,178)</u>	<u>(3,285,437)</u>
Net current (liabilities)/assets		<u>(1,380,647)</u>	<u>217,125</u>
Total assets less current (liabilities)/assets		31,882,141	32,992,929
Creditors: amounts falling due after more than one year	20	(14,619,405)	(15,947,372)
Retirement benefit – Strathclyde pension scheme deficit	23	(98,000)	(244,000)
Net assets		<u>17,164,736</u>	<u>16,801,557</u>
Capital and reserves			
Share capital	25a	715	696
Revenue reserve	25b	17,164,021	16,800,861
		<u>17,164,736</u>	<u>16,801,557</u>

The financial statements were authorised for issue by the Management Committee on 11 September 2018 and are signed on their behalf by:

A Scott		Chairperson
J O'Donnell		Vice-Chairperson
C McGuire		Secretary

The notes form part of these financial statements.

MILNBANK HOUSING ASSOCIATION LIMITED

GROUP STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2018

	Notes	£	2018 £	£	2017 £
Net cash generated from operating activities	29		1,004,205		1,140,880
Cash flow from investing activities					
Purchase of tangible fixed assets		(1,218,801)		(1,442,178)	
Proceeds from sale of tangible fixed assets		328,253		385,469	
Grants received		167,591		533,942	
Interest received		4,803		11,979	
			(718,154)		(510,788)
Cash flow from financing activities					
Interest paid		(344,749)		(519,487)	
Repayment of borrowings		(1,223,557)		(922,112)	
Issue of share capital		60		41	
			(1,568,246)		(1,441,558)
Net changes in cash and cash equivalents			(1,282,195)		(811,466)
Cash and cash equivalents at 1 April			3,000,492		3,811,958
Cash and cash equivalents at 31 March			<u>1,718,297</u>		<u>3,000,492</u>

MILNBANK HOUSING ASSOCIATION LIMITED

ASSOCIATION STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2018

	Notes	£	2018 £	£	2017 £
Net cash generated from operating activities	29		869,684		1,198,599
Cash flow from investing activities					
Purchase of tangible fixed assets		(1,212,840)		(1,442,178)	
Proceeds from sale of tangible fixed assets		328,253		385,469	
Grants received		167,591		533,942	
Interest received		4,803		11,979	
			(712,193)		(510,788)
Cash flow from financing activities					
Interest paid		(344,749)		(519,487)	
Repayment of borrowings		(1,223,557)		(922,112)	
Issue of share capital		60		41	
			(1,568,246)		(1,441,558)
Net changes in cash and cash equivalents			(1,410,755)		(753,747)
Cash and cash equivalents at 1 April			2,921,005		3,674,752
Cash and cash equivalents at 31 March			<u>1,510,250</u>		<u>2,921,005</u>

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018

1. **General Information**

The Association is registered under The Co-operative & Community Benefit Societies Act 2014. The group financial statements have been prepared in accordance with United Kingdom Accounting Standards, 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 Group's accounting policies (see note 3).

The presentation currency is pounds sterling and the financial statements are rounded to the nearest whole number.

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. Please note on transition to FRS 102 the Association elected to account for housing properties at deemed cost based on an existing use value. The effect of events relating to the year ended 31 March 2018, which occurred before the date of approval of the financial statements by the Management Committee 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 2018 and of the results for the year ended on that date. The accounting policies of the Group are set out below.

Going Concern

The Management Committee anticipates that a surplus will be generated in the year ended 31 March 2019 and the year ended 31 March 2020. The Group and 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

Milnbank Housing Association Limited

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.

Milnbank Property Services Limited and Milnbank Community Enterprises Limited

Turnover is recognised to the extent that it is probable that the economic benefits will flow to the company and the revenue can be reliably measured. Turnover is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes.

2. Accounting policies (continued)

Turnover (continued)

Turnover is recognised when all of the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the company will receive the consideration due under the transaction; and
- the costs incurred in respect of the transaction can be measured reliably.

Apportionment of management expenses

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

Interest receivable

Interest receivable is recognised in the Statement of Comprehensive Income when the Group is entitled to it.

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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018

2. Accounting policies (continued)

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:

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

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 Group's obligation ceases and the cost and grant are derecognised through the Statement of Comprehensive Income.

Stocks

Stock and work in progress is valued at the lower of cost and estimated net realisable value.

Financial instruments

The Group 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.

2. Accounting policies (continued)

Financial instruments (continued)

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 Group 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 17.

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 Group 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 Group to recognise income on a systematic basis over the period in which the Group recognises the related costs for which the grant is intended to compensate.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018

2. Accounting policies (continued)

Government revenue grants

Government revenue grants are recognised using the accrual model which means the Group recognises the grant in income on a systematic basis over the period in which the Group 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.

Pensions (note 23)

Scottish Housing Association Pension Scheme (SHAPS)

The Group participates in The Scottish Housing Associations' Defined Benefits Pension Scheme (SHAPS) and retirement benefits to employees 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 Group 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 Group 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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018

2. Accounting policies (continued)

Auto-enrolment

The Group is also a member of the SHAPS defined contribution scheme and this scheme is used for auto-enrolment. The cost of the employer's contributions is charged to the Statement of Comprehensive Income on an accruals basis.

Financial Commitments

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

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

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 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 valuation of investment properties

The investment properties were valued by an appropriately qualified surveyor using market data at the date of valuation.

MILNBANK HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018

4. Particulars of Turnover, Operating Expenditure and Operating Surplus

Group	2018			2017		
	Turnover £	Operating Expenditure £	Operating Surplus £	Turnover £	Operating Expenditure £	Operating Surplus £
Social Lettings (Note 5)	5,879,086	(5,435,686)	443,400	5,694,918	(4,915,406)	779,512
Other activities (Note 6)	509,219	(453,389)	55,830	459,946	(410,690)	49,256
Milnbank Property Services Limited	245,355	(228,742)	16,613	240,925	(237,602)	3,323
Milnbank Community Enterprises Limited	67,768	(51,075)	16,693	64,301	(52,197)	12,104
	<u>6,701,428</u>	<u>(6,168,892)</u>	<u>532,536</u>	<u>6,460,090</u>	<u>(5,615,895)</u>	<u>844,195</u>
Association						
Social Lettings (Note 5)	5,879,086	(5,435,686)	443,400	5,694,918	(4,915,406)	779,512
Other activities (Note 6)	509,219	(453,389)	55,830	459,946	(410,690)	49,256
	<u>6,388,305</u>	<u>(5,889,075)</u>	<u>499,230</u>	<u>6,154,864</u>	<u>(5,326,096)</u>	<u>828,768</u>

MILNBANK HOUSING ASSOCIATION LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018**

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

Group and Association

	General Needs Housing £	Supported Housing * £	Shared Ownership £	2018 Total £	2017 Total £
Income from rent and service charges					
Rent receivable net of service charges	5,238,121	136,424	8,643	5,383,188	5,247,027
Service charges	-	-	-	-	-
Gross income from rents and service charges	5,238,121	136,424	8,643	5,383,188	5,247,027
Less voids	(71,763)	-	-	(71,763)	(80,513)
Net income from rents and service charges	5,166,358	136,424	8,643	5,311,425	5,166,514
Other revenue grants	39,846	362,184	-	402,030	381,993
Amortisations of deferred government capital grants	94,729	-	10,902	105,631	68,734
Stage 3 adaptations grant	60,000	-	-	60,000	77,677
Total turnover from social letting activities	5,360,933	498,608	19,545	5,879,086	5,694,918
Expenditure					
Management and maintenance administration costs	(2,647,270)	(469,378)	(5,163)	(3,121,811)	(3,063,329)
Service charges	-	-	-	-	-
Planned cyclical maintenance including major repairs	(767,334)	-	-	(767,334)	(611,550)
Reactive maintenance costs	(849,240)	-	-	(849,240)	(736,379)
Bad debts – rents and service charges	(123,676)	-	-	(123,676)	(5,118)
Depreciation of social housing**	(559,243)	-	(14,382)	(573,625)	(499,030)
Operating costs for social letting activities	(4,946,763)	(469,378)	(19,545)	(5,435,686)	(4,915,406)
Operating surplus on letting activities, 2018	414,170	29,230	-	443,400	
Operating surplus on letting activities, 2017	757,136	22,376	-		779,512

* Relates to Walpole and Circus Drive.

** Depreciation includes £483,844 (2017: £457,175) of actual depreciation, and the net book value of disposed components of £89,781 (2017: £41,855) 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 2018

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

Group and Association

	£	£	£	£	2018	2018	2017	2017	2017	
	Grants from Scottish Ministers	Other revenue grants	Supporting people income	Other income	Total Turnover	Operating expenditure	Surplus/ (Deficit)	Total Turnover	Operating expenditure	Surplus/ (Deficit)
	£	£	£	£	£	£	£	£	£	£
Wider role activities #	176,724	-	-	-	176,724	(174,321)	2,403	102,181	(102,332)	(151)
Carbon Footprint Nursery	-	-	-	332,495	332,495	(279,068)	53,427	357,765	(308,358)	49,407
Total from other activities - 2018	<u>176,724</u>	<u>-</u>	<u>-</u>	<u>332,495</u>	<u>509,219</u>	<u>(453,389)</u>	<u>55,830</u>			
Total from other activities - 2017	<u>64,300</u>	<u>13,881</u>	<u>-</u>	<u>381,765</u>				459,946	(410,690)	49,256

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

Note 1: The Association acts as an agent for Glasgow City Council and private owners in respect of administering property improvements, mainly insulation works, to properties owned by private owners. As the Association is acting as an agent the income and expenditure is not recognised in the Association's financial statements, but is summarised below:-

	2018	2017
	£	£
Development income	357,800	621,383
Development expenditure	<u>357,800</u>	<u>621,383</u>
	<u>-</u>	<u>-</u>

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018

7. Directors' Emoluments – Group and Association

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 the first page of the financial statements) of the Association. The Management Committee received remuneration of £nil (2017: £nil) for their services in the year. The director's remuneration is as follows:

	2018 £	2017 £
Total emoluments of the Director (excluding pension Contributions)	<u>84,909</u>	<u>83,586</u>

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 2018 was £10,867 (2017: £8,865) with estimated past service deficit payments of £21,817 (2017: £21,828).

Total emoluments paid to those earning more than £60,000 excluding pension contributions	<u>152,129</u>	<u>148,859</u>
Pension contributions paid to those earning more than £60,000	<u>19,412</u>	<u>15,811</u>
Past service deficit payments in respect of those earning more than £60,000	<u>39,089</u>	<u>38,873</u>

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

	No	No
£60,001 - £65,000	-	-
£65,001 - £70,000	1	1
£70,001 - £75,000	-	-
£75,001 - £80,000	-	-
£80,001 - £85,000	<u>1</u>	<u>1</u>
	£	£
Total expenses reimbursed to directors in so far as not chargeable to United Kingdom income tax	<u>1,467</u>	<u>1,553</u>
Total emoluments paid to key management personnel including pension contributions (including past service deficit payments and employers' NI)	<u>482,052</u>	<u>456,202</u>

MILNBANK HOUSING ASSOCIATION LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018**

8. Employee Information

Group

	2018	2017
	No.	No.
The full time equivalent number of employees employed during the year was:		
Administration & Finance	20	18
Housing services management	10	10
Property services (including maintenance)	41	41
Housing with Support	13	12
Wardens & Cleaners	12	11
Nursery	15	15
	111	107

	2018	2017
	£	£
Staff costs (including Directors' Emoluments):		
Wages and salaries	2,681,499	2,553,548
Social security costs	221,429	208,775
Pension costs	132,294	116,525
Defined benefit pension charge – Strathclyde Pension Fund (Note 23)	12,000	-
	3,047,222	2,878,848

SHAPS re-measurements (credit)/charge (Note 23)	(8,566)	8,268
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Association

	2018	2017
	No.	No.
The full time equivalent number of employees employed during the year was:		
Administration & Finance	20	18
Housing services management	10	10
Property services (including maintenance)	41	41
Housing with Support	13	12
Wardens & Cleaners	10	9
Nursery	15	15
	109	105

	2018	2017
	£	£
Staff costs (including Directors' Emoluments):		
Wages and salaries	2,460,781	2,321,665
Social security costs	203,093	192,246
Pension costs	122,240	107,781
Defined benefit pension charge – Strathclyde Pension Fund (Note 23)	12,000	-
	2,798,114	2,621,692

SHAPS re-measurements (credit)/charge (Note 23)	(8,566)	8,268
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MILNBANK HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018

9. Operating Surplus

Group

	2018 £	2017 £
Operating surplus is stated after charging:		
Depreciation on tangible fixed assets	508,746	531,129
Depreciation due to loss on disposal of components	89,781	41,855
Auditor's remuneration (excluding VAT)		
- In their capacity as auditor	18,435	17,900
- In respect of other services	3,400	3,300
	<u>360,362</u>	<u>604,084</u>

Association

	2018 £	2017 £
Operating surplus is stated after charging:		
Depreciation on tangible fixed assets	508,746	531,129
Depreciation due to loss on disposal of components	89,781	41,855
Auditor's remuneration (excluding VAT)		
- In their capacity as auditor	11,325	11,000
- In respect of other services	2,500	2,400
	<u>612,352</u>	<u>627,784</u>

10. Interest Receivable and Other Income – Group and Association

	2018 £	2017 £
Interest receivable on deposits	4,803	11,979
	<u>4,803</u>	<u>11,979</u>

11. Interest payable and similar charges – Group and Association

	2018 £	2017 £
On private loans	344,749	519,487
Strathclyde Pension Fund finance charge (note 23)	7,000	4,000
SHAPS past service deficit fund finance charge (note 23)	9,101	38,170
	<u>360,850</u>	<u>561,657</u>

12. Taxation

Group

The Association is not subject to corporation tax on its charitable activities. However the surpluses from non-charitable activities are subject to taxation. No corporation tax was due on non-charitable activities (2017: £nil). No corporation tax arose in either subsidiary (2017: £nil), however a deferred tax charge of £1,013 arose in Milnbank Community Enterprises Limited in 2017/18.

Association

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 (2017: £nil).

MILNBANK HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018

13. Tangible Fixed Assets

Group	Housing Properties Held for Letting	Housing Properties under Development	Shared Ownership Properties	Investment Properties	Office and Storage Units	Furniture Fittings & Equipment	Nursery	Total
Cost	£	£	£	£	£	£	£	£
At start of year	32,786,509	17,296	799,025	52,500	809,536	356,510	386,884	35,208,260
Additions during year	1,212,840	-	-	-	-	5,961	-	1,218,801
Transfers	79,902	-	(79,902)	-	-	-	-	-
Disposals – units	(132,848)	-	-	-	-	-	-	(132,848)
Disposals – components	(100,582)	-	-	-	-	-	-	(100,582)
At end of year	33,845,821	17,296	719,123	52,500	809,536	362,471	386,884	36,193,631
Depreciation								
At start of year	1,357,719	-	271,968	-	428,643	350,914	23,214	2,432,458
Charge for year	469,462	-	14,382	-	13,186	3,978	7,738	508,746
Transfers	27,197	-	(27,197)	-	-	-	-	-
On disposals – units	(5,519)	-	-	-	-	-	-	(5,519)
On disposals – components	(10,801)	-	-	-	-	-	-	(10,801)
At end of year	1,838,058	-	259,153	-	441,829	354,892	30,952	2,924,884
Net Book Value								
At end of year	32,007,763	17,296	459,970	52,500	367,707	7,579	355,932	33,268,747
At start of year	31,428,790	17,296	527,057	52,500	380,893	5,596	363,670	32,775,802

Note 1: Properties with a cost of £132,848 (2017: £186,668) and depreciation of £5,519 (2017: £5,353) have been disposed of in the year with net proceeds totalling £328,253 (2017: £385,469). £161,374 (2017: £151,520) is due to be repaid to the Scottish Government in respect of SHG and to GHA in respect of 'excess proceeds' in respect of these disposals.

Note 2: Components with a total cost of £1,146,999 (2017: £922,879) were capitalised in the year. This included £106,727 (2017: £76,379) of capitalised staff costs relating to the 'Planned Groundwork's Team'. The purchase of additional housing units with a total cost of £65,841 (2017: £519,299) were capitalised in the year. Additions to Housing Properties during the year includes £Nil (2017: £nil) capitalised interest and £Nil (2017: £nil) capitalised administration costs. The amount spent on maintenance of housing properties held for letting and shared ownership properties can be seen in Note 5.

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

MILNBANK HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018

13. Tangible Fixed Assets (continued)

Association	Housing Properties Held for Letting	Housing Properties under Development	Shared Ownership Properties	Investment Properties	Office and Storage Units	Furniture Fittings & Equipment	Nursery	Total
Cost	£	£	£	£	£	£	£	£
At start of year	32,786,509	17,296	799,025	52,500	809,536	356,510	386,884	35,208,260
Additions during year	1,212,840	-	-	-	-	-	-	1,212,840
Transfers	79,902	-	(79,902)	-	-	-	-	-
Disposals – units	(132,848)	-	-	-	-	-	-	(132,848)
Disposals – components	(100,582)	-	-	-	-	-	-	(100,582)
At end of year	33,845,821	17,296	719,123	52,500	809,536	356,510	386,884	36,187,670
Depreciation								
At start of year	1,357,719	-	271,968	-	428,643	350,914	23,214	2,432,458
Charge for year	469,462	-	14,382	-	13,186	3,978	7,738	508,746
Transfers	27,197	-	(27,197)	-	-	-	-	-
On disposals – units	(5,519)	-	-	-	-	-	-	(5,519)
On disposals – components	(10,801)	-	-	-	-	-	-	(10,801)
At end of year	1,838,058	-	259,153	-	441,829	354,892	30,952	2,924,884
Net Book Value								
At end of year	32,007,763	17,296	459,970	52,500	367,707	1,618	355,932	33,262,786
At start of year	31,428,790	17,296	527,057	52,500	380,893	5,596	363,670	32,775,802

Note 1: Properties with a cost of £132,848 (2017: £186,668) and depreciation of £5,519 (2017: £5,353) have been disposed of in the year with net proceeds totalling £328,253 (2017: £385,469). £161,374 (2017: £151,520) is due to be repaid to the Scottish Government in respect of SHG and to GHA in respect of 'excess proceeds'. This has been written back against the gain on sale.

Note 2: Components with a total cost of £1,146,999 (2017: £922,879) were capitalised in the year. This included £106,727 (2017: £76,379) of capitalised staff costs relating to the 'Planned Groundwork's Team'. The purchase of additional housing units with a total cost of £65,841 (2017: £579,299) were capitalised in the year. Additions to Housing Properties during the year includes £Nil (2017: £Nil) capitalised interest and £Nil (2017: £Nil) capitalised administration costs. The amount spent on maintenance of housing properties held for letting and shared ownership properties can be seen in Note 5.

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

MILNBANK HOUSING ASSOCIATION LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018**

14. Housing Stock – Group and Association

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

	Units in management 2018 Improved	<i>Units in management 2017 Improved</i>
General needs	1,675	1,683
Supported – Walpole (self-contained units)	7	7
Shared ownership	9	10
	<u>1,691</u>	<u>1,700</u>

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

15. Investments in subsidiaries

Association

	2018 £	<i>2017 £</i>
Investment in subsidiary undertakings	<u>2</u>	<u>2</u>

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 for the year ended 31 March 2018 was £15,680 (*2017 restated: £12,104*). The capital and reserves of Milnbank Community Enterprises Limited as at 31 March 2018 was £15,744 (*2017 restated: £12,168*).

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 for the year ended 31 March 2018 was £16,613 (*2017 restated: £3,323*). The capital and reserves of Milnbank Property Services Limited as at 31 March 2018 was £16,684 (*2017 restated: £3,394*).

16. Stock

Group

	2018 £	<i>2017 £</i>
Bar Stock	<u>1,706</u>	<u>1,339</u>

MILNBANK HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018

17. Debtors

Group	2018 £	2017 £
Amounts falling due within one year:		
Rental arrears	367,159	399,420
Less: provision for bad debts	(121,278)	(121,278)
	<u>245,881</u>	<u>278,142</u>
Trade debtors	30,942	9,575
Other debtors	331,678	200,249
Accrued income	248,982	141,005
	<u>857,483</u>	<u>628,971</u>

Association

	2018 £	Restated 2017 £
Amounts falling due within one year:		
Rental arrears	367,159	399,420
Less: provision for bad debts	(121,278)	(121,278)
	<u>245,881</u>	<u>278,142</u>
Amounts owed by subsidiaries	149,762	125,233
Other debtors	331,638	178,182
	<u>727,281</u>	<u>581,557</u>

18. Cash and cash equivalents

Group	2018 £	2017 £
Balances held in current accounts	788,297	1,147,291
Balances held in deposit accounts	930,000	1,853,201
	<u>1,718,297</u>	<u>3,000,492</u>

Association

	2018 £	2017 £
Balances held in current accounts	580,250	1,067,804
Balances held in deposit accounts	930,000	1,853,201
	<u>1,510,250</u>	<u>2,921,005</u>

MILNBANK HOUSING ASSOCIATION LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018**

19. Creditors: amounts falling due within one year

Group	2018	2017
	£	£
Bank loans	915,280	920,280
Trade creditors	274,089	185,920
Other creditors	2,258,363	1,820,411
Accruals	15,209	21,940
Rent prepaid	180,887	180,887
Other taxes and social security	60,673	54,519
Deferred Government capital grant (Note 21)	63,071	57,281
SHAPS past service pension deficit liability (Note 23)	163,081	156,877
	<u>3,930,653</u>	<u>3,398,115</u>
Secured creditors	<u>915,280</u>	<u>920,280</u>

At the year end pension contributions of £nil (2017: £4,495) were outstanding and included within other creditors.

Association	2018	2017
	£	£
Bank loans	915,280	920,280
Trade creditors	230,073	170,300
Other creditors	1,993,576	1,726,749
Accruals	12,000	19,000
Rent prepaid	180,887	180,887
Other taxes and social security	60,210	54,063
Deferred Government capital grant (Note 21)	63,071	57,281
SHAPS past service pension deficit liability (Note 23)	163,081	156,877
	<u>3,618,178</u>	<u>3,285,437</u>
Secured creditors	<u>915,280</u>	<u>920,280</u>

At the year-end pension contributions of £nil (2017: £4,495) were outstanding and included within other creditors.

20. Creditors: amounts falling due out with one year – Group and Association

	2018	2017
	£	£
Bank loans	11,513,532	12,732,089
Deferred Government capital grant (Note 21)	2,612,676	2,556,506
SHAPS past service pension deficit liability (Note 23)	493,197	658,777
	<u>14,619,405</u>	<u>15,947,372</u>
Secured creditors	<u>11,513,532</u>	<u>12,732,089</u>

MILNBANK HOUSING ASSOCIATION LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018**

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

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 3.59% in instalments and is due to be repaid by 1 June 2042. The loans outstanding to Clydesdale Bank are repayable at rates of interest of between 1.685% and 2.11% in instalments and are due to be repaid by 31 March 2042. The loan with the Royal Bank of Scotland was fully paid off in the year.

The loans are due in instalments as follows:-

	2018 £	2017 £
Due between one and two years	935,000	930,000
Due between two and five years	1,148,467	1,780,785
Due in five years or more	9,430,065	10,021,304
	<u>11,513,532</u>	<u>12,732,089</u>

21. Deferred Government capital grants – Group and Association

	2018 £	2017 £
<u>Housing grants</u>		
At 1 April	2,613,787	2,148,579
Grants received in year	167,591	533,942
Released to income in year	(105,631)	(68,734)
At 31 March	<u>2,675,747</u>	<u>2,613,787</u>

The ageing on deferred capital grants is as follows:

Due in less than one year	63,071	57,281
Due in one to two years	63,071	57,281
Due between two and five years	189,213	229,124
Due in five years or more	2,360,392	2,270,101
	<u>2,675,747</u>	<u>2,613,787</u>

**22. Financial Instruments
Group**

	2018 £	2017 £
Financial Assets		
Cash at bank and in hand	1,718,297	3,000,492
Financial assets measured at amortised cost	857,483	487,966
	<u>2,575,780</u>	<u>3,488,458</u>
Financial Liabilities		
Financial liabilities measured at amortised cost	<u>15,632,751</u>	<u>16,496,294</u>

Financial assets measured at amortised cost comprise rental arrears, trade debtors and other debtors.

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

MILNBANK HOUSING ASSOCIATION LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018**

22. Financial Instruments (continued)

Association	2018	<i>Restated</i>
	£	<i>2017</i>
		£
Financial Assets		
Cash at bank and in hand	1,510,250	<i>2,921,005</i>
Financial assets measured at amortised cost	727,281	<i>581,557</i>
	2,237,531	<i>3,502,562</i>
Financial Liabilities		
Financial liabilities measured at amortised cost	15,320,739	<i>16,384,072</i>

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 and the SHAPS past service pension deficit liability.

23. Pensions – Group and Association

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 (2017: 13) active members of the Defined Benefit Scheme employed by Milnbank Housing Association Limited. The annual pensionable payroll in respect of these members was £575,803 (2017: £566,547).

From 1 April 2015 new members are offered the option of joining the Defined Contribution Scheme. This Defined Contribution Scheme is used for Auto Enrolment. In the year 44 employees were auto enrolled and stayed in the Defined Contribution Scheme.

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

The actuarial valuation assesses whether the Defined Benefit 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.

MILNBANK HOUSING ASSOCIATION LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018**

23. Pensions – Group and Association (continued)

During the year, Milnbank Housing Association Limited paid contributions in respect of the Final 1/60th Scheme at the rate of 14.6% of pensionable salaries. Member contributions were 12.5%. There was an additional annual employer past service deficit contribution of £159,911 (net of administration costs) made in the year ended 31 March 2018 (2017: £148,832). Employer contributions to the Defined Contribution Scheme are set at 4% and employees contributed 5% of their salaries.

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 Defined Benefit 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 Defined Benefit 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.

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.

From 1 April 2018 Milnbank Housing Association Limited will be required to pay £163,266 (net of administration costs) (discounted = £163,081) per annum as a contribution to the past service deficit. This will increase by 3% per year. The SHAPS deficit is now expected to be removed from the Scheme by 28 February 2022 (previously 30 September 2027). The growth plan deficit is £7,278 at 31 March 2018 and this is expected to be cleared in 2025/26. The payment for 2018/19 in respect of the Growth Scheme is £938. 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 2017 by the Pensions Trust.

Past service deficit repayment liability	2018	2017
	£	£
Provision at start of period	815,654	918,048
Unwinding of the discount factor (interest expense)	9,101	38,170
Deficit contribution paid	(159,911)	(148,832)
Re-measurements – impact of any changes in assumptions	(8,566)	8,268
	656,278	815,654
Liability split as:		
< 1 year	163,081	156,877
1-2 years	165,475	162,854
2-5 years	325,188	492,873
> 5 years	2,534	3,050
	656,278	815,654
	2018	2017
	£	£
Statement of Comprehensive Income Impact		
Interest expense	9,101	38,170
Re-measurements – impact of any change in assumptions	(8,566)	8,268
	2018	2017
Assumptions		
Rate of discount	1.51%	1.06%

23. Pensions – Group and Association (continued)

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 Defined Benefit 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 Defined Benefit 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 Defined Benefit Scheme based on the financial position of the Scheme as at 30 September 2017 is £5,412,086 (2017: £6,979,792). The estimated employer debt on withdrawal of the growth plan is £18,474 (2017: £20,874). There are no plans to leave either Scheme.

Strathclyde Pension Fund

There are three employees as well as a fourth 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 102 calculations are as follows:

Assumptions as at	31 March 2018	<i>31 March 2017</i>
Inflation / Pension Increase Rate	2.4%	2.4%
Salary increases	3.6%	4.4%
Discount rate	2.7%	2.7%

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	21.4 years	23.7 years
Future Pensioners	23.4 years	25.8 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.

MILNBANK HOUSING ASSOCIATION LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018**

23. Pensions – Group and Association (continued)

Scheme assets

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

	Value at 31 March 2018 £'000	<i>Value at 31 March 2017 £'000</i>
Fair value of plan assets	717	734
Present value of scheme liabilities	(815)	(978)
Net pension liability	<u>(98)</u>	<u>(244)</u>

Reconciliation of defined benefit obligation

	2018 £'000	<i>2017 £'000</i>
Opening Defined Benefit Obligation	978	<i>696</i>
Current Service Cost	33	20
Interest cost	27	25
Plan participants contributions	6	5
Changes in financial assumptions	(25)	234
Changes in demographic assumptions	(3)	-
Other experience	(187)	-
Benefits Paid	(14)	(2)
Closing Defined Benefit Obligation	<u>815</u>	<i><u>978</u></i>

Reconciliation of fair value of employer assets

	2018 £'000	<i>2017 £'000</i>
Opening Fair Value of Employer Assets	734	<i>575</i>
Expected Return on Assets	-	-
Plan participants contributions	6	5
Contributions by the Employer	21	20
Contributions in respect of Unfunded Benefits	-	-
Interest income on plan assets	20	21
Assets Acquired in a Business Combination	-	-
Return on assets excluding amounts included in net interest	(50)	115
Estimated Unfunded Benefits Paid	-	-
Benefits Paid	(14)	(2)
Closing Fair Value of Employer Assets	<u>717</u>	<i><u>734</u></i>
Net pension liability	<u>(98)</u>	<i><u>(244)</u></i>

MILNBANK HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018

23. Pensions – Group and Association (continued)

Analysis of amount recognised in Other Comprehensive Income

	2018 £	2017 £
Return on assets excluding amounts included in net interest	(50,000)	115,000
Changes in financial assumptions	25,000	(234,000)
Changes in demographic assumptions	3,000	-
Other experience	187,000	-
Total remeasurement recognised in Other Comprehensive Income	165,000	(119,000)

Sensitivity analysis

	Approximate % increase to Employer Liability	Approximate monetary amount (£000's)
0.5% decrease in real discount rate	11%	90
0.5% increase in the Salary Increase Rate	2%	16
0.5% increase in the Pension Increase Rate	9%	72

24. Deferred taxation - Group

	2018 £
At the start of the year	-
Charged to profit or loss	(1,013)
At end of year	(1,013)

A deferred taxation balance is made up as follows:

	2018 £	2017 £
Fixed asset timing differences	(1,013)	-
	(1,013)	-

25a. Share capital – Group and Association

	2018 £	2017 £
At 1 April	696	683
Shares of £1 each fully paid and issued during the year	60	41
Shares forfeited in year	(41)	(28)
At 31 March	715	696

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.

25b. Reserves

Revenue reserves represent the cumulative retained surplus and deficits.

MILNBANK HOUSING ASSOCIATION LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018**

26. Revenue Commitments – Group and Association

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

	Office Equipment, Premises & Motor Vehicles 2018 £	<i>Office Equipment, Premises & Motor Vehicles 2017 £</i>
Within one year	271,160	220,779
Between one and five years	408,849	284,132
More than five years	293	1,467
	680,302	506,378

27. Related Party Transactions

Milnbank Community Enterprises Limited

A management fee of £6,600 (2017: £6,600) was charged to the Association by the company for the management of the Association's shop premises. £3,300 of this was paid over by the Association, leaving £3,300 outstanding at the year end which is included in the intergroup balance owed to the Association.

For the year ended 31 March 2018, 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 £8,573 (2017: £7,953).

The Association also paid costs of £7,697 (2017: £7,068) on behalf of Milnbank Community Enterprises Limited which were recharged.

A distribution in the form of gift aid of £12,104 (2017: £9,474) was made by Milnbank Community Enterprises Limited to Milnbank Housing Association Limited in respect of the year ended 31 March 2018.

During the year, Milnbank Community Enterprises paid £13,983 (2017: £16,929) in respect of the intergroup balance that was outstanding at 31 March 2018.

The balance owed to Milnbank Housing Association Limited by Milnbank Community Enterprises Limited at 31 March 2018 was £11,318 (2017 restated: £12,331). This is included within amounts owed by subsidiaries in debtors.

A distribution in the form of a gift aid payment of £15,680 (2017: £12,104) will be made in 2018/19 to Milnbank Housing Association Limited.

Milnbank Property Services Limited

For the year ended 31 March 2018, 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 £205,306 (2017: £215,088).

During the year, expenditure of £179,695 (2017: £132,765) 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.

MILNBANK HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

27. Related Party Transactions (continued)

Milnbank Property Services Limited (continued)

During the year, expenditure of £42,988 (2017: £17,835) 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.

A distribution in the form of gift aid of £3,323 (2017 restated: £20,125) was paid by Milnbank Property Services Limited to Milnbank Housing Association Limited in respect of the year 31 March 2018.

£316,471 (2017: £356,845) was paid over by Milnbank Property Services Limited to the Association in the year in respect of the monies owed.

The balance owed to Milnbank Housing Association Limited by Milnbank Property Services Limited at 31 March 2018 was £138,444 (2017 restated: £112,902). This is included within amounts owed by subsidiaries in debtors.

A distribution in the form of gift aid of £16,613 (2017 restated: £3,323) will be made to Milnbank Housing Association Limited in 2018/19.

Milnbank Property Services Limited and Milnbank Community Enterprises Limited

During the year, £15 (2017: £65) of costs were paid on behalf of Milnbank Community Enterprises Limited by Milnbank Property Services Limited. This was recharged. The balance due to Milnbank Community Enterprises Limited from Milnbank Property Services Limited at the year-end was £5 (2017: £10).

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 £23,629 (2017: £18,009). The total rent prepaid relating to tenant Committee members included within creditors at the year end is £1,449 (2017: £1,060) and there are technical arrears of £282 (2017: £nil) included within debtors at the year end.

Some members of the Management Committee receive factored services from Milnbank Property Services Limited. At the year-end included in debtors was £2,111 (2017: £2,713).

28. Legislative Provisions

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

MILNBANK HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018

29. Net Cash Flow from Operating Activities
Group

	2018 £	2017 £
Surplus for the year	215,026	347,151
Interest payable	360,850	561,657
Interest received	(4,803)	(11,979)
Proceeds from sale of fixed assets	(328,253)	(385,469)
Repayment of grant/excess proceeds to GHA on disposal of tangible fixed assets	161,374	151,520
Carrying amount of tangible fixed asset disposals	127,329	181,315
Depreciation on tangible fixed assets (including loss on disposed components)	598,527	572,984
SPF – non-cash movement	12,000	-
SHAPS deficit movement	(8,566)	8,268
Increase in stock	(367)	(96)
(Increase)/decrease in debtors	(228,512)	61,819
Increase/(decrease) in creditors	364,170	(128,696)
Release of deferred grant	(105,631)	(68,734)
SHAPS past service deficit payment	(159,911)	(148,832)
Shares forfeited	(41)	(28)
Deferred taxation	1,013	-
	<u>1,004,205</u>	<u>1,140,880</u>

Association

	2018 £	<i>Restated</i> 2017 £
Surplus for the year	198,160	361,323
Interest payable	360,850	561,657
Interest received	(4,803)	(11,979)
Proceeds from sale of fixed assets	(328,253)	(385,469)
Repayment of grant/excess proceeds to GHA on disposal of tangible fixed assets	161,374	151,520
Carrying amount of tangible fixed asset disposals	127,329	181,315
Depreciation on tangible fixed assets (including loss on disposed components)	598,527	572,984
SPF – non-cash movement	12,000	-
SHAPS deficit movement	(8,566)	8,268
(Increase)/decrease in debtors	(145,724)	108,731
Increase/(decrease) in creditors	164,373	(132,157)
Release of deferred grant	(105,631)	(68,734)
SHAPS past service deficit payment	(159,911)	(148,832)
Shares forfeited	(41)	(28)
	<u>869,684</u>	<u>1,198,599</u>

30. Capital Commitments

Group and Association

	2018 £	2017 £
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 Management Committee but has not been contracted for	-	-

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018**
31. Transition adjustment

As part of the triennial review of FRS 102, the Financial Reporting Council (FRC) issued proposed changes in the form of Financial Reporting Exposure Draft 68 (FRED 68) 'Payments by subsidiaries to their charitable parents that qualify for gift aid in respect of the accounting treatment of gift aid'. FRED 68 clarified that gift aid payments are distributions that should be recognised in equity and should not be accounted for as expenditure. FRED 68 also confirmed that these distributions should not be accrued at the year-end (unless a deed of covenant is in place), but that they will still qualify for taxation relief for the current year as long as the amount is paid within nine months of the year end.

The revised FRS 102 comes into force for accounting periods beginning on or after 1 January 2019. However the changes being introduced as a result of FRED 68 have been early adopted, as allowed, as part of the preparation of the financial statements for the year ended 31 March 2018.

The following adjustments account for the change in treatment of the gift aid distribution and reconcile the position of these financial statements to the most recent set of signed financial statements.

Restated capital and reserves at 1 April 2016	£
Association	
Capital and reserves as previously stated at 1 April 2016	16,588,820
Gift aid adjustment – 2016	(29,599)
	<u>16,559,221</u>
Restated capital and reserves at 1 April 2016	<u>16,559,221</u>
Restated surplus 31 March 2017	
Association	£
Surplus as previously stated at 31 March 2017	347,151
Gift aid adjustment	(15,427)
Distribution from Milnbank Property Services Limited	20,125
Distribution from Milnbank Community Enterprises Limited	9,474
	<u>361,323</u>
Restated surplus at 31 March 2017	<u>361,323</u>
Restated capital and reserves at 31 March 2017	
Association	£
Capital and reserves as previously stated at 31 March 2017	16,816,984
Gift aid adjustment 2016	(29,599)
Gift aid adjustment 2017	(15,427)
Distribution from Milnbank Property Services Limited	20,125
Distribution from Milnbank Community Enterprises Limited	9,474
	<u>16,801,557</u>
Restated capital and reserves at 31 March 2017	<u>16,801,557</u>