

Registered Housing Association No. HAL261
FCA Reference No. 2414R(S)
Scottish Charity No. SC040979

MUIRHOUSE HOUSING ASSOCIATION LIMITED

REPORT and FINANCIAL STATEMENTS

For the year ended 31 March 2015

MUIRHOUSE HOUSING ASSOCIATION LIMITED

REPORT AND FINANCIAL STATEMENTS

For the year ended 31 March 2015

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MUIRHOUSE HOUSING ASSOCIATION LIMITED

MANAGEMENT COMMITTEE, EXECUTIVES and ADVISERS

Year ended 31 March 2015

Management Committee

Robert McDougall (Chair) (Appointed 10 August 2015)
Michael Woods (Chair) (Resigned 13 April 2015)
Alison Blezard
Jacqueline Brash
Gordon Cameron (Statutory Appointee December 2014)
Michael Clarke (Statutory Appointee December 2014)
Thomas Diamond
James Roy Douglas
Shirley MacDonald (Statutory Appointee December 2014)
Ann McDonald
Kacper Momola
Steven Prevost
Tracy Stewart
Craig Stirrat (resigned 14 April 2014)
Martin Thoronka
Alice Wood

Executive Officers

Brenda Tonner (Director) (Resigned 7 August 2015)

Registered Office

11 Muirhouse Medway
Edinburgh
EH4 4RW

Auditors

Alexander Sloan
Chartered Accountants
38 Cadogan Street
Glasgow
G2 7HF

Internal Auditors

Wylie + Bisset LLP
168 Bath Street
Glasgow
G2 4TP

Bankers

The Royal Bank of Scotland
38 Cramond Road South
Edinburgh
EH4 6AA

Solicitors

T C Young
69a George Street
Edinburgh
EH2 2JG

MUIRHOUSE HOUSING ASSOCIATION LIMITED

REPORT to the MANAGEMENT COMMITTEE

For the year ended 31 March 2015

The Management Committee presents its report and the Financial Statements for the year ended 31 March 2015.

Legal Status

The Association is a registered non-profit making organisation under the Co-operative and Community Benefits Societies Act 2014 No. 2414R(S). The Association is constituted under its Rule Book. The Association is a registered Scottish Charity with the charity number SC040979.

Principal Activities

The principal activities of the Association are the provision and management of affordable rented accommodation.

Review of Business and Future Developments

In 2013 the Association entered into a development contract to build 58 units. Of this development 16 units were handed over in 2013/14 and the remaining 42 units were handed over during 2014/15. A second development contract of 64 units commenced in March 2014. Handover of 12 units was achieved in February 2015. At 31st March 2015 the Association owned 518 units. A further 52 units were under construction, with a planned completion date of end July 2015. This recent development activity has resulted in a commitment of £16m to provide 122 new homes in the community.

The development activity included the establishment of a subsidiary company Muirhouse Homes Limited (MH4) the main purpose of which is to provide an alternative tenure of Mid Market in the community. The company was registered in June 2014, and has managed 24 units since July 2014. An additional 36 units will be leased to MH4 from July 2015. The subsidiary is governed by a Board of five members, including three Members of the Association.

In December 2014 the Scottish Housing Regulator moved the Association to High Regulation. This decision was on the basis of concerns they had of weaknesses across governance and financial management. Four areas of concern were highlighted within a Regulation Plan issued in December 2014. The Association dealt with three of the issues by the end of January 2015. In March 2015 an Action Plan was agreed to ensure a comprehensive review of governance and financial management controls within an 18 month period.

The Regulator used its powers to make three statutory appointments to the Management Committee to assist the Committee. In addition an interim manager was appointed to oversee the improvement process and report directly to the Regulator. These appointments will be reviewed by the Regulator, however the target is for the Manager position to be ended in 2015. The Association's aim is to address regulatory concerns and move quickly to Medium Engagement in 2015/16 and then down to low engagement.

The Association established an Audit & Risk Committee in June 2015 which meets quarterly. An Internal Audit service has also recently been considered and a firm was appointed in June 2015. Other sub committees include a Health and Safety Committee which meets quarterly, and a Staffing Panel which meets as required.

The staffing resources have been reviewed and new roles in finance and corporate services have been created. The finance function will be brought in-house and be lead by a new post of Finance and Corporate Services Manager. This person will manage the finance and corporate services functions, assisted by a second new post of Corporate Services Assistant.

MUIRHOUSE HOUSING ASSOCIATION LIMITED

REPORT of the MANAGEMENT COMMITTEE (Continued)

For the year ended 31 March 2015

Review of Business and Future Developments (Continued)

The Association continues to review performance to meet the regulatory requirements and participates in benchmarking and good practice events. The Association performs well with regard to KPIs reported in the Annual Return of the Charter compared to other RSLs. In 2014/15 the Association achieved several improvements in operational performance, and continued to perform well with regard to rent control and void management compared to peers. Membership continues of Scottish Federation of Housing Associations, Chartered Institute of Housing, Scottish Housing Best Value Network, Employers in Voluntary Housing etc. Committee members are encouraged to attend events and conferences organised by similar organisations. In September 2014 an external facilitator was appointed to carry out a Training Needs Analysis with the Committee.

The Association was able to report on full compliance with SHQS requirements as at 31st March 2015.

The Association continues to work in partnership with the local authority to prioritise the completion of the regeneration of the community.

Community development and sustainability continue to be a focus of the organisation. The Association is a partner in a jointly funded Linked in project. This partnership includes three local organisations. The appointed key worker works at grassroots to encourage participation within the community.

The Association's development programme will come to an end in July 2015. Business will then focus on review of existing policies and procedures and improvements in internal controls. The Association is financially robust and our focus is to continually improve controls to ensure its long term viability.

Management Committee and Executive Officers

The members of the Management Committee and the Executive Officers are listed on page 1.

Each member of the Management Committee holds one fully paid share of £1 in the Association. The Executive Officers 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.

The members of the Management Committee are also Trustees of the Charity. Members of the Management Committee are appointed by the members at the Association's Annual General Meeting.

Statement of Management Committee's Responsibilities

The Co-operative and Community Benefit Societies Act 2014 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 surplus or deficit of the Association for that period. In preparing those Financial Statements, the Management Committee is required to:

- select suitable accounting policies and then apply them consistently
- make judgements and accounting estimates that are reasonable and prudent
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the Financial Statements
- prepare the Financial Statements on the going concern basis unless it is inappropriate to presume that the Association will continue in business
- prepare a statement on Internal Financial Control.

The Management Committee is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Association and to enable it to ensure that the Financial Statements comply with the Co-operative and Community Benefit Societies Act 2014, the Housing (Scotland) Act 2010 and the Determination of Accounting Requirements 2012. It 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. It is also responsible for ensuring the Association's suppliers are paid promptly.

MUIRHOUSE HOUSING ASSOCIATION LIMITED

REPORT of the MANAGEMENT COMMITTEE (Continued)

For the year ended 31 March 2015

Statement of Management Committee's Responsibilities (continued)

The Management Committee must, in determining how amounts are presented within items in the income and expenditure account and balance sheet, have regard to the substance of the reported transaction or arrangement, in accordance with generally accepted accounting practices.

In so far as the Members of the Management Committee are aware:

- there is no relevant audit information (information needed by the Housing Association's auditors in connection with preparing their report) of which the Association's auditors are unaware, and
- the Members of the Management Committee have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the Housing Association's auditors are aware of that information.

Statement on Internal Financial Control

The Management Committee acknowledges its ultimate responsibility for ensuring that the Association has in place a system of controls that is appropriate for the business environment in which it operates. These controls are designed to give reasonable assurance with respect to:

- the reliability of financial information used within the Association, or for publication
- the maintenance of proper accounting records
- the safeguarding of assets against unauthorised use or disposition.

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

- formal policies and procedures are in place, including the ongoing documentation of key systems and rules relating to the delegation of authority, which allow the monitoring of controls and restrict the unauthorised use of Association's assets;
- experienced and suitably qualified staff take responsibility for important business functions and annual appraisal procedures have been established to maintain standards of performance;
- forecasts and budgets are prepared which allow the management team and the Management Committee to monitor key business risks, financial objectives and the progress being made towards achieving the financial plans set for the year and for the medium term;
- quarterly financial management reports are prepared promptly, providing relevant, reliable and up to date financial and other information, with significant variances from budget being investigated as appropriate;
- regulatory returns are prepared, authorised and submitted promptly to the relevant regulatory bodies;
- all significant new initiatives, major commitments and investment projects are subject to formal authorisation procedures through the Management Committee;
- the Management Committee receive reports from management and from the external and internal auditors to provide reasonable assurance that control procedures are in place and are being followed and that a general review of the major risks facing the Association is undertaken;
- formal procedures have been established for instituting appropriate action to correct any weaknesses identified through internal or external audit reports.

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

MUIRHOUSE HOUSING ASSOCIATION LIMITED

REPORT of the MANAGEMENT COMMITTEE (Continued)

For the year ended 31 March 2015

Auditors

A resolution to re-appoint the Auditors, Alexander Sloan, Chartered Accountants, will be proposed at the Annual General Meeting.

By Order of the Management Committee

J. Brash

JACQUELINE BRASH
Secretary

10 August 2015

**REPORT BY THE AUDITORS TO THE MANAGEMENT COMMITTEE OF
MUIRHOUSE HOUSING ASSOCIATION LIMITED
ON CORPORATE GOVERNANCE MATTERS**

In addition to our audit of the Financial Statements we have reviewed your statement on page 4 concerning the Association's compliance with the information required by the Regulatory Standards in respect of internal financial controls contained within the publication "Our Regulatory Framework" and associated Regulatory Advice Notes which are issued by the Scottish Housing Regulator.

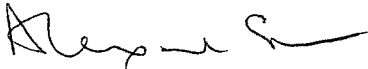
Basis of Opinion

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

Opinion

In our opinion the Statement on Internal Financial Control on page 4 has provided the disclosures required by the relevant Regulatory Standards within the publication "Our Regulatory Framework" and associated Regulatory Advice 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 enquiry of certain members of the Management Committee and Officers of the Association, and examination of relevant documents, we have satisfied ourselves that the Management Committee's Statement on Internal Financial Control appropriately reflects the Association's compliance with the information required by relevant Regulatory Standards within the publication "Our Regulatory Framework" and associated Regulatory Advice Notes issued by the Scottish Housing Regulator in respect of internal financial controls.



ALEXANDER SLOAN
Chartered Accountants

17 August 2015

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF

MUIRHOUSE HOUSING ASSOCIATION LIMITED

We have audited the financial statements of for the year ended 31 March 2015 which comprise an income and expenditure account, balance sheet, cash flow statement and related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the Association's members, as a body, in accordance with Co-operative and Community Benefit Societies Act 2014. Our audit work has been undertaken so that we might state to the Association's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Association and the Association's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective Responsibilities of Management Committee and Auditors

As explained more fully in the Statement of Management Committee's Responsibilities the Association's Management Committee, are responsible for the preparation of the Financial Statements that give a true and fair view.

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

Scope of the audit on the Financial Statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Association's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Management Committee; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Management Committee's report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications of our report.

Opinion on the financial statements

In our opinion the Financial Statements:

- give a true and fair view of the state of the Association's affairs as at 31 March 2015 and of its surplus for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been properly prepared in accordance with the Co-operative and Community Benefit Societies Act 2014, the Housing (Scotland) Act 2010 and the Determination of Accounting Requirements 2012.

In our opinion the exemption granted by the Financial Conduct Authority from the requirement to prepare Group Accounts is applicable as the amounts involved are not material.

Matters on which we are required to report by exception

We are required to report to you if, in our opinion:

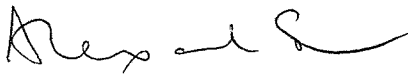
- the information given in the Management Committee's Report is inconsistent with the financial statements.

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
MUIRHOUSE HOUSING ASSOCIATION LIMITED (continued)**

Matters on which we are required to report by exception (contd.)

- proper books of account have not been kept by the Association in accordance with the requirements of the legislation.
- a satisfactory system of control over transactions has not been maintained by the Association in accordance with the requirements of the legislation.
- the Income and Expenditure Account to which our report relates, and the Balance Sheet are not in agreement with the books of the Association.
- we have not received all the information and explanations necessary for the purposes of our audit.

We have nothing to report in respect of these matters.



ALEXANDER SLOAN
Chartered Accountants
Statutory Auditors
GLASGOW

17 August 2015

MUIRHOUSE HOUSING ASSOCIATION LIMITED

INCOME and EXPENDITURE ACCOUNT

For the year ended 31 March 2015

	Notes	£	2015 £	£	2014 £
Turnover	2		2,126,090		1,816,285
Operating costs	2		(1,438,134)		(1,290,971)
Operating surplus	8		687,956		525,314
Interest receivable and other income		1,904		2,272	
Interest payable and similar charges		(263,065)		(97,190)	
			(261,161)		(94,918)
Surplus on ordinary activities before taxation			426,795		430,396
Tax on surplus on ordinary activities	9		-		-
Surplus on ordinary activities after taxation			426,795		430,396

All amounts relate to continuing activities.

Historical cost surpluses and deficits are identical to those shown in the accounts.

All recognised surpluses and deficits have been included in the income and expenditure account.

The notes on pages 12 to 26 form part of these financial statements.

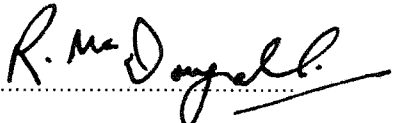
MUIRHOUSE HOUSING ASSOCIATION LIMITED


BALANCE SHEET


As at 31 March 2015

	Notes	2015		2014	
		£	£	£	£
Tangible fixed assets					
Housing Properties – depreciated cost	10a		35,442,259		30,347,808
<u>Less: Social Housing Grant</u>	10a		(22,923,514)		(20,914,168)
			-----		-----
			12,518,745		9,433,640
Other fixed assets	10b		95,689		100,697
Investment	11		1		-
			-----		-----
			12,614,435		9,534,337
Current assets					
Debtors	14	157,418		80,673	
Cash at bank and in hand		555,173		2,180,929	
		-----		-----	
		712,591		2,261,602	
Creditors: amounts falling due within one year	15	(2,950,685)		(4,624,520)	
		-----		-----	
Net current liabilities			(2,238,094)		(2,362,918)
Total assets less current liabilities			10,376,341		7,171,419
Creditors: amounts falling due after more than one year	16	(6,301,602)		(3,523,475)	
		-----		-----	
Net assets			4,074,739		3,647,944
			=====		=====
Capital and reserves					
Share capital	18		44		44
Designated reserves	19a		2,070,978		2,070,978
Revenue reserves	19b		2,003,717		1,576,922
			-----		-----
			4,074,739		3,647,944
			=====		=====

The financial statements were approved and authorised for issue by the Management Committee and signed on its behalf on 10 August 2015.


 Chair


 Committee Member


 Secretary

The notes on pages 12 to 26 form part of these financial statements.

MUIRHOUSE HOUSING ASSOCIATION LIMITED

CASH FLOW STATEMENT

For the year ended 31 March 2015

	Notes	£	2015 £	£	2014 £
Net cash inflow from operating activities	17		778,773		1,441,362
Returns on investment and servicing of finance					
Interest received		1,904		2,272	
Interest paid		(263,065)		(92,839)	
		-----		-----	
Net cash outflow from investment and servicing of finance			(261,161)		(90,567)
Capital expenditure and financial investment					
Acquisition and construction of properties		(5,433,699)		(7,174,414)	
Purchase of other fixed assets		-		-	
Social Housing Grant received		2,009,346		3,728,460	
Investment in subsidiary		(1)		-	
		-----		-----	
Net cash outflow before use of liquid resources and financing			(3,424,354)		(3,445,954)
Financing					
Loan principal repayments		(1,878,478)		(927,740)	
Loans drawdown		4,700,000		-	
Share capital issued		2		4	
Share capital redeemed		(2)		-	
		-----		-----	
Net cash inflow/(outflow) from financing			2,821,522		(927,736)
Decrease in cash	17		(85,220)		(3,022,895)
			=====		=====

The notes on pages 12 to 26 form part of these financial statements.

MUIRHOUSE HOUSING ASSOCIATION LIMITED

NOTES to the FINANCIAL STATEMENTS

For the year ended 31 March 2015

1. Principal accounting policies

Basis of accounting

The financial statements have been prepared in accordance with applicable Accounting Standards, the Statement of Recommended Practice – Accounting by Registered Social Landlords 2010 and on the historical costs basis. They also comply with the Determination of Accounting Requirements 2012. A summary of the more important accounting policies is set out below.

As the parent of Muirhouse Homes Limited (note 11), Muirhouse Housing Association Limited has been exempted from the preparation of consolidated accounts on the basis that it would involve expense out of proportion to the value to the members.

Turnover

Turnover represents rental and service charge income receivable, fees receivable and revenue grants receivable and is recognised as it falls due.

Retirement benefits

The Association participates in the Scottish Housing Association Pension Scheme 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 calculation by consulting Actuaries and are based on pension costs applicable across the various participating associations taken as a whole.

Valuation of housing properties

Housing properties are stated at cost less social housing and other public grants and less accumulated depreciation. Housing under construction and land are not depreciated. The Association depreciates housing properties by major component on a straight line basis over the estimated useful economic lives of each identified component. All components are categorised as Housing Properties within note 10. Impairment reviews are carried out if events or circumstances indicate that the carrying value of the components listed below is higher than the recoverable amount.

<i>Component</i>	<i>Useful Economic Life</i>
Land	N/A
Structure	50 years
Roof	50 years
Render	50 years
Windows	30 years
External doors	25 years
Bathrooms	25 years
Electrics	25 years
Heating systems	20 years
Kitchen	15 years
Boiler	15 years

Depreciation and impairment of other fixed assets

Other fixed assets are stated at cost less accumulated depreciation. Depreciation is charged on a straight line basis over the expected economic useful lives of the assets at the following annual rates:

Office premises	50 years
Furniture and fittings	5 years
Computer equipment	5 years
Office equipment	3 years

The carrying values of tangible fixed assets are reviewed for impairment if events or changes in circumstances indicate the carrying values may not be recoverable.

MUIRHOUSE HOUSING ASSOCIATION LIMITED

NOTES to the FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2015

1. Principal accounting policies (continued)

Social Housing Grant and other grants in advance/arrears

Where developments have been financed wholly or partly by Social Housing Grant or other capital grant the cost of those developments has been reduced by the amount of the grant receivable. The amount of the grant receivable is shown separately on the Balance Sheet.

Social Housing Grant attributed to individual components is written off to the Income and Expenditure Account when these components are replaced.

Social Housing Grant received in respect of revenue expenditure is credited to the Income and Expenditure Account in the same period as the expenditure to which it relates.

Although Social Housing Grant is treated as a grant for accounting purposes, it may nevertheless become repayable in certain circumstances, such as the disposal of certain assets. The amount repayable would be restricted to the net proceeds of sale.

Sales of housing properties

First tranche shared ownership disposals are credited to turnover on completion. The cost of construction of these sales is taken to operating cost. In accordance with the Statement of Recommended Practice, disposals of subsequent tranches are treated as fixed asset disposals with any gain or loss on disposal accounted for in the Income and Expenditure Account.

Disposals of housing property under the Right to Buy scheme are treated as a fixed asset disposal with any gain or loss on disposal accounted for in the Income and Expenditure Account.

Disposals under shared equity schemes are accounted for in the Income and Expenditure Account. The remaining equity in the property is treated as a fixed asset investment which is matched with the grant received.

Leases/leased assets

Costs in respect of operating leases are charged to the Income and Expenditure Account on a straight line basis over the lease term. Assets held under finance leases and hire purchase contracts are capitalised in the Balance Sheet and are depreciated over their useful lives.

Works to existing properties

The Association capitalises major repairs expenditure where these works result in an enhancement of economic benefits by increasing the net rental stream over the life of the property.

Capitalisation of development overheads

Directly attributable development administration costs, relating to development activities, are capitalised in accordance with the Statement of Recommended Practice.

Designated reserves

The Association has designated part of its reserves to meet its long term obligations.

The Major Repairs Reserve is based on the Association's liability to maintain housing properties in a state of repair which at least maintains their residual monetary values prevailing at the time of acquisition or construction.

Property development cost

The proportion of the development cost of shared ownership properties expected to be disposed of as a first tranche sale is held in current assets until it is disposed of. The remaining part of the development cost is treated as a fixed asset. Surpluses made on the disposal of first tranche sales are taken to the Income and Expenditure Account in accordance with the Statement of Recommended Practice.

MUIRHOUSE HOUSING ASSOCIATION LIMITED

NOTES to the FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2015

2. Particulars of turnover, cost of sales, operating costs and operating surplus

	Turnover £	Operating Costs £	2015 Operating Surplus/ (Deficit) £	Turnover £	Operating Costs £	2014 Operating Surplus/ (Deficit) £
Social lettings (note 3)	2,037,449	1,438,134	599,315	1,816,285	1,290,971	525,314
Other activities (note 4)	88,641	-	88,641	-	-	-
	<u>2,126,090</u>	<u>1,438,134</u>	<u>687,956</u>	<u>1,816,285</u>	<u>1,290,971</u>	<u>525,314</u>

3. Particulars of income and expenditure from social lettings

	General Needs Housing £	Supported Housing £	Shared Ownership £	2015 Total £	2014 Total £
Income from lettings					
Rent receivable net of identifiable service charges	1,974,543	-	-	1,974,543	1,751,117
Service charges receivable	60,253	-	-	60,253	54,874
Gross rents receivable	<u>2,034,796</u>	<u>-</u>	<u>-</u>	<u>2,034,796</u>	<u>1,805,991</u>
Less: Rent losses from voids	2,589	-	-	2,589	983
Net rents receivable	<u>2,032,207</u>	<u>-</u>	<u>-</u>	<u>2,032,207</u>	<u>1,805,008</u>
Total income from Scottish Ministers	5,242	-	-	5,242	11,277
Total income from Social Letting	<u>2,037,449</u>	<u>-</u>	<u>-</u>	<u>2,037,449</u>	<u>1,816,285</u>
Expenditure on Social Letting Activities					
Management and maintenance administration costs	687,251	-	-	687,251	651,972
Reactive maintenance	216,277	-	-	216,277	188,640
Bad debts – rents and service charges	10,274	-	-	10,274	3,142
Planned and cyclical maintenance, including major repairs	108,881	-	-	108,881	151,652
Depreciation of Social Housing	415,451	-	-	415,451	295,565
Operating costs of Social Letting	<u>1,438,134</u>	<u>-</u>	<u>-</u>	<u>1,438,134</u>	<u>1,290,971</u>
Operating surplus on Social Letting Activities	<u>599,315</u>	<u>-</u>	<u>-</u>	<u>599,315</u>	<u>525,314</u>
2014	<u>525,314</u>	<u>-</u>	<u>-</u>	<u>525,314</u>	<u>525,314</u>

MUIRHOUSE HOUSING ASSOCIATION LIMITED

NOTES to the FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2015

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

	Grants from Scottish Ministers £	Other revenue grants £	Supporting people income £	Other income £	Total turnover £	Operating costs - bad debts £	Other operating costs £	Operating surplus or deficit 2015 £	Operating surplus or deficit 2014 £
Other activities	-	-	-	88,641	88,641	-	-	88,641	-
Total from other activities 2015	-	-	-	88,641	88,641	-	-	88,641	-
Total from other activities 2014	-	-	-	-	-	-	-	-	-

There were no other activities other than the activities shown above.

MUIRHOUSE HOUSING ASSOCIATION LIMITED

NOTES to the FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2015

5. Officers' emoluments

The officers are defined in Section 149 of the Co-operative and Community Benefit Societies Act 2014 as the members of the Management Committee, managers or servants of the Association.

No officer of the Association received emoluments greater than £60,000.

	2015	2014
	£	£
Emoluments payable to Chief Executive (excluding pension contributions of £7,259 (2014: £5,538))	59,018	57,691
	=====	=====

6. Employee information

The average monthly number of fulltime equivalent persons employed during the year was

	2015	2014
	No.	No.
	7	7
	=====	=====

The average total number of employees employed during the year was

	8	8
	=====	=====

Staff costs were:

	£	£
Wages and salaries	250,126	238,195
Social security costs	19,269	19,840
Other pension costs	63,428	38,051
Temporary, agency and seconded staff	-	18,250
	-----	-----
	332,823	314,336
	=====	=====

7. Interest payable

On bank loans and overdrafts

	2015	2014
	£	£
	263,065	97,190
	=====	=====

Interest incurred in the development period of housing properties which has been written off to the income and expenditure account amounted to £14,857 (2014: £17,356)

8. Operating surplus before taxation

Surplus on ordinary activities before taxation is stated after charging:

	2015	2014
	£	£
Depreciation - tangible owned fixed assets	420,287	301,181
Auditors' remuneration - audit services	8,550	12,747
Operating lease rentals - other	1,991	1,991
	=====	=====

9. Tax on surplus on ordinary

The Association is a Registered Scottish Charity and is not liable to United Kingdom Corporation Tax on its charitable activities.

MUIRHOUSE HOUSING ASSOCIATION LIMITED

NOTES to the FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2015

10. Tangible fixed assets	Housing Properties held for letting £	Housing Properties in course of construction £	Total £
(a) Housing properties			
Cost			
As at 1 April 2014	27,940,780	5,996,620	33,937,400
Additions	4,381	5,505,521	5,509,902
Disposals	(1,162)	-	(1,162)
Schemes completed	5,051,780	(5,051,780)	-
As at 31 March 2015	32,995,779	6,450,361	39,446,140
Depreciation			
As at 1 April 2014	3,589,592	-	3,589,592
Charge for year	415,279	-	415,279
Disposal	(990)	-	(990)
As at 31 March 2015	4,003,881	-	4,003,881
Depreciated cost	28,991,898	6,450,361	35,442,259
Social Housing Grant			
As at 1 April 2015	17,993,100	2,921,068	20,914,168
Additions	-	2,009,346	2,009,346
Disposals	-	-	-
Schemes completed	1,797,758	(1,797,758)	-
As at 31 March 2015	19,790,858	3,132,656	22,923,514
Net book value			
As at 31 March 2015	9,201,040	3,317,705	12,518,745
As at 31 March 2014	6,358,088	3,075,552	9,433,640

Additions to the housing properties include capitalised major repair costs to existing properties of £4,381 (2014: £nil).

All land and housing properties are freehold.

MUIRHOUSE HOUSING ASSOCIATION LIMITED

NOTES to the FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2015

10. Tangible fixed assets (continued)	Computer Equipment £	Office Premises £	Office Furniture and Equipment £	Total £
(b) Other tangible assets				
Cost				
As at 31 March 2015	48,333	130,761	18,819	197,913
Additions	-	-	-	-
Eliminated on disposals	-	-	-	-
As at 31 March 2015	48,333	130,761	18,819	197,913
Aggregate depreciation				
As at 1 April 2014	45,671	32,726	18,819	97,216
Charge for year	2,662	2,346	-	5,008
Eliminated on disposal	-	-	-	-
As at 31 March 2015	48,333	35,072	18,819	102,224
Net book value				
As at 31 March 2015	-	95,689	-	95,689
As at 31 March 2014	2,662	98,035	-	100,697

11. Investments

	2015 £	2014 £
Cost		
As at 1 April 2014	-	-
Additions during year	1	-
At 31 March 2015	1	-

Muirhouse Housing Association Limited set up a subsidiary called Muirhouse Homes Limited to collect the rent of properties which are on a mid market basis. It owns one share which is 100% of the share capital. The relationship between the Association and its subsidiary is set out in an independent agreement between both parties.

	2015 £	2014 £
Aggregate capital and reserves		
Muirhouse Homes Limited	10,862	-
Profit for the year		
Muirhouse Homes Limited	10,861	-

MUIRHOUSE HOUSING ASSOCIATION LIMITED

NOTES to the FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2015

12. Capital commitments	2015	2014
	£	£
Capital expenditure that has been contracted for but has not been provided for in the Financial Statements	1,334,617	7,100,151
	=====	=====

The above commitments will be financed by a mixture of public grant, private finance and the Association's own resources.

13. Commitments under operating leases

At the year end the annual commitments under operating leases were as follows:

	2015	2014
	£	£
Other		
Expiring between two and five years	968	968
	=====	=====

14. Debtors

	2015	2014
	£	£
Arrears of rent and service charges	89,892	73,697
<u>Less:</u> Provision for doubtful debts	(19,052)	(8,768)
	-----	-----
	70,840	64,929
Other debtors	85,897	15,744
Amounts owed by group undertakings	681	-
	-----	-----
	157,418	80,673
	=====	=====

Included within other debtors is amounts due after one year amounting to £74,597. This relates to arrangement fees for loan fiancé written off over the term of the loan.

15. Creditors: Amounts falling due within one year	2015	2014
	£	£
Bank overdrafts (secured)	1,796,258	3,336,794
Housing loans	248,251	204,856
Trade creditors	459,494	771,103
Rent in advance	99,436	103,943
Other taxation and social security	6,122	5,892
Other creditors	262,711	182,037
Accruals and deferred income	78,413	19,895
	-----	-----
	2,950,685	4,624,520
	=====	=====

At the balance sheet date there were pension contributions outstanding of £6,918 (2014: £4,735).

MUIRHOUSE HOUSING ASSOCIATION LIMITED

NOTES to the FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2015

16. Creditors: Amounts falling due after more than one year	2015	2014
	£	£
Housing loans	6,301,602	3,523,475
	=====	=====
Housing loans are secured by specific charges on the Association's housing properties and repayable at varying rates of interest in instalments due as follows:		
Within one year	248,251	204,856
Between one and two years	249,682	209,071
Between two and five years	747,061	653,968
In five years or more	5,304,859	2,660,435
	-----	-----
	6,549,853	3,728,331
<u>Less:</u> Amount shown in current liabilities	248,251	204,856
	-----	-----
	6,301,602	3,523,475
	=====	=====

17. Cash flow statement	2015	2014
	£	£
<i>Reconciliation of operating surplus to net cash inflow from operating activities</i>		
Operating surplus	687,956	525,314
Depreciation	420,459	301,181
(Increase) in debtors	(76,745)	(49,435)
(Decrease)/increase in creditors	(252,897)	664,302
	-----	-----
Net cash inflow from operating activities	778,773	1,441,362
	=====	=====

	2015	2014
	£	£
<i>Reconciliation of net cash flow to movement in net debt</i>		
Increase/(decrease) in cash	1,711,038	(3,022,895)
Cash flow from change in net debt	(4,617,780)	927,740
	-----	-----
Movement in net debt during year	(2,906,742)	(2,095,155)
Net debt as at 1 April 2014	(4,884,196)	(2,789,041)
	-----	-----
Net debt as at 31 March 2015	(7,790,938)	(4,884,196)
	=====	=====

MUIRHOUSE HOUSING ASSOCIATION LIMITED

NOTES to the FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2015

17. Cash flow statement (continued)

	At 1 April 2014 £	Cash Flows £	Other Changes £	At 31 March 2015 £
<i>Analysis of changes in net debt</i>				
Cash at bank and in hand	2,180,929	(1,625,756)	-	555,173
Bank overdrafts	(3,336,794)	1,540,536	-	(1,796,258)
	(1,155,865)	(85,220)	-	(1,241,085)
<u>Less:</u> Debt due within year	(204,856)	204,856	(248,251)	(248,251)
Debt due after more than one year	(3,523,475)	(3,026,378)	248,251	(6,301,602)
Net debt	(4,884,196)	(2,906,742)	-	(7,790,938)

18. Share capital

	Ordinary shares of £1 each issued and fully paid £
At 31 March 2014	44
Redeemed in year	(2)
Issued in year	2
	44

Each members of Association holds one share of £1 in the Association. These shares carry no right to dividend or distribution on a winding up. When a shareholder ceases to be a member, that person's share is cancelled and the amount paid thereon becomes the property of the Association.

19. Reserves	HMO Service Charge Reserve £	Major Repairs £	Total £
<i>(a) Designated reserves</i>			
At 31 March 2015	7,428	2,063,550	2,070,978
Transfer to revenue reserves	-	-	-
At 31 March 2015	7,428	2,063,550	2,070,978
<i>(b) Revenue reserves</i>			
At 1 April 2015			1,576,922
Surplus for the year			426,795
Transfer to designated reserves			-
At 31 March 2015			2,003,717

MUIRHOUSE HOUSING ASSOCIATION LIMITED

NOTES to the FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2015

20. Housing stock	2015	2014
	No.	No.
The number of units of accommodation in management at the year end was:		
General needs - new build	461	407
- rehabilitation	57	57
	-----	-----
	518	464
	=====	=====

21. Related party transactions

Members of the Management Committee are related parties of the Association as defined by the Financial Reporting Standard 8.

Some members of the Management Committee are also tenants of the Association. Their tenancies are all on the same terms as for other tenants and no advantage can be gained from their position.

Governing Body members cannot use their position to their advantage. Any transactions between the Association and any entity with which a Governing Body member has a connection with is made at arm's length and is under normal commercial terms.

The Members of the Management Committee receive a maximum of £15 per month each for internet access and in total members received £756 for reimbursement of expenses.

At 31 March 2015, there was an amount due from Muirhouse Homes Limited of £681.

The Association leased 24 properties during the period to Muirhouse Homes Limited, a subsidiary of Muirhouse Housing Association which was set up during the year to accommodate the properties which receive rent on a mid market basis, receiving £84,105 in respect of these leases. In addition, it provided management services totalling £4,536 to Muirhouse Homes Limited.

Management Committee members J R Douglas, A M Thoronka and K H Momola are also directors of Muirhouse Homes limited.

22. Retirement benefit obligations

General

Muirhouse Housing Association Limited participates in the Scottish Housing Association Pension Scheme (the scheme).

The Scheme is a multi-employer defined benefit scheme. The Scheme is funded and is contracted out of the state scheme.

The Scheme offers six benefit structures to employers, namely:

- Final salary with a 1/60th accrual rate
- Career average revalued earnings with a 1/60th accrual rate
- Career average revalued earnings with a 1/70th accrual rate
- Career average revalued earnings with a 1/80th accrual rate
- Career average revalued earning with a 1/120th accrual rate, contracted in
- 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. An employer can only operate one open benefit structure at any one time. An open benefit structure is one which new entrants are able to join.

MUIRHOUSE HOUSING ASSOCIATION LIMITED

NOTES to the FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2015

22. Retirement benefit obligations (continued)

General (continued)

Muirhouse Housing Association Limited elected to operate the final salary with a 1/60th accrual rate benefit structure for active members as at 31 March 2012 and the final salary with a 1/80th benefit structure for new entrants from 1 April 2012. From 1 April 2014, the Association has also elected to operate the Defined Contribution option for new entrants.

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

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

During the accounting period, Muirhouse Housing Association Limited paid contributions at the rate of 12.3% of pensionable salaries. Member contributions were 12.3%.

As at the balance sheet date there were six active members of the Scheme employed by Muirhouse Housing Association Limited. The annual pensionable payroll in respect of these members was £169,621. Muirhouse Housing Association Limited continues to offer membership of the Scheme to its employees under the defined contribution options.

It is not possible in the normal course of events to identify the share of underlying assets and liabilities belonging to individual participating employers as the scheme is a multi-employer arrangement where the assets are co-mingled for investment purposes, benefits are paid from the total scheme assets and the contribution rate for all employers is set by reference to the overall financial position of the scheme rather than by reference to individual employer experience. Accordingly, due to the nature of the Scheme, the accounting charge for the period under FRS17 represents the employer contribution payable.

The last formal valuation of the Scheme was performed as at 30 September 2012 by a professionally qualified actuary using the Projected Unit Credit method. The market value of the Scheme's assets at the valuation date was £394m. The valuation revealed a shortfall of assets compared with the value of liabilities of £304m (equivalent to a past service funding level of 56.4%).

The Scheme Actuary has prepared an Actuarial Report that provides an approximate update on the funding position of the Scheme as at 30 September 2014. Such a report is required by legislation for years in which a full actuarial valuation is not carried out. The funding update revealed an increase in the assets of the Scheme to £539m and indicated a decrease in the shortfall of assets compared to liabilities to approximately £281m, equivalent to a past service funding level of 66%.

Financial assumptions

The key financial assumptions underlying the valuation as at 30 September 2012 were as follows:

	% per annum
Investment return pre-retirement	5.3
Investment return post-retirement – non pensioners	3.4
Investment return post-retirement – pensions	3.4
Rate of salary increases	4.1
Rate of price inflation: RPI	2.6
CPI	2.0

MUIRHOUSE HOUSING ASSOCIATION LIMITED

NOTES to the FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2015

22. Retirement benefit obligations (continued)

Financial assumptions (continued)

The valuation was carried out using the SAPS (S1PA) All pensioners Year of Birth Long Cohort with 1% per annum minimum improvement for non-pensioners and pensioners.

Valuation results

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

Benefit Structure	Long term joint contribution rate (% of pensionable salaries)
Final salary – 60ths	24.6
Career average – 60ths	22.4
Career average – 70ths	19.2
Career average – 80ths	16.9
Career average – 120ths	11.4

If an actuarial valuation reveals a shortfall of assets compared to liabilities the Trustee must prepare a recovery plan setting out the steps to be taken to make up the shortfall.

The Trustees have recently supplied Muirhouse Housing Association Limited with an updated contribution figure to the past service deficit. From 1 April 2014 Muirhouse Housing Association Limited will be required to pay £38,743 per annum as a contribution to the past service deficit. This will represent an increase of 87% in Muirhouse Housing Association Limited's contribution to the past service deficit. The deficit contribution will increase each April by 3%.

As a result of Pension Scheme legislation there is a potential debt on the employer of £1,442,592 that could be levied by the Trustee of the Scheme. The debt is due in the event of the employer ceasing to participate in the Scheme or the Scheme winding up.

The debt for the Scheme as a whole is calculated by comparing the liabilities for the Scheme (calculated on a buyout basis i.e. the cost of securing benefits by purchasing annuity policies from an insurer, plus an allowance for expenses) with the assets of the scheme. If the liabilities exceed assets there is a buyout debt.

The leaving employer's share of the buyout is the proportion of the scheme's liability attributable to employment with the leaving employer compared to the total amount of the Scheme's liabilities (relating to employment with all the currently participating employers). The leaving employer's debt therefore includes a share of any "orphan" liabilities in respect of previously participating employers. The amount of the debt therefore depends on many factors including total Scheme liabilities, Scheme investment performance, the liabilities in respect of current and former employees of the employer, financial conditions at the time of the cessation event and the insurance buyout market. The amounts of debt can therefore be volatile over time.

Employees have the option to make additional voluntary contributions. These are held in a separate fund.

MUIRHOUSE HOUSING ASSOCIATION LIMITED

NOTES to the FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2015

22. Retirement benefit obligations (continued)

Growth Plan

Muirhouse Housing Association participates in the Pension Trust's Growth Plan (the Plan). The Plan is funded and is not contracted-out of the State scheme. The Plan is a multi-employer pension plan.

Contributions paid into the Growth Plan up to and including September 2001 were converted to defined amounts of pension payable from Normal Retirement Date. From October 2001 contributions were invested in personal funds which have a capital guarantee and which are converted to pension on retirement, either within the Growth Plan or by the purchase of an annuity.

The rules of the Plan allow for the declaration of bonuses and/or investment credits of this is within the financial capacity of the Plan assessed on a prudent basis. Bonuses/investment credits are not guaranteed and are declared at the discretion of the Plan's Trustee.

The Trustee commissions an actuarial valuation of the Growth Plan every 3 years. The purpose of the actuarial valuation is to determine the financial position of the Plan by comparing the assets with the past service liabilities as at the valuation date. Asset values are calculated by reference to market levels. Accrued past service liabilities are valued by discounting expected future benefit payments using a discount rate calculated by reference to the expected future investment returns.

The rules of the Plan give the Trustee the power to require employers to pay additional contributions in order to ensure that the statutory funding objective under the Pensions Act 2004 is met. The statutory funding objective is that a pension scheme should have sufficient assets to meet its past service liabilities known as Technical Provisions.

If the actuarial valuation reveals a deficit, the Trustee will agree a recovery plan to eliminate the deficit over a specified period of time either by way of additional contributions from employers, investment returns or a combination of these.

The rules of the Growth Plan state that the proportion of obligatory contributions to be borne by the Member and the Member's Employer shall be determined by way of agreement between them. Such agreement shall require the Employer to pay part of such contributions and may provide that the Employer shall pay the whole of them.

The Association paid regular contributions of £nil during the accounting period. Members paid contributions of £240 during the accounting period.

As at the Balance Sheet date there was 1 active member of the Plan employed by the Association. The Association continues to offer membership of the plan to its employees.

It is not possible in the normal course of events to identify on a reasonable and consistent basis the share of underlying assets and liabilities belonging to individual participating employers. The Plan is a multi-employer scheme, where the assets are co-mingled for investment purposes, and benefits are paid out of the Plan's total assets. Accordingly, due to the nature of the Plan, the accounting charge for the period under FRS17 represents the employer contribution payable.

The valuation results at 30 September 2011 were completed in 2012 and have been formalised. The valuation of the Plan was performed by a professionally qualified Actuary using the Projected Unit Method. The market value of the Plan's assets at the valuation date was £780 million and the Plan's Technical Provisions (i.e. past service liabilities) were £928 million. The valuation therefore revealed a shortfall of assets compared with the value of liabilities of £148 million, equivalent to a past service funding level of 84%.

MUIRHOUSE HOUSING ASSOCIATION LIMITED

NOTES to the FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2015

22. Retirement benefit obligations (continued)

Growth Plan (Contd.)

The Scheme Actuary has prepared a funding position update as at 30 September 2012. The market value of the Plan's assets at that date was £790 million and the Plan's Technical Provisions (i.e. past service liabilities) were £984 million. The update, therefore revealed a shortfall of assets compared with the value of liabilities of £194 million, equivalent to a funding level of 80%.

Financial Assumptions

The financial assumptions underlying the valuation as at 30th September 2011 were as follows:

	% p.a.
Rate of return pre retirement	4.9
Rate of return post retirement - Active/Deferred	4.2
Rate of return post retirement - Pensioners	4.2
Bonuses on accrued benefits	0.0
Inflation: Retail Prices Index (RPI)	2.9
Inflation: Consumer Prices Index (CPI)	2.4

In determining the investment return assumptions the Trustee considered advice from the Scheme Actuary relating to the probability of achieving particular levels of investment return. The Trustee has incorporated an element of prudence into the pre and post retirement investment return assumptions; such that there is a 60% expectation that the return will be in excess of that assumed and a 40% chance that the return will be lower than that assumed over the next 10 years.

If an actuarial valuation reveals a shortfall of assets compared to liabilities the Trustee must prepare a recovery plan setting out the steps to be taken to make up the shortfall.

The estimated cost to the Association of withdrawal from the Growth Fund is £3,500.