

**MUIRHOUSE HOUSING ASSOCIATION LIMITED**

**REPORT and FINANCIAL STATEMENTS**

**For the year ended 31 March 2016**

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**MUIRHOUSE HOUSING ASSOCIATION LIMITED**

**REPORT AND FINANCIAL STATEMENTS**

**For the year ended 31 March 2016**

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**MUIRHOUSE HOUSING ASSOCIATION LIMITED**

**MANAGEMENT COMMITTEE, EXECUTIVES and ADVISERS**

**Year ended 31 March 2016**

**Management Committee**

Robert McDougall (Chair) (Appointed 10 August 2015)  
Michael Woods (Chair) (Resigned 13 April 2015)  
Alison Blezard  
Jacqueline Brash (Resigned 7 August 2015)  
Gordon Cameron (Statutory Appointee December 2014, resigned 13 June 2016)  
Michael Clarke (Statutory Appointee December 2014, resigned 13 June 2016)  
Thomas Diamond  
James Roy Douglas  
Shirley MacDonald (Statutory Appointee December 2014, resigned 13 June 2016)  
Ann McDonald  
Kacper Momola  
Steven Prevost  
Tracy Stewart  
Martin Thoronka  
Alice Wood (Resigned 7 August 2015)  
Helen Armour (Co-optee 12 October 2015)  
Laura Calder (Co-optee 12 October 2015)  
Jo Voissey (Co-optee 14 December 2015)

**Executive Officers**

Stephen McAvoy (Chief Executive) (Appointed 4 April 2016)  
Mags Lightbody (Interim Chief Executive (Appointed 1 September 2015, resigned 11 April 2016)  
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 2016

The Management Committee presents its report and the Financial Statements for the year ended 31 March 2016.

#### **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 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 Association have worked diligently alongside the Regulator to meet all requirements of the Action Plan. In order to achieve this, an interim Chief Executive was appointed in September 2015 to lead the Management Committee and staff during this difficult period. As a result of the positive outcomes achieved, the Regulator stepped down their interim manager in December 2015 and the three statutory appointees were stepped down in June 2016.

The staffing structure has also been reviewed in the year and a new Chief Executive was appointed in April 2016. In addition, the finance function has been brought in-house and led by a new post of Finance and Corporate Services Manager from July 2016. The Association's aim is to move from High to Medium Engagement in 2016/17 and then down to low engagement.

In July 2015, the Association completed the development of 64 units, and the remaining 52 units were handed over to tenants. At 31st March 2016 the Association owned 570 units. Over the last two years, this development activity has resulted in an investment in the community of £16m providing 122 new homes.

The Association continues to review performance to meet the regulatory requirements and participates in benchmarking and good practice events. The Association performs in the top quartile with regard to KPIs reported in the Annual Return of the Charter compared to other RSLs. In 2015/16 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 2015 an external facilitator was appointed to carry out a Training Needs Analysis with the Committee, and the Association has made good progress on providing relevant training sessions and has commenced an appraisal process for all Management Committee members.

**For the year ended 31 March 2016**

**Review of Business and Future Developments (Continued)**

The Association was able to report on full compliance with SHQS requirements as at 31<sup>st</sup> March 2015 and will be compliant with EESH by 2017.

The Association continues to work in partnership with the local authority to prioritise the completion of the regeneration of the community, and is committed as part of the Association's business plan to be a community anchor, support social enterprise and financial & social inclusion.

During the year the Association made charitable donations of £2,483 (2015 £2,098).

**Key Performance Indicators**

The Association reports on its performance against a series of indicators laid out in the Scottish Social Housing Charter. Our performance continues to show strong results, with all of the indicators at top quartile levels.

The tenant satisfaction survey carried out in 2013 reported that 89.82% of tenants are satisfied with the overall service they receive. In addition, 85.40% are satisfied with the quality of their home, 91.15% are satisfied with the management of the neighbourhood they live in and 88.94% feel that the rent for their property represents good value for money. The survey is carried out every 3 years and the current survey will be completed in the autumn of 2016

**Principal Risks & Uncertainties**

The Association recognises the importance of effective identification, evaluation and management of all key strategic and operational risks, and this is a requirement set out by the Scottish Housing Regulator's Regulatory Standards.

Risk Management covers the whole spectrum of risks and not just those associated with finance, health and safety, business continuity and insurance. It also includes risks associated with service provision, effectiveness and continuity, public image (reputation), compliance with legislation and regulation and environment.

The principal risks facing the Association are:

- Government policy – National and local
- Welfare reform
- Business continuity and disaster recovery
- Development and growth
- Financial risk management and governance
- Impact of Brexit
- UK economy

# MUIRHOUSE HOUSING ASSOCIATION LIMITED

## REPORT of the MANAGEMENT COMMITTEE (Continued)

**For the year ended 31 March 2016**

### **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 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 2015. 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.

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.

REPORT of the MANAGEMENT COMMITTEE (Continued)

For the year ended 31 March 2016

**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 2016. 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.

**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**



**STEPHEN MCAVOY**  
Secretary

8 August 2016

**MUIRHOUSE HOUSING ASSOCIATION LIMITED**

**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 5 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 5 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*

**ALEXANDER SLOAN**  
**Chartered Accountants**

15 August 2016



## MUIRHOUSE HOUSING ASSOCIATION LIMITED

### INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF

## MUIRHOUSE HOUSING ASSOCIATION LIMITED

We have audited the financial statements of Muirhouse Housing Association Limited for the year ended 31 March 2016 which comprise a statement of comprehensive income, statement of changes in reserves, statement of financial position and statement of cash flow 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). Muirhouse Housing Association Limited

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 2016 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 2015.

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.

**MUIRHOUSE HOUSING ASSOCIATION LIMITED**

**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*

**ALEXANDER SLOAN**  
**Chartered Accountants**  
**Statutory Auditors**  
**GLASGOW**

15 August 2016

**MUIRHOUSE HOUSING ASSOCIATION LIMITED**

**STATEMENT OF COMPREHENSIVE INCOME**

**For the year ended 31 March 2016**

	Notes	2016	Restated
		£	2015
		£	£
Turnover	2	2,931,707	2,521,907
Operating expenditure	2	(2,078,992)	(1,690,248)
<b>Operating surplus</b>	8	852,715	831,659
Interest receivable and other income		7,838	1,904
Interest payable and similar charges		(398,947)	(263,065)
Other finance costs		20,827	(36,000)
		(370,282)	(297,161)
<b>Surplus before taxation</b>		482,433	534,498
Taxations	9	-	-
<b>Surplus for the year</b>		482,433	534,498
Unrealised gain/(loss) on pension liability		213,304	(14,000)
<b>Total comprehensive income for the year</b>		695,737	520,498

There were no discontinued operations during the year. As a consequence the results relate wholly to continuing activities.

*Comparative figures have been restated to reflect the adoption of FRS 102 and the Housing SORP 2014.*

The notes on pages 13 to 30 form part of these financial statements.

**MUIRHOUSE HOUSING ASSOCIATION LIMITED**

**STATEMENT OF CHANGES IN RESERVES**

**As at 31 March 2016**

	Share Capital £	Revenue Reserve £	Total Unrestricted Funds £
Balance at 1 April 2015 (restated)	44	3,299,536	3,299,580
Movement in share capital	4	-	4
Surplus from statement of total comprehensive income	-	695,737	695,737
<b>Balance at 31 March 2016</b>	<b>48</b> =====	<b>3,995,273</b> =====	<b>3,995,321</b> =====
Balance at 1 April 2014 (restated)	44	2,779,038	2,779,082
Surplus from statement of total comprehensive income (restated)	-	520,498	520,498
<b>Balance at 31 March 2015 (restated)</b>	<b>44</b> =====	<b>3,299,536</b> =====	<b>3,299,580</b> =====

Details of the transition adjustments to FRS102 are stated in note 24.

*Comparative figures have been restated to reflect the adoption of FRS 102 and the Housing SORP 2014.*

The notes on pages 13 to 30 form part of these financial statements.

MUIRHOUSE HOUSING ASSOCIATION LIMITED

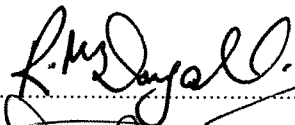
STATEMENT OF FINANCIAL POSITION


As at 31 March 2016


	Notes	2016 £	Restated 2015 £
<b>Tangible fixed assets</b>			
Housing properties	10a	29,689,423	29,182,261
Other fixed assets	10b	116,225	95,689
		<u>29,805,648</u>	<u>29,277,950</u>
<b>Investment</b>	11	1	1
<b>Current assets</b>			
Debtors	15	216,367	157,418
Cash at bank and in hand		1,417,366	555,173
		<u>1,633,733</u>	<u>712,591</u>
<b>Creditors: amounts falling due within one year</b>	16	(1,392,265)	(3,446,155)
<b>Net current assets/(liabilities)</b>		<u>241,468</u>	<u>(2,275,094)</u>
<b>Total assets less current liabilities</b>		<u>30,047,116</u>	<u>27,002,857</u>
<b>Creditors: amounts falling due after more than one year</b>	17	(26,051,795)	(23,244,807)
<b>Net assets</b>		<u>3,995,321</u>	<u>3,299,580</u>
<b>Capital and reserves</b>			
Share capital	20	48	44
Revenue reserves	21	3,995,273	3,299,536
		<u>3,995,321</u>	<u>3,299,580</u>

Comparative figures have been restated to reflect the adoption of FRS 102 and the Housing SORP 2014.

The financial statements were approved and authorised for issue by the Management Committee and signed on its behalf on 8 August 2016.

  
 Robert McDougall  
 Chair

  
 James R Douglas  
 Board Member

  
 Stephen McAvoy  
 Secretary

The notes on pages 13 to 30 form part of these financial statements.

**MUIRHOUSE HOUSING ASSOCIATION LIMITED****CASH FLOW STATEMENT****For the year ended 31 March 2016**

	<b>Notes</b>	<b>2016 £</b>	<b>Restated 2015 £</b>
<b>Net cash generated from operating activities</b>	18	815,602	854,976
		-----	-----
<b>Cash flows from investing activities</b>			
Purchase of tangible fixed assets		(1,402,178)	(5,509,902)
Grants received		-	2,009,346
Purchase of investments		-	(1)
Interest received		7,838	1,904
<b>Cash flow from financing activities</b>			
Interest paid		(398,947)	(263,065)
New secured loans		4,200,000	4,700,000
Repayment of borrowings		(563,868)	(1,878,478)
Share capital issued		4	2
Share capital redeemed		-	(2)
Net change in cash and cash equivalents in the year		2,658,451	(85,220)
<b>Cash and cash equivalents at the beginning of the year</b>		(1,241,085)	(1,155,865)
		-----	-----
<b>Cash and cash equivalents at the end of the year</b>		1,417,366	(1,241,085)
		=====	=====
Cash at bank in hand		1,417,366	555,173
Bank overdraft		-	(1,796,258)
Cash and cash equivalents at the end of the year		1,417,366	(1,241,085)
		=====	=====

The notes on pages 13 to 30 form part of these financial statements.

**NOTES to the FINANCIAL STATEMENTS**

**For the year ended 31 March 2016**

The financial statements have been prepared for the first time in accordance with Financial Reporting Standard 102 (FRS102), the Statement of Recommended Practice for social housing providers "Housing SORP 2014" and the Determination of Accounting Requirements 2015. The transition to FRS 102 and SORP 2014 has resulted in a number of changes in accounting policies to those used previously.

**Legal Status**

Muirhouse Housing Association Limited is registered under the Co-operative and Community Benefit Societies Act 2014 No. 2414R(S) and is a registered Scottish charity No.SC040979. Muirhouse Housing Association Limited is registered as a housing association with the Scottish Housing Regulator under the Housing (Scotland) Act 2010. The principal activity of the Association is the provision of social housing and thus the Association is considered a public benefit entity. The registered office is 11 Muirhouse Medway, Edinburgh, EH4 4RW.

The Association is a Registered Society registered with the Financial Conduct Authority and is domiciled in Scotland.

The Association's principle place of business is Edinburgh, Scotland.

The Association is a Registered Social Landlord and Scottish Charity that owns and manages social housing properties in Edinburgh, Scotland.

**1. Principal accounting policies**

**Consolidation**

As the parent of Muirhouse Homes Limited (note 11), Muirhouse Housing Association Limited has been exempted from the preparation of consolidated accounts, as granted by the Financial Conduct Authority, on the basis that the amounts involved are not material.

**Turnover**

Turnover represents rental and service charge income receivable less voids, 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.

The Association accounts for amounts that it has agreed to pay towards the Scheme deficit in accordance with paragraph 28.11A of FRS102. The present value of this liability has been recognised in the Statement of Financial Position. The discount rate applied to this obligation is that of a yield rate for the high quality corporate bond.

**Valuation of housing properties**

Housing properties are stated at cost 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 of circumstances indicate that the carrying value of the components listed below is higher than the recoverable amount.

**MUIRHOUSE HOUSING ASSOCIATION LIMITED**

**NOTES to the FINANCIAL STATEMENTS (continued)**

**For the year ended 31 March 2016**

**1. Principal accounting policies (continued)**

**Valuation of housing properties (continued)**

<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 a 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.

**Housing Association Grant and other grants in advance/arrears**

Certain developments have been financed wholly or partly by Housing Association Grant or other Capital grants. HAG is repayable under certain circumstances, primarily following sale of the related property but will normally be restricted to net proceeds of sale.

Capital grants are accounted for using the accrual model and are recognised in income on systematic basis over the useful life of the related housing asset. The Association used the useful lives of all housing components on a pro-rata basis to calculate the annual amortisation.

**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 Statement of Comprehensive Income.

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 Statement of Comprehensive Income.

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



For the year ended 31 March 2016

**1. Principal accounting policies (continued)**

**Leases/leased assets**

Costs in respect of operating leases are charged to the Statement of Comprehensive Income on a straight line basis over the lease term. Assets held under finance leases and hire purchase contracts are capitalised in the Statement of Financial Position 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.

**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 Statement of Comprehensive Income in accordance with the Statement of Recommended Practice.

**Going concern**

The Association has a healthy cash position and thus the Committee of Management is satisfied that there are sufficient resources in place to continue operating for the foreseeable future. Thus the Committee of Management continue to adopt the going concern basis of accounting in preparing the annual financial statements.

**Financial instruments**

*Debtors and creditors receivable/payable within one year*

Debtors and creditors with no stated interest rate and receivable or payable within one year are recorded at the transaction price. Any losses arising from impairment are recognised in the statement of comprehensive income in other administrative expenses.

*Loans and borrowings*

Bank loans provided by Private Lenders are also classed as basic under the requirements of FRS 102, and are therefore also measured at amortised cost.

*Payment arrangements with tenants*

In the case of payment arrangements that exist with tenants, these are deemed to constitute financing transactions and, where material, are measured at the present value of future payments discounted at a market rate of interest applicable to similar debt instruments.

**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 members of the management committee are satisfied that the accounting policies are appropriate and applied consistently. Key sources of estimation have been applied in apportioning the cost of housing properties between constituent components and in determining the depreciation rates which have been deemed to be appropriate for the class of asset or asset component and in determining the appropriate level of bad debt provision for rental arrears.

**MUIRHOUSE HOUSING ASSOCIATION LIMITED****NOTES to the FINANCIAL STATEMENTS (continued)****For the year ended 31 March 2016****1. Principal accounting policies (continued)****Pension liability**

In March 2016 the Association received details from the Pension Trust of the provisional valuation of the pension scheme at 30 September 2015 and the Pension Trust's estimate of the Association's future past service deficit contributions. The Association has used this to provide the basis of the pension past service deficit liability in the financial statements at 31 March 2016. The Board feel this is the best available estimate of the past service liability. The 2012 valuation was used to value the past service deficit at 31 March 2015.

**2. Particulars of turnover, operating costs and operating surplus or deficit**

	Turnover	Operating Costs	2016 Operating Surplus/ (Deficit)	Restated 2015 Operating Surplus/ (Deficit)
	£	£	£	£
Affordable lettings activities (Note 3)	2,702,571	2,066,783	635,788	743,018
Other activities (note 4)	229,136	12,209	216,927	88,641
Total	2,931,707	2,078,992	852,715	831,659
	=====	=====	=====	=====
Total for previous reporting period	2,521,907	1,690,248	831,659	
	=====	=====	=====	

## NOTES to the FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2016**3. Particulars of turnover, operating costs, and operating surplus from affordable letting activities**

	General Needs Housing £	Supported Housing £	2016 Total £	Restated 2015 Total £
<b>Turnover</b>				
Rent receivable net of service charges	2,130,193	-	2,130,193	1,974,543
Service charges receivable	115,144	-	115,144	60,253
	-----	-----	-----	-----
<b>Gross income from rents and service charges</b>	2,245,337	-	2,245,337	2,034,796
<u>Less: Voids</u>	(1,236)	-	(1,236)	(2,589)
	-----	-----	-----	-----
<b>Net income from rents and service charges</b>	2,244,101	-	2,244,101	2,032,207
Grants released from deferred income	458,470	-	458,470	395,817
Revenue grants from Scottish Ministers	-	-	-	5,242
	-----	-----	-----	-----
<b>Total turnover from affordable letting activities</b>	2,702,571	-	2,702,571	2,433,266
	-----	-----	-----	-----
Management and maintenance administration costs	824,876	-	824,876	601,338
Service costs	104,892	-	104,892	49,913
Planned and cyclical maintenance including major repair costs	67,333	-	67,333	108,881
Reactive maintenance costs	201,824	-	201,824	216,277
Bad debts – rents and service charges	(350)	-	(350)	10,274
Depreciation of affordable let properties	868,208	-	868,208	703,565
	-----	-----	-----	-----
<b>Operating costs for affordable letting activities</b>	2,066,783	-	2,066,783	1,690,248
	-----	-----	-----	-----
<b>Operating surplus for affordable letting activities</b>	635,788	-	635,788	743,018
	=====	=====	=====	=====
<b>Operating surplus for affordable letting activities for previous reporting period</b>	743,018	-	743,018	
	=====	=====	=====	

The disclosure of turnover, operating costs and operating surplus from affordable letting activities has been restated to reflect the requirements of the Housing SORP 2014. Comparative figures have been restated on the same basis.

MUIRHOUSE HOUSING ASSOCIATION LIMITED

NOTES to the FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2016

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 2016 £	Operating surplus or deficit 2015 £
Other activities	-	-	-	229,136	229,136	-	12,209	216,927	88,641
<b>Total from other activities</b>	-	-	-	<b>229,136</b>	<b>229,136</b>	-	<b>12,209</b>	<b>216,927</b>	<b>88,641</b>
<b>Total from other activities for the previous reporting period</b>	-	-	-	<b>88,641</b>	<b>88,641</b>	-	-	-	-

Other activities relate to the lease of properties to the subsidiary for mid market rental.

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 2016**

**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.

	<b>2016</b>	<b>2015</b>
	£	£
Emoluments payable to Chief Executive (excluding pension contributions of £2,598 (2015: £7,259))	39,539	59,018
Compensation for loss of office	59,903	-
	-----	-----
	<b>99,442</b>	<b>59,018</b>
	=====	=====

Key management personnel are considered to be the Chief Executive, the Special Manager, the Interim Chief Executive and Chiene + Tait who acted as interim finance managers. Fees paid to key management personnel (excluding the chief executive) amounted to £182,436.

The number of key management personnel whose emoluments, excluding pension contributions, were above £60,000 for the year was:

	<b>2016</b>	<b>2015</b>
£60,001 to £70,000	1	-
	=====	=====

**6. Employee information**

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

	<b>2016</b>	<b>2015</b>
	No.	No.
	7	7
	=====	=====

The average total number of employees employed during the year was

	7	8
	=====	=====

Staff costs were:

	£	£
Wages and salaries	300,967	250,126
Social security costs	22,596	19,269
Other pension costs	21,672	22,193
	-----	-----
	<b>345,235</b>	<b>291,588</b>
	=====	=====

**7. Interest payable**

On bank loans and overdrafts

	<b>2016</b>	<b>2015</b>
	£	£
	398,947	263,065
	=====	=====

Interest incurred in the development period of housing properties which has been written off to the income and expenditure account amounted to £14,857 (2015: £14,857)

**MUIRHOUSE HOUSING ASSOCIATION LIMITED**

**NOTES to the FINANCIAL STATEMENTS (continued)**

**For the year ended 31 March 2016**

<b>8. Operating surplus before taxation</b>	<b>2016</b>	<b>2015</b>
	£	£
Surplus on ordinary activities before taxation is stated after charging:		
Depreciation - tangible owned fixed assets	871,717	708,573
Amortisation - housing association grant	(458,470)	(395,817)
Auditors' remuneration - audit services	11,540	8,550
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.

<b>10. Tangible fixed assets</b>	<b>Housing Properties held for letting £</b>	<b>Housing Properties in course of construction £</b>	<b>Total £</b>
(a) Housing properties			
<b>Cost</b>			
As at 1 April 2015 (restated)	32,995,779	6,450,361	39,446,140
Additions	149,146	1,228,987	1,378,133
Disposals	(28,730)	-	(28,730)
Schemes completed	7,679,348	(7,679,348)	-
	-----	-----	-----
As at 31 March 2016	40,795,543	-	40,795,543
	-----	-----	-----
<b>Depreciation</b>			
As at 1 April 2015 (restated)	10,263,879	-	10,263,879
Charge for year	868,208	-	868,208
Disposal	(25,967)	-	(25,967)
	-----	-----	-----
As at 31 March 2016	11,106,120	-	11,106,120
	-----	-----	-----
<b>Depreciated cost</b>	29,689,423	-	29,689,423
	-----	-----	-----
<b>Net book value</b>			
As at 31 March 2016	29,689,423	-	29,689,423
	=====	=====	=====
As at 31 March 2015 (restated)	22,731,900	6,450,361	29,182,261
	=====	=====	=====

Additions to the housing properties include component replacements costs to existing properties of £149,146 (2015: £4,381). There were no capitalised interest or development administration costs.

All land and housing properties are freehold.

The net book value of properties held as security is £19,428,342.

<b>Housing stock</b>	<b>2016</b>	<b>2015</b>
	No.	No.
The number of units of accommodation in management at the year end was:		
General needs - new build	513	461
- rehabilitation	57	57
	-----	-----
	570	518
	=====	=====

**MUIRHOUSE HOUSING ASSOCIATION LIMITED**

**NOTES to the FINANCIAL STATEMENTS (continued)**

**For the year ended 31 March 2016**

<b>10. Tangible fixed assets (continued)</b>	<b>Computer Equipment £</b>	<b>Office Premises £</b>	<b>Office Furniture and Equipment £</b>	<b>Total £</b>
<b>(b) Other tangible assets</b>				
<b>Cost</b>				
As at 1 April 2015	48,333	130,761	18,819	197,913
Additions	22,105	-	1,940	24,045
Eliminated on disposals	-	-	-	-
As at 31 March 2016	70,438	130,761	20,759	221,958
<b>Aggregate depreciation</b>				
As at 1 April 2015	48,333	35,072	18,819	102,224
Charge for year	1,120	2,349	40	3,509
Eliminated on disposal	-	-	-	-
As at 31 March 2016	49,453	37,421	18,859	105,733
<b>Net book value</b>				
As at 31 March 2016	20,985	93,340	1,900	116,225
As at 31 March 2015	-	95,689	-	95,689

<b>11. Investments</b>	<b>2016 £</b>	<b>2015 £</b>
<b>Cost</b>		
As at 1 April 2015	1	-
Additions during year	-	1
At 31 March 2016	1	1

During the previous year, 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 independence agreement between both parties.

	<b>2016 £</b>	<b>2015 £</b>
<b>Aggregate capital and reserves</b>		
Muirhouse Homes Limited	45,095	10,862
<b>Profit for the year</b>		
Muirhouse Homes Limited	34,233	10,861

In the opinion of the Management Committee the aggregate value of the assets of the subsidiary is not less than the aggregate of the amounts at which those assets are stated in the Association's Statement of Financial Position.

**MUIRHOUSE HOUSING ASSOCIATION LIMITED**

**NOTES to the FINANCIAL STATEMENTS (continued)**

**For the year ended 31 March 2016**

<b>12. Capital commitments</b>	<b>2016</b>	<b>2015</b>
	£	£
Capital expenditure that has been contracted for but has not been provided for in the Financial Statements	-	1,334,617
	=====	=====

**13. Contingent liabilities**

Housing Association Grant received to assist in the funding of the development housing properties is recognised as deferred income and released to the Statement of Comprehensive Income on a systematic basis (as detailed in note 17); nonetheless this grant remains repayable should the associated property be disposed of and therefore a contingent liability exists in respect of the amortised amounts. At 31 March 2016, £6,428,310 (2015: £5,969,840) of grant had been amortised.

**14. Commitments under operating leases**

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

	<b>2016</b>	<b>2015</b>
	£	£
<b>Other</b>		
Within 1 year	1,503	968
Between 1 and 2 years	1,503	-
Between 2 and 5 years	4,135	-
	=====	=====

Lease commitments have been restated under FRS102 to include the timing of the full payment due under the contract.

<b>15. Debtors</b>	<b>2016</b>	<b>2015</b>
	£	£
Arrears of rent and service charges	66,713	89,892
<u>Less:</u> Provision for doubtful debts	(16,537)	(19,052)
	-----	-----
	50,176	70,840
Prepayments and accrued income	88,775	85,897
Amounts owed by group undertakings	77,416	681
	-----	-----
	216,367	157,418
	=====	=====

Included within prepayments and accrued income are amounts due over one year amounting to £64,567 (2015: £74,597). This relates to arrangement fees for loan finance written off over the term of the loan.



**MUIRHOUSE HOUSING ASSOCIATION LIMITED**

**NOTES to the FINANCIAL STATEMENTS (continued)**

**For the year ended 31 March 2016**

<b>16. Creditors: Amounts falling due within one year</b>	<b>2016</b>	<b>2015</b>
	£	£
Bank overdrafts (secured)	-	1,796,258
Housing loans	381,926	248,251
Trade creditors	36,535	459,494
Rent in advance	53,394	99,436
Other taxation and social security	5,152	6,122
Other creditors	254,589	262,711
Accruals and deferred income	162,332	78,413
Deferred Housing Association Grant	458,470	458,470
Provision for pension deficit contributions	39,867	37,000
	-----	-----
	<b>1,392,265</b>	<b>3,446,155</b>
	=====	=====

At the balance sheet date there were pension contributions outstanding of £6,408 (2015: £6,918).

The bank overdraft is secured by specific charges on the Association's housing properties.

<b>17. Creditors: Amounts falling due after more than one year</b>	<b>2016</b>	<b>2015</b>
	£	£
Housing loans	9,804,059	6,301,602
Deferred Housing Association Grant	16,036,735	16,495,205
Provision for pension deficit contributions	211,001	448,000
	-----	-----
	<b>26,051,795</b>	<b>23,244,807</b>
	=====	=====

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	381,926	248,251
Between one and two years	389,380	249,682
Between two and five years	1,204,340	747,061
In five years or more	8,210,339	5,304,859
	-----	-----
	<b>10,185,985</b>	<b>6,549,853</b>
<u>Less: Amount shown in current liabilities</u>	381,926	248,251
	-----	-----
	<b>9,804,059</b>	<b>6,301,602</b>
	=====	=====

All of the Association's bank borrowings are repayable on a monthly or quarterly basis with the principal being amortised over the term of the lease. All loans are amortised over a maximum of 25 years.

Interest is charged at fixed rates on loans totalling £5,643,090, with rates varying between 4.29% and 6.3%. The remainder of the loans are charged at variable rate interest with margins ranging between 0.85% and 2.85%.

The average rate of interest paid in the year is 3.92% (2015: 4.02%)

**MUIRHOUSE HOUSING ASSOCIATION LIMITED**

**NOTES to the FINANCIAL STATEMENTS (continued)**

**For the year ended 31 March 2016**

<b>17. Creditors: Amounts falling due after more than one year (continued)</b>	<b>2016</b>	<b>2015</b>
	£	£
Deferred Housing Association Grant		
Balance b/fwd	16,953,675	15,340,146
Received in year	-	2,009,346
Released in year	(458,470)	(458,470)
	-----	-----
Balance c/fwd	16,495,205	16,953,675
	=====	=====

Analysis of the Deferred Housing Association Grant is as follows:-

Within one year	458,470	458,470
Between one and two years	458,470	458,470
Between two and five years	1,375,410	1,375,410
In five years or more	14,202,855	5,304,859
	-----	-----
	16,495,205	16,953,675
<u>Less: Amount shown in current liabilities</u>	458,470	458,470
	-----	-----
	16,036,735	16,495,205
	=====	=====

The provision for pension deficit contributions is repayable as follows

Within one year	39,867	37,000
Between one and two years	43,666	38,000
Between two and five years	139,016	120,000
In five years or more	28,319	290,000
	-----	-----
	250,868	485,000
<u>Less: Amount shown in current liabilities</u>	39,867	37,000
	-----	-----
	211,001	448,000
	=====	=====

The liability for the past service contributions have been accounted for in accordance with FRS102 para 28.13A and represents the present value of the contributions payable. The cash outflows have been discounted at a rate of 2.29% (2015 – 2.22%).

<b>18. Cash flow statement</b>	<b>2016</b>	<b>2015</b>
	£	£
Surplus for the year	674,910	520,498
Adjustment for non-cash items		
Depreciation of tangible fixed assets	874,471	708,573
Decrease/(increase) in trade and other debtors	(58,949)	(76,745)
Increase/(decrease) in trade and other creditors	(607,469)	(162,694)
Adjustments for investing or financing activities:		
Housing Association grants utilised in the year	(458,470)	(395,817)
Interest receivable	(7,838)	(1,904)
Interest payable	398,947	263,065
	-----	-----
Net cash flow from operating activities	815,602	854,976
	=====	=====

MUIRHOUSE HOUSING ASSOCIATION LIMITED

NOTES to the FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2016

19. Cash and cash equivalents

	At 1 April 2015 £	Movement in year £	At 31 March 2016 £
Cash at bank and in hand	555,173	862,193	1,417,366
	=====	=====	=====

20. Share capital

	Ordinary Shares of £1 each issued and fully paid £
At 31 March 2015	44
Redeemed in year	-
Issued in year	4
	-----
	48
	=====

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.

21. Reserves

(a) *Designated reserves*

All the designated reserves were transferred to revenue reserves on 1 April 2014 as part of the transition adjustments to FRS102.

(b) *Revenue reserves*

At 1 April 2015	£ 3,299,536
Surplus for the year	695,737
	-----
At 31 March 2016	3,995,273
	=====

22. Related party transactions

Members of the Management Committee are related parties of the Association as defined by the Financial Reporting Standard 102 (FRS102).

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 £1,394 (2015: £756) for reimbursement of expenses.

**For the year ended 31 March 2016**

**22. Related party transactions**

The Association leased 60 properties during the year to Muirhouse Homes Limited, a subsidiary of Muirhouse Housing Association which was set up during the previous year to accommodate the properties which receive rent on a mid market basis, receiving £217,796 (2015: £84,105) in respect of these leases. In addition, it provided management services totalling £11,340 (2015: £4,536) to Muirhouse Homes Limited. The balance due from Muirhouse Homes Limited at 31 March 2016 was £77,416 (2015 £681).

4 of the Management Committee were tenants of the Association at 31 March 2016. They have standard tenancy agreements and were awarded their tenancies in line with best practice allocations policy. The total rental charge to the tenant Committee Members for the year was £17,474 and the net balance outstanding as at 31 March 2016 was £819.

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

**23. 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 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 2015, the Association has also elected to operate the Defined Contribution option for new entrants.

The Trustee commissions an actuarial valuation of the Scheme ever 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 is 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.

For the year ended 31 March 2016

**23. Retirement benefit obligations (continued)**

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 five active members of the Scheme employed by Muirhouse Housing Association Limited. The annual pensionable payroll in respect of these members was £156,598. 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 provisional valuation of the Scheme was performed as at 30 September 2015 by a professionally qualified actuary using the Projected Unit Credit method. The market value of the Scheme's assets at the valuation date was £612m. The valuation revealed a shortfall of assets compared with the value of liabilities of £198m (equivalent to a past service funding level of 76%).

The Scheme operates on a 'last man standing' basis, meaning that in the event of an employer withdrawing from the Scheme and being unable to pay its share on withdrawal, then the liability of the withdrawing employer is re-apportioned amongst the remaining employers. Therefore in certain circumstances the Association may become liable for the obligations of a third party.

Based on the provisional valuation the Scheme has provided an estimate of the contributions required to fund the past service deficit. Under the new proposals the Association will make annual payments of £43,666 from 1 April 2017. Payments are expected to increase by 3% per annum and continue until February 2022. Once finalised the proposals will replace the original plan which was expected to have lasted 10 years.

All employers' in the scheme have entered into an agreement to make additional contributions to fund the Scheme's past service deficit. This obligation has been recognised in terms of Para 28.11A of Financial Reporting Standard 102. At the balance sheet date the present value of this obligation was £271,685 (2015 £485,000). This was calculated by reference to the terms of the provisional valuation and funding plan and discounting the liability using the yield rate of high quality corporate bond with a similar term. The discount rate used was 2.29% (2015 £2.22%).

The comparative year liability figure of £485,000 was calculated by reference to the terms of the final 2012 valuation under which pension deficit payments were expected to have been required until 2027, resulting in a higher liability being recognised at 31 March 2015. The reduction in this liability by 31 March 2016 is reported through the Statement of Comprehensive Income.

The Association made payments totalling £38,743 (2015 £41,235) to the pension scheme during the year.

As a result of Pension Scheme legislation there is a potential debt on the employer of £1,729,634 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.

**23. 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 £100 during the accounting period.

As at the Balance Sheet date there were no active members 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 2014 were completed in 2015 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 £793 million and the Plan's Technical Provisions (i.e. past service liabilities) were £970 million. The valuation therefore revealed a shortfall of assets compared with the value of liabilities of £177 million, equivalent to a past service funding level of 82%.

**For the year ended 31 March 2016**

**23. Retirement benefit obligations (continued)**

**Growth Plan (continued)**

**Financial Assumptions**

The financial assumptions underlying the valuation as at 30th September 2014 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 £4,819.

**24. Transition to FRS 102**

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

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

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

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

As prescribed by FRS 102 the Association now prepares a Statement of Changes in Capital and Reserves whereas in the financial statements to 31 March 2016 capital and reserves were analysed as part of the notes to the financial statements.

**MUIRHOUSE HOUSING ASSOCIATION LIMITED****NOTES to the FINANCIAL STATEMENTS (continued)****For the year ended 31 March 2016****24. Transition to FRS 102 (Contd.)**

Housing Association Grant (HAG) is now recognised in line with the accrual model. The accrual model results in the grant being recognised over the expected useful life of the housing property structure.

The date of transition is 1 April 2014.

<b>Restated Statement of Comprehensive Income</b>	<b>£</b>
Surplus per signed financial statements for year ended 31 March 2015	426,795
Effect of adjustment to amortised deferred capital grants	395,817
Effect of adjustment to depreciation charge	(288,114)
Effect of adjustment to pension liability	(14,000)
<b>Restated Surplus for the year ended 31 March 2015</b>	<b>520,498</b>
<b>Restated Statement of Financial Position</b>	
Capital and reserves at 31 March 2014 per signed financial statements	3,647,944
Effect of adjustment to amortised deferred capital grants over the lives of the applicable assets to 31 March 2014	5,574,022
Effect of adjustment to increase depreciation charge over the lives of the applicable assets to 31 March 2014	(5,971,884)
Effect of adjustment to incorporate pension liability balance as at 31 March 2014	(471,000)
<b>Restated Capital and Reserves as at 31 March 2014</b>	<b>2,779,082</b>
Surplus per signed financial statements for the year ended 31 March 2015	426,795
Effect of adjustment to amortised deferred capital grants for the year ended 31 March 2015	395,817
Effect of adjustment to increase depreciation charge during the year ended 31 March 2015	(288,114)
Effect of adjustment to the pension liability during the year ended 31 March 2015	(14,000)
<b>Restated Capital and Reserves as at 31 March 2015</b>	<b>3,299,580</b>