

Principal



REDACTED
Scott-Moncrieff
business advisers and accountants

**MILNBANK HOUSING ASSOCIATION LIMITED
GROUP REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2019**

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
Mr A Young
Mrs L Williams
Ms J Donachy
Ms C Tartaglia
Ms A Jenkins
Mrs T McGinlay
Ms C Stewart
Mr P Lavery
Mr P Flynn

Appointed 21 September 2018
Resigned 23 April 2019
Appointed 21 September 2018, resigned 16 November 2018
Resigned 21 September 2018
Resigned 21 September 2018

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

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

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 2019

The Management Committee present their report and the audited financial statements for the year ended 31 March 2019.

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

A comparison in turnover shows an increase in turnover of £539k from £6.388m to £6.927m. This is mainly due to a rent review. In addition there was an increased £83k release of deferred Government capital grant and net increase in other grants of £183k. Wider role grants increased but supporting people grants fell during the year and Stage 3 grants increased by £44k. Such income can vary each year. The Carbon Footprint Nursery income fell by £10k.

The operating expenditure increased from £5.889m in 2018 to £6.268m this year, an increase of £379k. This is attributable to increased management and maintenance costs of £294k, an increased spend on reactive and cyclical repairs (£49k) and increased property depreciation (£12k). The bad debt charge fell by £44k. Expenditure for wider role activities increased by £70k whilst the cost of the Nursery fell by £3k.

There were no property disposals in the year leading to a gain on disposal of £nil (2018: £39,550). After finance costs of £508,268 (2018: £360,850), bank interest of £13,382 (2018: £4,803) and Gift Aid from the two subsidiaries of £27,345 (2018: £15,427) a surplus is shown in the Statement of Comprehensive Income of £192,165 (2018: £198,160). There was a loss in respect of the Associations' two defined benefit pension schemes of £645,722 in the year compared to a gain of £165,000 in 2018, a swing of (£810,722). This shows reduced total comprehensive income for the year of (£453,557) (2018: £363,160).

The Association continues to carry out significant amounts of work to both modernise and maintain its properties with £1,301,952 (2018: £1,146,999) spent on component replacements and property/environmental enhancements during the year, and £nil (2018: £65,841) on the purchase of new properties this year (2018: 1 properties). This programme had 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.

Up until the end of the 31 March 2018 year end, the SHAPS pension scheme was accounted for as a defined contribution scheme. From 1 April 2018, information became available in order to separate out the assets and liabilities between scheme members and thus SHAPS is accounted for as a defined benefit pension scheme from 1 April 2018 onwards. Further details regarding SHAPS can be found in note 23.

MILNBANK HOUSING ASSOCIATION LIMITED

REPORT OF THE MANAGEMENT COMMITTEE (INCORPORATING THE STRATEGIC REPORT) FOR THE YEAR ENDED 31 MARCH 2019

Milnbank Property Services Limited

Turnover increased from £245,355 to £256,432 in 2019. The profit after providing for taxation amounted to £18,677 (2018 - £16,613).

Milnbank Community Enterprises Limited

Turnover increased from £67,768 in 2018 to £74,369 in 2019. The profit after providing for taxation amounted to £14,383 (2018 - £15,680).

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 96.15% (2018: 97.22%) 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 (this remains under review). 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 2019/20.

During the year the Association completed 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 current (2018) 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 £78.99million across all stock. Using this strong position, the Association raised additional loan (Bond) 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. This re-structure completed on 14th November 2018 and allowed the Association to release significant security from charge, to then existing funders, and thereby offer further protection to the Association against any future shocks or uncertainties. The Association was also able to re-negotiate and remove all financial loan covenants at this time to become covenant free to any Lender. This re-structure is set to protect and secure the short, medium and long term viability of the Association and will allow it to continue to invest strongly in the community and protect the interests of tenants and residents overall.

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. Earlier concerns around the availability of new long term funding were alleviated by the completion of financial re-structure in 2018/19 and the strong interest in funding the Association was noted and appreciated.

Risk and Uncertainties (continued)

During the year the Association had a Medium engagement with the Scottish Housing Regulator (SHR) and as part of this engagement process the Association underwent a full independent Governance Review against the 7 Regulatory Standards set by SHR. The review concluded no areas of non-compliance across the Standards but made recommendations for further development in some areas. These recommendations have been accepted by the Association and an action plan agreed.

Going Concern

The Group and Association has recorded a surplus in 2018/19 and has planned for and expects to retain a surplus position in 2019/20, 2020/21 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, all of which have been enhanced by the new funding structure concluded during the year.

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 28 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; 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.

Statement of the Management Committee's Responsibilities

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 Compliance Officer performs internal audit reviews and reports back to the Committee on the findings; in addition "external" internal audits will be undertaken as required to provide further assurance;
- (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 Compliance Officer.

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 2019. 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.

MILNBANK HOUSING ASSOCIATION LIMITED

**REPORT OF THE MANAGEMENT COMMITTEE (INCORPORATING THE STRATEGIC REPORT)
FOR THE YEAR ENDED 31 MARCH 2019**

Auditor

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

Disclosure of information to the auditor

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

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

By order of the Committee

A large, dark, rectangular redaction mark covering the signature of the Secretary.

Secretary

Dated: 10 September 2019

MILNBANK HOUSING ASSOCIATION LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MILNBANK HOUSING ASSOCIATION LIMITED ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019

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 2019 which comprise the Group and Parent Association Statements of Comprehensive Income, the Group and Parent Association 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 2019 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 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 2019

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 pages 3 and 4, 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 is 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.

MILNBANK HOUSING ASSOCIATION LIMITED

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MILNBANK HOUSING ASSOCIATION
LIMITED ON THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2019**

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: 10 September 2019

MILNBANK HOUSING ASSOCIATION LIMITED

REPORT OF THE AUDITOR TO THE MANAGEMENT COMMITTEE OF MILNBANK HOUSING ASSOCIATION LIMITED ON INTERNAL FINANCIAL CONTROLS

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: 10 September 2019

MILNBANK HOUSING ASSOCIATION LIMITED

**GROUP STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2019**

| | Note | 2019 £ | 2018 £ |
|--|------|--------------------|-------------|
| Turnover | 4 | 7,258,060 | 6,701,428 |
| Operating expenditure | 4 | (6,565,496) | (6,168,892) |
| Operating surplus | 4 | 692,564 | 532,536 |
| Gain on disposal of property, plant and equipment | | - | 39,550 |
| Interest receivable and other income | 10 | 13,382 | 4,803 |
| Interest payable and similar charges | 11 | (508,268) | (360,850) |
| Surplus for the year before taxation | | 197,678 | 216,039 |
| Taxation | 12 | 202 | (1,013) |
| Surplus for the year after taxation | | 197,880 | 215,026 |
| Other comprehensive income | | | |
| Initial recognition of multi-employer defined benefit scheme | 23 | (395,722) | - |
| Actuarial loss in respect of SHAPS pension scheme | 23 | (194,000) | - |
| Actuarial (loss)/gain in respect of Strathclyde pension scheme | 23 | (56,000) | 165,000 |
| Total comprehensive income for the year | | (447,842) | 380,026 |

The results for the year relate wholly to continuing activities.

The notes on pages 17-47 form part of these financial statements.

MILNBANK HOUSING ASSOCIATION LIMITED

**ASSOCIATION STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2019**

| | Note | 2019 £ | 2018 £ |
|--|------|-------------------------|-----------------------|
| Turnover | 4 | 6,927,259 | 6,388,305 |
| Operating expenditure | 4 | <u>(6,267,553)</u> | <u>(5,889,075)</u> |
| Operating surplus | 4 | 659,706 | 499,230 |
| Gain on disposal of property, plant and equipment | | - | 39,550 |
| Interest receivable and other income | 10 | 13,382 | 4,803 |
| Interest payable and similar charges | 11 | (508,268) | (360,850) |
| Gift aid from subsidiaries | 28 | <u>27,345</u> | <u>15,427</u> |
| Surplus for the year | | <u>192,165</u> | <u>198,160</u> |
| Other comprehensive income | | | |
| Initial recognition of multi-employer defined benefit scheme | 23 | (395,722) | - |
| Actuarial loss in respect of SHAPS pension scheme | 23 | (194,000) | - |
| Actuarial (loss)/gain in respect of Strathclyde pension scheme | 23 | <u>(56,000)</u> | <u>165,000</u> |
| Total comprehensive income for the year | | <u><u>(453,557)</u></u> | <u><u>363,160</u></u> |

The results for the year relate wholly to continuing activities.

The notes on pages 17-47 form part of these financial statements.

MILNBANK HOUSING ASSOCIATION LIMITED

**STATEMENT OF CHANGES IN CAPITAL AND RESERVES
FOR THE YEAR ENDED 31 MARCH 2019**

**GROUP STATEMENT OF CHANGES IN CAPITAL AND RESERVES
FOR THE YEAR ENDED 31 MARCH 2019**

| | Share Capital £ | Revenue Reserve £ | Total Reserves £ |
|----------------------------|-----------------------|-------------------------|------------------------|
| Balance at 1 April 2018 | 715 | 17,196,447 | 17,197,162 |
| Total comprehensive income | - | (447,842) | (447,842) |
| Share capital issued | 115 | - | 115 |
| Share capital cancelled | (48) | - | (48) |
| | <u>782</u> | <u>16,748,605</u> | <u>16,749,387</u> |
| Balance at 31 March 2019 | <u>782</u> | <u>16,748,605</u> | <u>16,749,387</u> |

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

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

**ASSOCIATION STATEMENT OF CHANGES IN CAPITAL AND RESERVES
FOR THE YEAR ENDED 31 MARCH 2019**

| | Share Capital £ | Revenue Reserve £ | Total Reserves £ |
|----------------------------|-----------------------|-------------------------|------------------------|
| Balance at 1 April 2018 | 715 | 17,164,021 | 17,164,736 |
| Total comprehensive income | - | (453,557) | (453,557) |
| Share capital issued | 115 | - | 115 |
| Share capital cancelled | (48) | - | (48) |
| | <u>782</u> | <u>16,710,464</u> | <u>16,711,246</u> |
| Balance at 31 March 2019 | <u>782</u> | <u>16,710,464</u> | <u>16,711,246</u> |

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

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

The notes on pages 17-47 form part of these financial statements

MILNBANK HOUSING ASSOCIATION LIMITED
GROUP STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2019

| | Note | 2019 £ | 2018 £ |
|--|------|--------------------------|--------------------------|
| Tangible fixed assets | | | |
| Housing properties | 13 | 33,149,298 | 32,485,029 |
| Other fixed assets | 13 | 759,983 | 783,718 |
| | 13 | <u>33,909,281</u> | <u>33,268,747</u> |
| Current assets | | | |
| Stock | 16 | 2,032 | 1,706 |
| Debtors | 17 | 516,503 | 857,483 |
| Cash at bank and in hand | 18 | 6,164,602 | 1,718,297 |
| | | <u>6,683,137</u> | <u>2,577,486</u> |
| Creditors: amounts falling due within one year | 19 | <u>(2,809,795)</u> | <u>(3,930,653)</u> |
| Net current assets/(liabilities) | | <u>3,873,342</u> | <u>(1,353,167)</u> |
| Total assets less current assets/(liabilities) | | 37,782,623 | 31,915,580 |
| Creditors: amounts falling due after more than one year | 20 | (19,730,425) | (14,619,405) |
| Pension - Strathclyde defined benefit liability | 23 | (170,000) | (98,000) |
| Pension – SHAPS defined benefit liability | 23 | (1,132,000) | - |
| Deferred taxation | 25 | (811) | (1,013) |
| | | <u>16,749,387</u> | <u>17,197,162</u> |
| Net assets | | <u>16,749,387</u> | <u>17,197,162</u> |
| Capital and reserves | | | |
| Share capital | 26a | 782 | 715 |
| Revenue reserve | 26b | 16,748,605 | 17,196,447 |
| | | <u>16,749,387</u> | <u>17,197,162</u> |

The financial statements were audited and are signed on their behalf by

Management Committee on 10 September 2019

Chairperson

Vice-Chairperson

Secretary

The notes on pages 17-47 form part of these financial statements.

MILNBANK HOUSING ASSOCIATION LIMITED

ASSOCIATION STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2019

| | Note | 2019 £ | 2018 £ |
|--|------|---------------------|---------------------|
| Tangible fixed assets | | | |
| Housing properties | 13 | 33,149,298 | 32,485,029 |
| Other fixed assets | 13 | 755,215 | 777,757 |
| | 13 | <u>33,904,513</u> | <u>33,262,786</u> |
| Investments | | | |
| Investments in subsidiaries | 15 | 2 | 2 |
| Current assets | | | |
| Debtors | 17 | 538,779 | 727,281 |
| Cash at bank and in hand | 18 | 5,832,979 | 1,510,250 |
| | | <u>6,371,758</u> | <u>2,237,531</u> |
| Creditors: amounts falling due within one year | 19 | <u>(2,532,602)</u> | <u>(3,618,178)</u> |
| Net current assets/(liabilities) | | <u>3,839,156</u> | <u>(1,380,647)</u> |
| Total assets less current assets/(liabilities) | | 37,743,671 | 31,882,141 |
| Creditors: amounts falling due after more than one year | 20 | (19,730,425) | (14,619,405) |
| Pension - Strathclyde defined benefit liability | 23 | (170,000) | (98,000) |
| Pension - SHAPS defined benefit liability | 23 | (1,132,000) | - |
| | | <u>16,711,246</u> | <u>17,164,736</u> |
| Net assets | | 16,711,246 | 17,164,736 |
| Capital and reserves | | | |
| Share capital | 26a | 782 | 715 |
| Revenue reserve | 26b | 16,710,464 | 17,164,021 |
| | | <u>16,711,246</u> | <u>17,164,736</u> |

The financial statements were authorised for issue by the Management Committee on 10 September 2019 and are signed on their behalf by:

Chairperson

ice-Chairperson

ecretary

The notes on pages 17-47 form part of these financial statements.

MILNBANK HOUSING ASSOCIATION LIMITED

GROUP STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2019

| | Notes | £ | 2019 £ | £ | 2018 £ |
|---|-------|-------------|------------------|-------------|------------------|
| Net cash generated from operating activities | 30 | | 1,125,749 | | 1,004,205 |
| Cash flow from investing activities | | | | | |
| Purchase of tangible fixed assets | | (1,301,952) | | (1,218,801) | |
| Proceeds from sale of tangible fixed assets | | 50,887 | | 328,253 | |
| Grants received | | - | | 167,591 | |
| Interest received | | 13,382 | | 4,803 | |
| | | | (1,237,683) | | (718,154) |
| Cash flow from financing activities | | | | | |
| Interest paid | | (481,268) | | (344,749) | |
| Repayment of borrowings | | (4,941,393) | | (1,223,557) | |
| Loans drawn down | | 9,980,785 | | - | |
| Issue of share capital | | 115 | | 60 | |
| | | | 4,558,239 | | (1,568,246) |
| Net changes in cash and cash equivalents | | | 4,446,305 | | (1,282,195) |
| Cash and cash equivalents at 1 April | | | 1,718,297 | | 3,000,492 |
| Cash and cash equivalents at 31 March | | | <u>6,164,602</u> | | <u>1,718,297</u> |

The notes on pages 17-47 form part of these financial statements

MILNBANK HOUSING ASSOCIATION LIMITED

ASSOCIATION STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2019

| | Notes | £ | 2019 £ | £ | 2018 £ |
|---|-------|-------------|------------------|-------------|------------------|
| Net cash generated from operating activities | 30 | | 1,002,173 | | 869,684 |
| Cash flow from investing activities | | | | | |
| Purchase of tangible fixed assets | | (1,301,952) | | (1,212,840) | |
| Proceeds from sale of tangible fixed assets | | 50,887 | | 328,253 | |
| Grants received | | - | | 167,591 | |
| Interest received | | 13,382 | | 4,803 | |
| | | | (1,237,683) | | (712,193) |
| Cash flow from financing activities | | | | | |
| Interest paid | | (481,268) | | (344,749) | |
| Repayment of borrowings | | (4,941,393) | | (1,223,557) | |
| Loans drawn down | | 9,980,785 | | - | |
| Issue of share capital | | 115 | | 60 | |
| | | | 4,558,239 | | (1,568,246) |
| Net changes in cash and cash equivalents | | | 4,322,729 | | (1,410,755) |
| Cash and cash equivalents at 1 April | | | 1,510,250 | | 2,921,005 |
| Cash and cash equivalents at 31 March | | | <u>5,832,979</u> | | <u>1,510,250</u> |

The notes on pages 17-47 form part of these financial statements.

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 principal accounting policies are set out below:

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. The Association has taken advantage of the provisions made available through Financial Reporting Exposure Draft (FRED) 71, "Draft amendments to FRS 102 on Multi-employer defined benefit plans". These provisions will become effective as part of FRS 102 for accounting periods commencing on or after 1 January 2020, however the Association has chosen to early adopt these provisions for the current accounting period. Therefore for the year ended 31 March 2018, SHAPS was accounted for as a defined contribution scheme although the past service deficit liability was recognised as a liability. For the year ended 31 March 2019, SHAPS is accounted for as a defined benefit pension liability with the adjustment to reflect the movement between the past service deficit liability at 1 April 2018 and the SHAPS defined benefit liability at 1 April 2018 being recognised within Other Comprehensive Income in the Statement of Comprehensive Income as outlined in FRED 71. Further details in respect of this can be found in Note 23 to these financial statements.

The effect of events relating to the year ended 31 March 2019, which occurred before the date of approval of the financial statements by the Management Committee have been included in the statements to the extent required to show a true and fair view of the state of affairs as at 31 March 2019 and of the results for the year ended on that date.

Going Concern

The Management Committee anticipates that a surplus will be generated in the year ended 31 March 2020 and the year ended 31 March 2021. 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.

2. Accounting policies (continued)

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.

Income from rental and service charges, factoring and commercial letting activities is recognised when the Association is entitled to it, it is probable it will be received and it can be measured reliably.

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.

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.

2. Accounting policies (continued)

Fixed assets - Housing properties (continued)

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

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

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

Depreciation

1. Housing properties

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

| |
|--|
| 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.

2. Accounting policies (continued)

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.

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.

Current asset investments

Current asset investments are represented by long term deposits with financial institutions repayable after more than three months.

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.

2. Accounting policies (continued)

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.

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

Up until 31 March 2018, it was not possible to identify the share of underlying assets and liabilities belonging to individual participating employers. Thus, up until the end of the 31 March 2018 year end, the Scheme was accounted for as a defined contribution scheme. However the Association entered into a past service deficit repayment agreement with TPT and per FRS 102, this discounted past service deficit liability was recognised in the Statement of Financial Position.

From 1 April 2018, information became available in order to separate out the assets and liabilities between scheme members and thus the SHAPS defined benefit pension liability is accounted for as a defined benefit pension scheme from 1 April 2018 onwards. In accordance with FRS 102 section 28, the operating and financing costs of pension and post retirement schemes (determined by TPT) 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 changes in the actuarial assumptions, is recognised in Other Comprehensive Income.

2. Accounting policies (continued)

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.

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:

| <u>Estimate</u> | <u>Basis of estimation</u> |
|--|---|
| Useful lives of property, plant and equipment | The useful lives of property, plant and equipment are based on the knowledge of senior management, 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 2019

4. Particulars of Turnover, Operating Expenditure and Operating Surplus

| Group | 2019 | | | 2018 | | |
|--|------------------|-------------------------------|---------------------------|------------------|-------------------------------|---------------------------|
| | Turnover £ | Operating Expenditure £ | Operating Surplus £ | Turnover £ | Operating Expenditure £ | Operating Surplus £ |
| Social Lettings (Note 5) | 6,359,979 | (5,746,997) | 612,982 | 5,879,086 | (5,435,686) | 443,400 |
| Other activities (Note 6) | 567,280 | (520,556) | 46,724 | 509,219 | (453,389) | 55,830 |
| Milnbank Property Services Limited | 256,432 | (237,755) | 18,677 | 245,355 | (228,742) | 16,613 |
| Milnbank Community Enterprises Limited | 74,369 | (60,188) | 14,181 | 67,768 | (51,075) | 16,693 |
| | <u>7,258,060</u> | <u>(6,565,496)</u> | <u>692,564</u> | <u>6,701,428</u> | <u>(6,168,892)</u> | <u>532,536</u> |
| Association | | | | | | |
| Social Lettings (Note 5) | 6,359,979 | (5,746,997) | 612,982 | 5,879,086 | (5,435,686) | 443,400 |
| Other activities (Note 6) | 567,280 | (520,556) | 46,724 | 509,219 | (453,389) | 55,830 |
| | <u>6,927,259</u> | <u>(6,267,553)</u> | <u>659,706</u> | <u>6,388,305</u> | <u>(5,889,075)</u> | <u>499,230</u> |

MILNBANK HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2019

| 5. Particulars of turnover, operating expenditure and operating surplus from social letting activities | | | | | | |
|--|-------------------------------|-----------------------------|--------------------------|--------------------|--------------------|--|
| Group and Association | General Needs Housing £ | Supported Housing * £ | Shared Ownership £ | 2019 Total £ | 2018 Total £ | |
| Income from rent and service charges | | | | | | |
| Rent receivable net of service charges | 5,469,604 | 149,495 | 7,511 | 5,626,610 | 5,383,188 | |
| Service charges | - | - | - | - | - | |
| Gross income from rents and service charges | 5,469,604 | 149,495 | 7,511 | 5,626,610 | 5,383,188 | |
| Less voids | (143,708) | - | - | (143,708) | (71,763) | |
| Net income from rents and service charges | 5,325,896 | 149,495 | 7,511 | 5,482,902 | 5,311,425 | |
| Other revenue grants | 239,804 | 317,481 | - | 557,285 | 389,232 | |
| Other income | - | 27,351 | - | 27,351 | 12,798 | |
| Amortisations of deferred government capital grants | 130,492 | - | 57,901 | 188,393 | 105,631 | |
| Stage 3 adaptations grant | 104,048 | - | - | 104,048 | 60,000 | |
| Total turnover from social letting activities | 5,800,240 | 494,327 | 65,412 | 6,359,979 | 5,879,086 | |
| Expenditure | | | | | | |
| Management and maintenance administration costs | (2,901,068) | (510,649) | (3,877) | (3,415,594) | (3,121,811) | |
| Service charges | - | - | - | - | - | |
| Planned cyclical maintenance including major repairs | (637,198) | - | - | (637,198) | (767,334) | |
| Reactive maintenance costs | (1,028,504) | - | - | (1,028,504) | (849,240) | |
| Bad debts – rents and service charges | (79,659) | - | - | (79,659) | (123,676) | |
| Depreciation of social housing** | (573,258) | - | (12,784) | (586,042) | (573,625) | |
| Operating costs for social letting activities | (5,219,687) | (510,649) | (16,661) | (5,746,997) | (5,435,686) | |
| Operating surplus on letting activities, 2019 | 580,553 | (16,322) | 48,751 | 612,982 | | |
| Operating surplus on letting activities, 2018 | 414,170 | 29,230 | - | 443,400 | | |

* Relates to Walpole and Circus Drive.

** Depreciation includes £510,250 (2018: £483,844) of actual depreciation, and the net book value of disposed components of £75,792 (2018: £89,781) 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 2019

6. Particulars of turnover, operating expenditure and operating surplus from other activities

| Group and Association | £ | £ | £ | £ | £ | £ | £ | £ | £ | £ | £ |
|------------------------------------|--------------------------------|----------------------|--------------------------|----------------|----------------|-----------------------|---------------|----------------|-----------------------|---------------|---|
| | Grants from Scottish Ministers | Other revenue grants | Supporting people income | Other income | Total Turnover | Operating expenditure | Surplus | Total Turnover | Operating expenditure | Surplus | |
| | 2019 | 2019 | 2019 | 2019 | 2019 | 2019 | 2019 | 2018 | 2018 | 2018 | |
| | £ | £ | £ | £ | £ | £ | £ | £ | £ | £ | £ |
| Wider role activities # | 214,210 | 30,320 | - | - | 244,530 | (244,530) | - | 176,724 | (174,321) | 2,403 | |
| Carbon Footprint Nursery | - | - | - | 322,750 | 322,750 | (276,026) | 46,724 | 332,495 | (279,068) | 53,427 | |
| Total from other activities - 2019 | <u>214,210</u> | <u>30,320</u> | <u>-</u> | <u>322,750</u> | <u>567,280</u> | <u>(520,556)</u> | <u>46,724</u> | | | | |
| 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> | |

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:-

| | 2019 | 2018 |
|-------------------------|------------------|------------------|
| | £ | £ |
| Development income | 543,460 | 357,800 |
| Development expenditure | <u>(543,460)</u> | <u>(357,800)</u> |
| | <u>-</u> | <u>-</u> |

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2019**
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 (2018: £nil) for their services in the year. The director's remuneration is as follows:

| | 2019 £ | 2018 £ |
|--|---------------|---------------|
| Total emoluments of the Director (excluding pension Contributions) | <u>87,844</u> | <u>84,909</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 2019 was £11,189 (2018: £10,867) with estimated past service deficit payments of £26,464 (2018: £21,817).

| | | |
|--|----------------|----------------|
| Total emoluments paid to those earning more than £60,000 excluding pension contributions | <u>156,575</u> | <u>152,129</u> |
| Pension contributions paid to those earning more than £60,000 | <u>20,031</u> | <u>19,412</u> |
| Past service deficit payments in respect of those earning more than £60,000 | <u>47,170</u> | <u>39,089</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 | - | 1 |
| £85,001 - £90,000 | 1 | - |

| | £ | £ |
|---|--------------|--------------|
| Total expenses reimbursed to directors in so far as not chargeable to United Kingdom income tax | <u>1,427</u> | <u>1,467</u> |

| | | |
|---|----------------|----------------|
| Total emoluments paid to key management personnel including pension contributions (including past service deficit payments) and employers' NI | <u>501,775</u> | <u>482,052</u> |
|---|----------------|----------------|

MILNBANK HOUSING ASSOCIATION LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2019**

8. Employee Information

| Group | 2019 No. | 2018 No. |
|--|---------------------|---------------------|
| The full time equivalent number of employees employed during the year was: | | |
| Administration & Finance | 20 | 20 |
| Housing services management | 10 | 10 |
| Property services (including maintenance) | 41 | 41 |
| Housing with Support | 13 | 13 |
| Wardens & Cleaners | 9 | 10 |
| Nursery | 14 | 14 |
| Wider role | 2 | 1 |
| Milnbank Community Enterprise Limited | 2 | 2 |
| | <u>111</u> | <u>111</u> |
| | 2019 £ | 2018 £ |
| Staff costs (including Directors' Emoluments): | | |
| Wages and salaries | 2,749,128 | 2,681,499 |
| Social security costs | 234,273 | 221,429 |
| Pension costs | 142,125 | 132,294 |
| Defined benefit pension charge – Strathclyde pension fund (note 23) | 14,000 | 12,000 |
| Defined benefit pension charge - SHAPS (note 23) | 24,466 | - |
| | <u>3,163,992</u> | <u>3,047,222</u> |
| SHAPS re-measurements (credit) (Note 23) | <u>-</u> | <u>(8,566)</u> |
| | 2019 No. | 2018 No. |
| The full time equivalent number of employees employed during the year was: | | |
| Administration & Finance | 20 | 20 |
| Housing services management | 10 | 10 |
| Property services (including maintenance) | 41 | 41 |
| Housing with Support | 13 | 13 |
| Wardens & Cleaners | 9 | 10 |
| Nursery | 14 | 14 |
| Wider role | 2 | 1 |
| | <u>109</u> | <u>109</u> |

MILNBANK HOUSING ASSOCIATION LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2019**

8. Employee Information (continued)

| | 2019 £ | 2018 £ |
|---|------------------|------------------|
| Staff costs (including Directors' Emoluments): | | |
| Wages and salaries | 2,510,474 | 2,460,781 |
| Social security costs | 216,538 | 203,093 |
| Pension costs | 130,541 | 122,240 |
| Defined benefit pension charge – Strathclyde Pension Fund (note 23) | 14,000 | 12,000 |
| Defined benefit pension liability – staff service costs (note 23) | 24,266 | - |
| | <u>2,895,819</u> | <u>2,798,114</u> |
| SHAPS re-measurements credit (Note 23) | - | (8,566) |
| | <u>-</u> | <u>(8,566)</u> |

Association (continued)

During the year past service deficit contributions of £168,317 were paid. Of this payment £163,266 was a payment in respect of the SHAPS past service deficit liability. The remainder of £5,051 was pension management costs which have been included in the pension contributions total included in staff costs above.

9. Operating Surplus

Group

| | 2019 £ | 2018 £ |
|--|---------------|---------------|
| Operating surplus is stated after charging: | | |
| Depreciation on tangible fixed assets | 533,985 | 508,746 |
| Depreciation due to loss on disposal of components | 75,972 | 89,781 |
| Auditor's remuneration (excluding VAT) | | |
| - In their capacity as auditor | 18,985 | 18,435 |
| - In respect of other services | 3,494 | 3,400 |
| | <u>18,985</u> | <u>18,435</u> |
| | <u>3,494</u> | <u>3,400</u> |

Association

| | 2019 £ | 2018 £ |
|--|---------------|---------------|
| Operating surplus is stated after charging: | | |
| Depreciation on tangible fixed assets | 532,792 | 508,746 |
| Depreciation due to loss on disposal of components | 75,972 | 89,781 |
| Auditor's remuneration (excluding VAT) | | |
| - In their capacity as auditor | 11,665 | 11,325 |
| - In respect of other services | 2,575 | 2,500 |
| | <u>11,665</u> | <u>11,325</u> |
| | <u>2,575</u> | <u>2,500</u> |

10. Interest Receivable and Other Income – Group and Association

| | 2019 £ | 2018 £ |
|---------------------------------|---------------|--------------|
| Interest receivable on deposits | <u>13,382</u> | <u>4,803</u> |

MILNBANK HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019

11. Interest payable and similar charges – Group and Association

| | 2019 £ | 2018 £ |
|---|----------------|----------------|
| On private loans | 481,268 | 344,749 |
| Strathclyde Pension Fund finance charge (note 23) | 2,000 | 7,000 |
| Defined benefit pension liability – interest charge (Note 23) | 25,000 | 9,101 |
| | <u>508,268</u> | <u>360,850</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 (2018: £nil). No corporation tax arose in either subsidiary (2018: £nil), however a deferred tax credit of £202 (2018: deferred tax charge of £1,013) arose in Milnbank Community Enterprises Limited in 2018/19.

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 (2018: £nil).

MILNBANK HOUSING ASSOCIATION LIMITED
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 31 MARCH 2019

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 | 33,845,821 | 17,296 | 719,123 | 52,500 | 809,536 | 362,471 | 386,884 | 36,193,631 |
| Additions during year | 1,301,952 | - | - | - | - | - | - | 1,301,952 |
| Transfers | - | - | - | - | - | - | - | - |
| Disposals – units | - | - | (79,902) | - | - | - | - | (79,902) |
| Disposals – components | (89,022) | - | - | - | - | - | - | (89,022) |
| At end of year | 35,058,751 | 17,296 | 639,221 | 52,500 | 809,536 | 362,471 | 386,884 | 37,326,659 |
| Depreciation | | | | | | | | |
| At start of year | 1,838,058 | - | 259,153 | - | 441,829 | 354,892 | 30,952 | 2,924,884 |
| Charge for year | 497,466 | - | 12,784 | - | 13,186 | 2,811 | 7,738 | 533,985 |
| Transfers | - | - | - | - | - | - | - | - |
| On disposals – units | - | - | (28,261) | - | - | - | - | (28,261) |
| On disposals – components | (13,230) | - | - | - | - | - | - | (13,230) |
| At end of year | 2,322,294 | - | 243,676 | - | 455,015 | 357,703 | 38,690 | 3,417,378 |
| Net Book Value | | | | | | | | |
| At end of year | 32,736,457 | 17,296 | 395,545 | 52,500 | 354,521 | 4,768 | 348,194 | 33,909,281 |
| At start of year | 32,007,763 | 17,296 | 459,970 | 52,500 | 367,707 | 7,579 | 355,932 | 33,268,747 |

Note 1: Properties with a cost of £79,902 (2018: £132,848) and depreciation of £28,261 (2018: £5,519) have been disposed of in the year with net proceeds totalling £50,887 (2018: £328,253). £nil (2018: £161,374) 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 £1,301,952 (2018: £1,146,999) were capitalised in the year. This included £90,268 (2018: £106,727) of capitalised staff costs relating to the 'Planned Groundwork's Team'. The purchase of additional housing units with a total cost of £nil (2018: £65,841) were capitalised in the year. Additions to Housing Properties during the year includes £nil (2018: £nil) capitalised interest and £nil (2018: £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 2019

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 | 33,845,821 | 17,296 | 719,123 | 52,500 | 809,536 | 356,510 | 386,884 | 36,187,670 |
| Additions during year | 1,301,952 | - | - | - | - | - | - | 1,301,952 |
| Transfers | - | - | (79,902) | - | - | - | - | (79,902) |
| Disposals – units | - | - | - | - | - | - | - | (89,022) |
| Disposals – components | (89,022) | - | - | - | - | - | - | - |
| At end of year | 35,058,751 | 17,296 | 639,221 | 52,500 | 809,536 | 356,510 | 386,884 | 37,320,698 |
| Depreciation | | | | | | | | |
| At start of year | 1,838,058 | - | 259,153 | - | 441,829 | 354,892 | 30,952 | 2,924,884 |
| Charge for year | 497,466 | - | 12,784 | - | 13,186 | 1,618 | 7,738 | 532,792 |
| Transfers | - | - | - | - | - | - | - | - |
| On disposals – units | - | - | (28,261) | - | - | - | - | (28,261) |
| On disposals – components | (13,230) | - | - | - | - | - | - | (13,230) |
| At end of year | 2,322,294 | - | 243,676 | - | 455,015 | 356,510 | 38,690 | 3,416,185 |
| Net Book Value | | | | | | | | |
| At end of year | 32,736,457 | 17,296 | 395,545 | 52,500 | 354,521 | - | 348,194 | 33,904,513 |
| At start of year | 32,007,763 | 17,296 | 459,970 | 52,500 | 367,707 | 1,618 | 355,932 | 33,262,786 |

Note 1: Properties with a cost of £79,902 (2018: £132,848) and depreciation of £28,261 (2018: £5,519) have been disposed of in the year with net proceeds totalling £50,887 (2018: £328,253). £nil (2018: £161,374) 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 £1,301,952 (2018: £1,146,999) were capitalised in the year. This included £90,268 (2018: £106,727) of capitalised staff costs relating to the 'Planned Groundwork's Team'. The purchase of additional housing units with a total cost of £nil (2018: £65,841) were capitalised in the year. Additions to Housing Properties during the year includes £nil (2018: £nil) capitalised interest and £nil (2018: £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 2019

14. Housing Stock – Group and Association

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

| | Units in management 2019 Improved | Units in management 2018 Improved |
|--|--|--|
| General needs | 1,675 | 1,675 |
| Supported – Walpole (self-contained units) | 7 | 7 |
| Shared ownership | 8 | 9 |
| | <u>1,690</u> | <u>1,691</u> |

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

15. Investments in subsidiaries

| Association | 2019 £ | 2018 £ |
|---------------------------------------|-----------|-----------|
| 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 2019 was £14,383 (2018: £15,680). The capital and reserves of Milnbank Community Enterprises Limited as at 31 March 2019 was £19,395 (2018: £15,744).

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 2019 was £18,677 (2018: £16,613). The capital and reserves of Milnbank Property Services Limited as at 31 March 2019 was £18,748 (2018: £16,684).

16. Stock

| Group | 2019 £ | 2018 £ |
|-----------|--------------|--------------|
| Bar Stock | <u>2,032</u> | <u>1,706</u> |

MILNBANK HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2019

17. Debtors

| Group | 2019 £ | 2018 £ |
|--------------------------------------|----------------|----------------|
| Amounts falling due within one year: | | |
| Rental arrears | 364,181 | 367,159 |
| Less: provision for bad debts | (213,446) | (121,278) |
| | <u>150,735</u> | <u>245,881</u> |
| Trade debtors | 46,297 | 30,942 |
| Other debtors | 105,712 | 331,678 |
| Accrued income | 213,759 | 248,982 |
| | <u>516,503</u> | <u>857,483</u> |

Association

| Association | 2019 £ | 2018 £ |
|--------------------------------------|----------------|----------------|
| Amounts falling due within one year: | | |
| Rental arrears | 364,181 | 367,159 |
| Less: provision for bad debts | (213,446) | (121,278) |
| | <u>150,735</u> | <u>245,881</u> |
| Amounts owed by subsidiaries | 300,653 | 149,762 |
| Other debtors | 87,391 | 331,638 |
| | <u>538,779</u> | <u>727,281</u> |

18. Cash and cash equivalents

| Group | 2019 £ | 2018 £ |
|-----------------------------------|------------------|------------------|
| Balances held in current accounts | 834,602 | 788,297 |
| Balances held in deposit accounts | 5,330,000 | 930,000 |
| | <u>6,164,602</u> | <u>1,718,297</u> |
| Association | | |
| Balances held in current accounts | 502,979 | 580,250 |
| Balances held in deposit accounts | 5,330,000 | 930,000 |
| | <u>5,832,979</u> | <u>1,510,250</u> |

MILNBANK HOUSING ASSOCIATION LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2019**

19. Creditors: amounts falling due within one year

| Group | 2019 | 2018 |
|--|------------------|------------------|
| | £ | £ |
| Bank loans and bond | 174,330 | 915,280 |
| Trade creditors | 291,061 | 274,089 |
| Other creditors | 1,826,915 | 2,258,363 |
| Accruals | 221,574 | 15,209 |
| Rent prepaid | 176,616 | 180,887 |
| Other taxes and social security | 61,670 | 60,673 |
| Deferred Government capital grant (Note 21) | 57,629 | 63,071 |
| SHAPS past service pension deficit liability (Note 23) | - | 163,081 |
| | <u>2,809,795</u> | <u>3,930,653</u> |
| Secured creditors | <u>174,330</u> | <u>915,280</u> |

At the year-end pension contributions of £nil (2018: £nil) were outstanding and included within other creditors.

| Association | 2019 | 2018 |
|--|------------------|------------------|
| | £ | £ |
| Bank loans and bond | 174,330 | 915,280 |
| Trade creditors | 268,078 | 230,073 |
| Other creditors | 1,782,791 | 1,993,576 |
| Accruals | 12,000 | 12,000 |
| Rent prepaid | 176,616 | 180,887 |
| Other taxes and social security | 61,158 | 60,210 |
| Deferred Government capital grant (Note 21) | 57,629 | 63,071 |
| SHAPS past service pension deficit liability (Note 23) | - | 163,081 |
| | <u>2,532,602</u> | <u>3,618,178</u> |
| Secured creditors | <u>174,330</u> | <u>915,280</u> |

At the year-end pension contributions of £nil (2018: £nil) were outstanding and included within other creditors.

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

| | 2019 | 2018 |
|--|-------------------|-------------------|
| | £ | £ |
| Bank loans and bond | 17,293,874 | 11,513,532 |
| Deferred Government capital grant (Note 21) | 2,429,725 | 2,612,676 |
| SHAPS past service pension deficit liability (Note 23) | 6,826 | 493,197 |
| | <u>19,730,425</u> | <u>14,619,405</u> |
| Secured creditors | <u>17,293,874</u> | <u>11,513,532</u> |

MILNBANK HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2019

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

Loans are secured by specific charges on the Association's properties. The net book value of housing properties secured at the year-end was £21.240m (2018: £26.164m). 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 effective interest rate on the GBSH Bond Facility is 3.898% (Coupon Rate 5.193%) with the principal to be paid in February 2038.

The loans and bonds are due in instalments as follows: -

| | 2019 £ | 2018 £ |
|--------------------------------|-------------------|-------------------|
| Due between one and two years | 260,988 | 935,000 |
| Due between two and five years | 805,913 | 1,148,467 |
| Due in five years or more | 16,226,973 | 9,430,065 |
| | <u>17,293,874</u> | <u>11,513,532</u> |

21. Deferred Government capital grants – Group and Association

| | 2019 £ | 2018 £ |
|----------------------------|------------------|------------------|
| <u>Housing grants</u> | | |
| At 1 April | 2,675,747 | 2,613,787 |
| Grants received in year | - | 167,591 |
| Released to income in year | (188,393) | (105,631) |
| | <u>2,487,354</u> | <u>2,675,747</u> |
| At 31 March | | |

The ageing on deferred capital grants is as follows:

| | | |
|--------------------------------|------------------|------------------|
| Due in less than one year | 57,629 | 63,071 |
| Due in one to two years | 57,629 | 63,071 |
| Due between two and five years | 172,888 | 189,213 |
| Due in five years or more | 2,199,208 | 2,360,392 |
| | <u>2,487,354</u> | <u>2,675,747</u> |

22. Financial Instruments
Group

Financial Assets

| | 2019 £ | 2018 £ |
|---|------------------|------------------|
| Cash at bank and in hand | 6,164,602 | 1,718,297 |
| Financial assets measured at amortised cost | 516,503 | 857,483 |
| | <u>6,681,105</u> | <u>2,575,780</u> |

Financial Liabilities

| | | |
|--|-------------------|-------------------|
| Financial liabilities measured at amortised cost | <u>19,608,437</u> | <u>15,632,751</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 2019**

| 22. Financial Instruments (continued) Association | 2019 | 2018 |
|--|-------------------|-------------------|
| | £ | £ |
| Financial Assets | | |
| Cash at bank and in hand | 5,832,979 | <i>1,510,250</i> |
| Financial assets measured at amortised cost | 538,779 | <i>727,281</i> |
| | 6,371,758 | <i>2,237,531</i> |
| Financial Liabilities | | |
| Financial liabilities measured at amortised cost | 19,537,900 | <i>15,320,739</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 Associations' Pension Scheme, (the "Scheme"). The scheme is a multi-employer defined benefit scheme which provides benefits to some 150 non-associated employers. The scheme is funded.

The Scheme is subject to the funding legislation outlined in the Pensions Act 2004 which came into force on 30 December 2005. This, together with documents issued by the Pensions Regulator and Technical Actuarial Standards issued by the Financial Reporting Council, set out the framework for funding defined benefit occupational pension schemes in the UK.

The Scheme offers six benefit structures to employers, namely:

Final salary with a 1/60th accrual rate; Career average revalued earnings with a 1/60th accrual rate; a 1/70th accrual rate; a 1/80th accrual rate; 1/120th accrual rate, contracted in; and a 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 12 (2018: 13) active members of the Defined Benefit Scheme employed by Milnbank Housing Association Limited.

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, 57 employees were auto enrolled and stayed in the Defined Contribution Scheme.

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 £163,266 (net of administration costs) made in the year ended 31 March 2019 (2018: £159,911). Employer contributions to the Defined Contribution Scheme are set at 4% and employees contributed 5% of their salaries.

The Trustee commissions an actuarial valuation of the Scheme every 3 years. The main purpose of the valuation is to determine the financial position of the Scheme in order to determine the level of future contributions required so that the Scheme can meet its pension obligations as they fall due.

MILNBANK HOUSING ASSOCIATION LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2019**

23. Pensions – Group and Association (continued)

Year ended 31 March 2018

Up until 31 March 2018, it was not possible in the normal course of events to identify the share of underlying assets and liabilities belonging to individual participating employers. Thus, up until the end of the 31 March 2018 year end, the Scheme was accounted for as a defined contribution scheme. However the Association entered into a past service deficit repayment agreement with the Pension Trust and per FRS 102, this discounted past service deficit liability was recognised in the Statement of Financial Position.

The last triennial valuation of the Scheme for funding purposes was carried out as at 30 September 2015. This valuation revealed a deficit of £198m. A Recovery Plan has been put in place to eliminate the deficit which runs to 28 February 2022 for the majority of employers, although certain employers have different arrangements.

The key valuation assumptions used to determine the assets and liabilities of the Scheme as at 30 September 2015 are detailed below:

| | | |
|-------------------------------------|---|-----------------|
| - Investment return pre retirement | | 5.30% per annum |
| - Investment return post retirement | - Non-pensioners | 3.40% per annum |
| - Investment return post retirement | - Pensioners | 3.40% per annum |
| - Rate of salary increases | | 4.10% per annum |
| - Rate of pension increases | - pension accrued pre 6 April 2005 | 2.00% per annum |
| | - pension accrued from 6 April 2005 | 1.70% per annum |
| | - (for leavers before 1 October 1993 pension increases are 5%) | |
| - Rate of price inflation | | 2.60% per annum |

The contributions paid in respect of the defined contribution scheme is 4% employee contributions and 8% employer contributions.

30 September 2017 funding update

The Employer Committee received the 30 September 2017 Actuarial Report, the annual funding update which shows the Scheme's ongoing funding position in between each three-yearly valuation.

A summary is shown below:

| 30 September | Assets | Liabilities | Deficit | Funding |
|--------------|--------|-------------|---------|---------|
| 2015 | £616m | £814m | £198m | 76% |
| 2016 | £810m | £1,020m | £210m | 79% |
| 2017 | £852m | £981m | £129m | 87% |

The Trustee's view is that the recovery plan remains appropriate and there is no need to take any action ahead of the next actuarial valuation, which was due as at 30 September 2018. The information regarding this 30 September 2018 valuation, including the annual funding update, is not yet available from TPT.

23. Pensions – Group and Association (continued)

| | 2018 £ |
|--|-----------|
| Past service deficit repayment liability | |
| Provision at start of period | 815,654 |
| Unwinding of the discount factor (interest expense) | 9,101 |
| Deficit contribution paid | (159,911) |
| Re-measurements – impact of any changes in assumptions | (8,566) |
| | <hr/> |
| Provision at end of period | 656,278 |
| | <hr/> |
| Liability split as: | |
| < 1 year | 163,081 |
| 1-2 years | 165,475 |
| 2-5 years | 325,188 |
| > 5 years | 2,534 |
| | <hr/> |
| | 656,278 |
| | <hr/> |
| | 2018 £ |
| Statement of Comprehensive Income Impact | |
| Interest expense | 9,101 |
| Re-measurements – impact of any change in assumptions | (8,566) |
| | 2018 |
| Assumptions | |
| Rate of discount | 1.51% |

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.

Year ended 31 March 2019**Accounting treatment from 1 April 2018**

From 1 April 2018, information became available in order to separate out the assets and liabilities between scheme members and thus the SHAPS defined benefit pension liability is accounted for as a defined benefit pension scheme from 1 April 2018 onwards. In accordance with FRS 102 section 28, the operating and financing costs of pension and post retirement schemes (determined by TPT) 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 changes in the actuarial assumptions, is recognised in Other Comprehensive Income.

At 31 March 2018, in respect of the SHAPS deficit repayment plan, amounts included within creditors due less than one year were £163,081 and amounts included within creditors due greater than one year were £493,197. At 1 April 2018, on initial recognition of the multi-employer defined benefit scheme, the opening adjustment to the liability was £395,722 to recognise a liability of £1,052,000 as at 1 April 2018.

MILNBANK HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2019

23. Pensions – Group and Association (continued)

Present values of defined benefit obligation, fair value of assets and defined benefit liability

| | 31 March 2019 £'000 |
|---|------------------------|
| Fair value of plan assets | 5,395 |
| Present value of defined benefit obligation | (6,527) |
| Defined benefit liability to be recognised | <u>(1,132)</u> |

Reconciliation of opening and closing balances of the defined benefit obligation

| | Year ended 31 March 2019 £'000 |
|--|--------------------------------------|
| Defined benefit obligation at start of period | (6,358) |
| Current service cost | (101) |
| Expenses | (5) |
| Interest expense | (161) |
| Contributions by plan participants | (66) |
| Actuarial (losses)/gains due to scheme experience | 198 |
| Actuarial (losses)/gains due to changes in demographic assumptions | (18) |
| Actuarial (losses)/gains due to changes in financial assumptions | (424) |
| Benefits paid and expenses | 408 |
| Defined benefit liability at the end of the period | <u>(6,527)</u> |

Reconciliation of opening and closing balances of the fair value of plan assets

| | Year ended 31 March 2019 £'000 |
|--|--------------------------------------|
| Fair value of plan assets at start of the period | 5,306 |
| Interest income | 136 |
| Experience on plan assets (excluding amounts included in interest income) – gain | 50 |
| Contributions by the employer | 245 |
| Contributions by plan participants | 66 |
| Benefits paid and expenses | (408) |
| Fair value of plan assets at end of period | <u>5,395</u> |

Defined benefit costs recognised in the Statement of Comprehensive Income

| | Period from 31 March 2018 to 31 March 2019 £'000 |
|--|---|
| Current service cost | 101 |
| Admin expenses | 5 |
| Net interest expense | 25 |
| Defined benefit costs recognised in Statement of Comprehensive Income | <u>131</u> |

MILNBANK HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2019

23. Pensions – Group and Association (continued)

| Defined benefit costs recognised in Other Comprehensive Income | Period ended 31 March 2019 £'000 |
|--|--|
| Experience on plan assets (excluding amounts included in net interest cost - gain | 50 |
| Experience gains and losses arising on the plan liabilities – gain | 198 |
| Effects of changes in the demographic assumptions underlying the present value of the defined benefit obligation – (loss) | (18) |
| Effects of changes in the financial assumptions underlying the present value of the defined benefit obligation – (loss) | (424) |
| Total amount recognised in other comprehensive income – (loss) | (194) |

| Fund allocation for employer's calculated share of assets | 31 March 2019 £'000 |
|---|------------------------|
| Global Equity | 868 |
| Absolute Return | 457 |
| Distressed Opportunities | 92 |
| Credit Relative Value | 301 |
| Alternative Risk Premia | 94 |
| Fund of Hedge Funds | 15 |
| Emerging Markets Debt | 173 |
| Risk Sharing | 156 |
| Insurance-Linked Securities | 140 |
| Property | 107 |
| Infrastructure | 226 |
| Private Debt | 70 |
| Corporate Bond Fund | 378 |
| Long Lease Property | 65 |
| Secured Income | 188 |
| Over 15 Year Gilts | 139 |
| Liability Driven Investment | 1,920 |
| Net Current Assets | 6 |
| Total Assets | 5,395 |

The main financial assumptions used by the Scheme Actuary, TPT, in their FRS 102 calculations are as follows:

| Assumptions as at | 31 March 2019 % per annum |
|---|------------------------------|
| Discount rate | 2.31 |
| Inflation (RPI) | 3.29 |
| Inflation (CPI) | 2.29 |
| Salary growth | 3.29 |
| Allowance for commutation of pension for cash at retirement | 75% of maximum allowance |

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2019

23. Pensions – Group and Association (continued)

The mortality assumptions adopted at 31 March 2019 imply the following life expectancies:

| | Life expectancy at age 65 (years) |
|-------------------------|---|
| Male retiring in 2019 | 21.7 |
| Female retiring in 2019 | 23.4 |
| Male retiring in 2039 | 23.1 |
| Female retiring in 2039 | 24.7 |

Life expectancy is based on the Fund's VitaCurves with improvements in line with the CMI 2017 model with an allowance for smoothing of recent mortality experience and long term rates of 1.25% p.a. for males and 1% p.a. for females.

Member data summary

Active members

| | Number | Total earnings (£'000s p.a.) | Average age (unweighted) |
|--------------|-----------|---------------------------------|-----------------------------|
| Males | 2 | 115 | 61 |
| Females | 10 | 383 | 54 |
| Total | 12 | 498 | 55 |

Deferred members

| | Number | Deferred pensions (£'000s p.a.) | Average age (unweighted) |
|--------------|-----------|------------------------------------|-----------------------------|
| Males | 7 | 27 | 49 |
| Females | 7 | 12 | 53 |
| Total | 14 | 39 | 51 |

Pensioners

| | Number | Pensions (£'000s p.a.) | Average age (unweighted) |
|--------------|----------|---------------------------|-----------------------------|
| Males | 3 | 29 | 73 |
| Females | 5 | 28 | 63 |
| Total | 8 | 57 | 67 |

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.

23. Pensions – Group and Association (continued)

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. The employer debt on withdrawal based on the valuation as at 30 September 2018 is not yet available from TPT. The estimated employer debt on withdrawal of the growth plan is £18,474. There are no plans to leave either Scheme.

GMP equalisation

Guaranteed Minimum Pension (GMP) is the minimum pension which an occupational pension scheme in the UK has to provide for those employees who were contracted out of the State Earnings-Related Pension Scheme (SERPS). Both pension scheme members and sponsoring employers paid lower National Insurance contributions at the time of accrual given the lower benefits being accrued for the member by the state. Women can currently receive their GMP benefits at age 60 compared to age 65 for men. GMP also accrued at a faster rate for women than men.

Historically some defined benefit schemes had different retirement ages for men and women. Therefore schemes are required to "equalise" pension ages and overall benefit scales between males and females. The Scheme actuary is therefore required to estimate the impact of GMP and include an allowance for the increase in calculated liabilities.

The impact of GMP equalisation for Milnbank Housing Association is 0.03% of liabilities, which is expected to be approximately £2,000. This is included within the closing defined benefit liability as detailed above.

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 2019 | <i>31 March 2018</i> |
|-----------------------------------|----------------------|----------------------|
| Inflation / Pension Increase Rate | 2.5% | <i>2.4%</i> |
| Salary increases | 3.7% | <i>3.6%</i> |
| Discount rate | 2.4% | <i>2.7%</i> |

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 2019

23. Pensions – Group and Association (continued)

Scheme assets

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

| | Value at 31 March 2019 £'000 | Value at 31 March 2018 £'000 |
|--|------------------------------------|------------------------------------|
| Fair value of plan assets | 773 | 717 |
| Present value of scheme liabilities | (943) | (815) |
| Net pension liability | <u>(170)</u> | <u>(98)</u> |
| Reconciliation of defined benefit obligation | 2019 | 2018 |
| | £'000 | £'000 |
| Opening Defined Benefit Obligation | 815 | 978 |
| Current Service Cost | 36 | 33 |
| Interest cost | 22 | 27 |
| Plan participants contributions | 6 | 6 |
| Changes in financial assumptions | 79 | (25) |
| Changes in demographic assumptions | - | (3) |
| Other experience | - | (187) |
| Benefits Paid | (15) | (14) |
| Closing Defined Benefit Obligation | <u>943</u> | <u>815</u> |
| Reconciliation of fair value of employer assets | 2019 | 2018 |
| | £'000 | £'000 |
| Opening Fair Value of Employer Assets | 717 | 734 |
| Expected Return on Assets | - | - |
| Plan participants contributions | 6 | 6 |
| Contributions by the Employer | 22 | 21 |
| Contributions in respect of Unfunded Benefits | - | - |
| Interest income on plan assets | 20 | 20 |
| Assets Acquired in a Business Combination | - | - |
| Return on assets excluding amounts included in net interest | 23 | (50) |
| Estimated Unfunded Benefits Paid | - | - |
| Benefits Paid | (15) | (14) |
| Closing Fair Value of Employer Assets | <u>773</u> | <u>717</u> |
| Net pension liability | <u>(170)</u> | <u>(98)</u> |
| Analysis of amount recognised in Other Comprehensive Income | 2019 | 2018 |
| | £ | £ |
| Return on assets excluding amounts included in net interest | 23,000 | (50,000) |
| Changes in financial assumptions | (79,000) | 25,000 |
| Changes in demographic assumptions | - | 3,000 |
| Other experience | - | 187,000 |
| Actuarial (loss)/gain | <u>(56,000)</u> | <u>165,000</u> |

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2019**23. Pensions – Group and Association (continued)**

| Sensitivity analysis | Approximate % increase to Employer Liability | Approximate monetary amount (£000's) |
|--|---|---|
| 0.5% decrease in real discount rate | 12% | 109 |
| 0.5% increase in the Salary Increase Rate | 2% | 18 |
| 0.5% increase in the Pension Increase Rate | 9% | 89 |

24. Contingent liability – Strathclyde Pension Scheme

Guaranteed Minimum Pension (GMP) is the minimum pension which an occupational pension scheme in the UK has to provide for those employees who were contracted out of the State Earnings-Related Pension Scheme (SERPS). Both pension scheme members and sponsoring employers paid lower National Insurance contributions at the time of accrual given the lower benefits being accrued for the member by the state. Women can currently receive their GMP benefits at age 60 compared to age 65 for men. GMP also accrued at a faster rate for women than men.

Historically some defined benefit schemes had different retirement ages for men and women. Therefore schemes are required to "equalise" pension ages and overall benefit scales between males and females. The Scheme actuary is therefore required to estimate the impact of GMP and include an allowance for the increase in calculated liabilities.

The impact of GMP equalisation for the Association in respect of the Strathclyde Pension Scheme is currently uncertain and the scheme actuaries will perform the calculation in 2019/20 and therefore no allowance has been made for the effects of the GMP equalisation within the pension liability recognised in respect of the Strathclyde Pension Scheme, although this has been estimated at £2,000.

25. Deferred taxation - Group

| | 2019 £ |
|---------------------------|--------------|
| At the start of the year | (1,013) |
| Charged to profit or loss | 202 |
| | <u>(811)</u> |
| At end of year | <u>(811)</u> |

A deferred taxation balance is made up as follows:

| | 2019 £ | 2018 £ |
|--------------------------------|--------------|----------------|
| Fixed asset timing differences | (811) | (1,013) |
| | <u>(811)</u> | <u>(1,013)</u> |

26a Share capital – Group and Association

| | 2019 £ | 2018 £ |
|---|------------|------------|
| At 1 April | 715 | 696 |
| Shares of £1 each fully paid and issued during the year | 115 | 60 |
| Shares forfeited in year | (48) | (41) |
| | <u>782</u> | <u>715</u> |
| At 31 March | <u>782</u> | <u>715</u> |

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.

MILNBANK HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019

26b. Reserves

Revenue reserves represent the cumulative retained surplus and deficits.

27. 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 2019 £ | <i>Office Equipment, Premises & Motor Vehicles 2018 £</i> |
|----------------------------|---|---|
| Within one year | 259,007 | 271,160 |
| Between one and five years | 286,790 | 408,849 |
| More than five years | - | 293 |
| | <u>545,797</u> | <u>680,302</u> |

28. Related Party Transactions

Milnbank Community Enterprises Limited

A management fee of £6,600 (2018: £6,600) was charged to the Association by the company for the management of the Association's shop premises

In the year ended 31 March 2019, 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 £15,243 (2018: £8,573).

The company charged the Association £5,400 (2018: £5,400) in respect of window cleaning services provided.

The Association also paid costs of £5,846 (2018: £7,697) on behalf of Milnbank Community Enterprises Limited which were recharged.

During the year, Milnbank Community Enterprises paid a net payment of £1,100 (2018: £13,983) in respect of the intergroup balance.

The balance owed to Milnbank Housing Association Limited by Milnbank Community Enterprises Limited at 31 March 2019 was £19,307 (2018: £11,318). This is included within amounts owed by subsidiaries in debtors.

A distribution in the form of gift aid of £10,732 (2018: £12,104) was made by Milnbank Community Enterprises Limited to Milnbank Housing Association Limited in respect of the year ended 31 March 2019.

A distribution in the form of a gift aid payment of £15,374 (2018: £10,732) will be made in 2019/20 to Milnbank Housing Association Limited.

28. Related Party Transactions (continued)

Milnbank Property Services Limited

For the year ended 31 March 2019, 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 £215,855 (2018: £205,306).

During the year, expenditure of £161,638 (2018: £179,695) was incurred by Milnbank Housing Association Limited on behalf of Milnbank Property Services Limited in respect of works performed to factored properties. These costs were recharged to Milnbank Property Services Limited during the year.

During the year, expenditure of £nil (2018: £42,988) 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.

£234,591 (2018: £316,471) 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 2019 was £281,346 (2018: £138,444). This is included within amounts owed by subsidiaries in debtors.

A distribution in the form of gift aid of £16,613 (2018: £3,323) was paid by Milnbank Property Services Limited to Milnbank Housing Association Limited in respect of the year 31 March 2019.

A distribution in the form of gift aid of £18,677 (2018: £16,613) will be made to Milnbank Housing Association Limited in 2019/20.

Milnbank Property Services Limited and Milnbank Community Enterprises Limited

During the year, £29 (2018: £15) 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 £34 (2018: £5).

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 £25,495 (2018: £23,629). The total rent prepaid relating to tenant Committee members included within creditors at the year end is £1,343 (2018: £1,449) and there are technical arrears of £54 (2018: £282) 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 £3,573 (2018: £2,111).

29. 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 2019

30. Net Cash Flow from Operating Activities
Group

| | 2019 £ | 2018 £ |
|--|------------------|------------------|
| Surplus for the year | 197,880 | 215,026 |
| Interest payable | 508,268 | 360,850 |
| Interest received | (13,382) | (4,803) |
| Proceeds from sale of fixed assets | (50,887) | (328,253) |
| Repayment of grant/excess proceeds to GHA on disposal of tangible fixed assets | - | 161,374 |
| Carrying amount of tangible fixed asset disposals | 51,641 | 127,329 |
| Depreciation on tangible fixed assets (including loss on disposed components) | 609,777 | 598,527 |
| SPF – non-cash movement | 14,000 | 12,000 |
| SHAPS | 31,000 | (8,566) |
| Increase in stock | (326) | (367) |
| Decrease/(increase) in debtors | 340,980 | (228,512) |
| (Decrease)/increase in creditors | (211,385) | 364,170 |
| Release of deferred grant | (188,393) | (105,631) |
| SHAPS past service deficit payment | (163,174) | (159,911) |
| Shares forfeited | (48) | (41) |
| Deferred taxation | (202) | 1,013 |
| | <u>1,125,749</u> | <u>1,004,205</u> |

Association

| | 2019 £ | 2018 £ |
|--|------------------|----------------|
| Surplus for the year | 192,165 | 198,160 |
| Interest payable | 508,268 | 360,850 |
| Interest received | (13,382) | (4,803) |
| Proceeds from sale of fixed assets | (50,887) | (328,253) |
| Repayment of grant/excess proceeds to GHA on disposal of tangible fixed assets | - | 161,374 |
| Carrying amount of tangible fixed asset disposals | 51,641 | 127,329 |
| Depreciation on tangible fixed assets (including loss on disposed components) | 608,584 | 598,527 |
| SPF – non-cash movement | 14,000 | 12,000 |
| SHAPS deficit movement | 31,000 | (8,566) |
| (Increase)/decrease in debtors | 188,502 | (145,724) |
| Decrease/ (increase) in creditors | (176,103) | 164,373 |
| Release of deferred grant | (188,393) | (105,631) |
| SHAPS past service deficit payment | (163,174) | (159,911) |
| Shares forfeited | (48) | (41) |
| | <u>1,002,173</u> | <u>869,684</u> |

31. Capital Commitments

| | 2019 £ | 2018 £ |
|--|-----------|-----------|
| 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 | - | - |