

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 2017

MUIRHOUSE HOUSING ASSOCIATION LIMITED

REPORT AND FINANCIAL STATEMENTS

For the year ended 31 March 2017

	Page
Members, executives and advisers	1
Report of the Board of Management	2 – 5
Report of the auditors on corporate governance matters	6
Report of the auditors	7 – 8
Statement of comprehensive income	9
Statement of changes in reserves	10
Statement of financial position	11
Statement of cash flows	12
Notes to the financial statements	13 - 29

MUIRHOUSE HOUSING ASSOCIATION LIMITED

BOARD OF MANAGEMENT, EXECUTIVES and ADVISERS

Year ended 31 March 2017

Board of Management

Robert McDougall (Chair)
Alison Blezard (Deceased 22 June 2017)
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 (Chair of Muirhouse Homes Limited)
Shirley MacDonald (Statutory Appointee December 2014, resigned 13 June 2016)
Ann McDonald
Kacper Momola
Steven Prevost (Chair of Audit & Risk Committee)
Tracy Stewart (Resigned 14 December 2016)
Martin Thoronka
Helen Armour (Appointed 22 September 2016)
Laura Calder (Vice Chair) (Appointed 22 September 2016)
Jo Voissey (Co-optee 14 December 2015, Resigned 12 September 2016)
Eileen Carr (Appointed 22 September 2016)
Hakima Lazrak (Appointed 22 September 2016, Resigned 7 February 2017)
Vicki Redpath (Appointed 22 September 2016, Resigned 13 April 2017)
Julie Smith (Appointed 22 September 2016)

Executive Officers

Stephen McAvoy (Chief Executive) (Appointed 4 April 2016)
Mags Lightbody (Interim Chief Executive (Resigned 11 April 2016))

Registered Office

11 Muirhouse Medway
Edinburgh
EH4 4RW

Auditors

Alexander Sloan
Chartered Accountants
50 Melville Street
Edinburgh
EH3 7HF

Internal Auditors

Wylie + Bisset LLP
168 Bath Street
Glasgow
G2 4TP

Bankers

The Royal Bank of Scotland
239 St John's Road
Edinburgh
EH12 7XA

Solicitors

T C Young
69a George Street
Edinburgh
EH2 2JG

MUIRHOUSE HOUSING ASSOCIATION LIMITED

REPORT of the BOARD OF MANAGEMENT

For the year ended 31 March 2017

The Board of Management presents its report and the Financial Statements for the year ended 31 March 2017.

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

During 2016-17, the Association has worked diligently and successfully with the Scottish Housing Regulator to meet all requirements of the Action Plan, agreed in March 2015.

In order to achieve this, the staffing structure was reviewed and a permanent Chief Executive was appointed in April 2016 to replace the interim Chief Executive leading the Board of Management and staff during this difficult period. As a result of the positive outcomes achieved, the Regulator stepped down the three statutory appointees in June 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. As a result of these measures and the continued hard work of both Board members and staff, the Association successfully transitioned to Medium engagement in December 2016 and returned to Low engagement in March 2017.

This was a fitting end to a difficult period in the year of the Association's 25th anniversary.

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 2016/17 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, Housemark, Share etc. Board members, and staff, are encouraged to attend events and conferences organised by similar organisations and utilise on-line training. In September 2016, the Association completed an appraisal process for all Board members and in October 2016 held its first Board and Staff strategy day to consider and agree upon values, objectives and the future direction of the Association.

The Association strives for continuous improvement and is working with staff on improving customer service excellence and the culture to attain IIP accreditation in 2017/18. In addition, improvements to the repairs service for customers now includes a 24 hour out of hours contact centre.

The Association is fully compliant with SHQS requirements and will be compliant with EESH by 2018. Significant investments in kitchen and boiler replacements have been made during the year and these will continue, alongside bathroom replacements, throughout 2017/18 to improve the quality of our housing stock.

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 has agreed a partnership with Castle Rock Edinvar for the provision of financial, welfare and fuel energy advice commencing in May 2017. In addition, an improved landlord stair cleaning and environmental service will be provided to customers from 1 April 2017.

As part of the Association's community work, and in conjunction with Muirhouse Homes Limited, a Community Chest Fund will be launched in 2017. During the year the Association made charitable donations of £2,600 (2016 £2,483).

MUIRHOUSE HOUSING ASSOCIATION LIMITED

REPORT of the BOARD OF MANAGEMENT (Continued)

For the year ended 31 March 2017

Review of Business and Future Developments (Continued)

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 tri-annual tenant satisfaction survey, completed in January 2017, reported that 91% of tenants are satisfied with the overall service they receive. In addition, 94% are satisfied with the quality of their home, 89% are satisfied with the standard of home on moving in, 88% are satisfied with the management of the neighbourhood they live in and 86% feel that the rent for their property represents good value for money.

As part of our interaction with tenants, the Association has developed a tenant's scrutiny panel during the year and ensures that the customer is at the heart of what we do.

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

Board of Management and Executive Officers

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

Each member of the Board of Management 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 Board of Management.

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

MUIRHOUSE HOUSING ASSOCIATION LIMITED

REPORT of the BOARD OF MANAGEMENT (Continued)

For the year ended 31 March 2017

Statement of Board of Management's Responsibilities

The Co-operative and Community Benefit Societies Act 2014 requires the Board of Management 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 Board of Management 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 Board of Management 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 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 Board of Management 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 Board of Management 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 Board of Management 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.

MUIRHOUSE HOUSING ASSOCIATION LIMITED

REPORT of the BOARD OF MANAGEMENT (Continued)

For the year ended 31 March 2017

Statement on Internal Financial Control

The Board of Management 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:

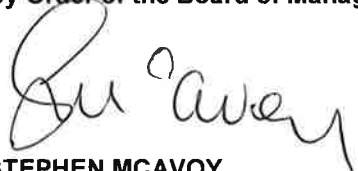
- the reliability of financial information used within the Association, or for publication
- the maintenance of proper accounting records
- the safeguarding of assets against unauthorised use or disposition.

It is the Board of Management'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 Board of Management 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 Board of Management;
- the Board of Management 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 Board of Management have reviewed the effectiveness of the system of internal financial control in existence in the Association for the year ended 31 March 2017. 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.

By Order of the Board of Management


STEPHEN MCAVOY
Secretary

14 August 2017

MUIRHOUSE HOUSING ASSOCIATION LIMITED
REPORT BY THE AUDITORS TO THE BOARD OF MANAGEMENT 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 Board of Management and Officers of the Association, and examination of relevant documents, we have satisfied ourselves that the Board of Management'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

14 August 2017

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 2017 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 Board of Management and Auditors

As explained more fully in the Statement of Board of Management's Responsibilities the Association's Board of Management, 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 Board of Management; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Board of Management'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 2017 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 Board of Management'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
EDINBURGH

14 August 2017

MUIRHOUSE HOUSING ASSOCIATION LIMITED**STATEMENT OF COMPREHENSIVE INCOME****For the year ended 31 March 2017**

	Notes	2017	2016
		£	£
Turnover	2	3,136,346	2,931,707
Operating expenditure	2	(2,007,533)	(2,078,992)
Operating surplus	8	1,128,813	852,715
Interest receivable and other income		2,436	7,838
Interest payable and similar charges		(408,648)	(398,947)
Other finance costs		(9,945)	20,827
		<u>(416,157)</u>	<u>(370,282)</u>
Surplus before taxation		712,656	482,433
Taxations	9	-	-
Surplus for the year		<u>712,656</u>	<u>482,433</u>
Unrealised gain/(loss) on pension liability		-	213,304
Total comprehensive income for the year		<u><u>712,656</u></u>	<u><u>695,737</u></u>

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

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 2017

	Share Capital £	Revenue Reserve £	Total Unrestricted Funds £
Balance at 1 April 2016	48	3,995,273	3,995,321
Movement in share capital	2	-	2
Surplus from statement of total comprehensive income	-	712,656	712,658
Balance at 31 March 2017	50	4,707,929	4,707,979
	=====	=====	=====
Balance at 1 April 2015	44	3,299,536	3,299,580
Movement in share capital	4	-	4
Surplus from statement of total comprehensive income	-	695,737	695,737
Balance at 31 March 2016	48	3,995,273	3,995,321
	=====	=====	=====

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 2017

	Notes	£	2017 £	£	2016 £
Tangible fixed assets					
Housing properties	10a		28,968,909		29,689,423
Other fixed assets	10b		108,840		116,225
			<u>29,077,749</u>		<u>29,805,648</u>
Investment	11		1		1
Current assets					
Debtors	15	175,967		216,367	
Cash at bank and in hand		1,849,913		1,417,366	
			<u>2,025,880</u>		<u>1,633,733</u>
Creditors: amounts falling due within one year	16	(1,231,075)		(1,392,265)	
			<u>794,805</u>		<u>241,468</u>
Net current assets					
			<u>29,872,555</u>		<u>30,047,116</u>
Total assets less current liabilities					
Creditors: amounts falling due after more than one year	17		25,164,576		(26,051,795)
			<u>4,707,979</u>		<u>3,995,321</u>
Net assets			<u>4,707,979</u>		<u>3,995,321</u>
Capital and reserves					
Share capital	20		50		48
Revenue reserves	21		4,707,929		3,995,273
			<u>4,707,979</u>		<u>3,995,321</u>

The financial statements were approved and authorised for issue by the Board of Management and signed on its behalf on 14 August 2017.


 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

STATEMENT OF CASH FLOWS

For the year ended 31 March 2017

	Notes	2017 £	2016 £
Net cash generated from operating activities	18	1,374,454	815,602
		-----	-----
Cash flows from investing activities			
Purchase of tangible fixed assets		(152,499)	(1,402,178)
Interest received		2,436	7,838
Cash flow from financing activities			
Interest paid		(408,648)	(398,947)
New secured loans		-	4,200,000
Repayment of borrowings		(383,198)	(563,868)
Share capital issued		2	4
		-----	-----
Net change in cash and cash equivalents in the year		432,547	2,658,451
Cash and cash equivalents at the beginning of the year		1,417,366	(1,241,085)
		-----	-----
Cash and cash equivalents at the end of the year		1,849,913	1,417,366
		=====	=====
Cash at bank in hand		1,849,913	1,417,366
		-----	-----
Cash and cash equivalents at the end of the year		1,849,913	1,417,366
		=====	=====

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

MUIRHOUSE HOUSING ASSOCIATION LIMITED

NOTES to the FINANCIAL STATEMENTS

For the year ended 31 March 2017

The financial statements have been prepared 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.

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 2017

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.

MUIRHOUSE HOUSING ASSOCIATION LIMITED

NOTES to the FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2017

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 Board of Management 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 2017****1. Principal accounting policies (continued)****Pension liability**

The 2015 valuation has been used to value the past service deficit cost at 31 March 2017. At 31 March 2016, 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 was used to provide the basis of the pension past service deficit liability in the financial statements.

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

	Turnover	Operating Costs	2017 Operating Surplus/ (Deficit)	2016 Operating Surplus/ (Deficit)
	£	£	£	£
Affordable lettings activities (Note 3)	2,779,720	1,982,192	797,528	635,788
Other activities (Note 4)	356,626	25,341	331,285	216,927
Total	3,136,346	2,007,533	1,128,813	852,715
	=====	=====	=====	=====
Total for previous reporting period	2,931,707	2,078,992	852,715	
	=====	=====	=====	

MUIRHOUSE HOUSING ASSOCIATION LIMITED

NOTES to the FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2017

3. Particulars of turnover, operating costs, and operating surplus from affordable letting activities

	General Needs Housing £	Supported Housing £	2017 Total £	2016 Total £
Turnover				
Rent receivable net of service charges	2,181,473	-	2,181,473	2,130,193
Service charges receivable	140,506	-	140,506	115,144
	-----	-----	-----	-----
Gross income from rents and service charges	2,321,979	-	2,321,979	2,245,337
<u>Less: Voids</u>	(729)	-	(729)	(1,236)
	-----	-----	-----	-----
Net income from rents and service charges	2,321,250	-	2,321,250	2,244,101
Grants released from deferred income	458,470	-	458,470	458,470
Revenue grants from Scottish Ministers	-	-	-	-
	-----	-----	-----	-----
Total turnover from affordable letting activities	2,779,720	-	2,779,720	2,702,571
	-----	-----	-----	-----
Management and maintenance administration costs	700,125	-	700,125	824,876
Service costs	122,386	-	122,386	104,892
Planned and cyclical maintenance including major repair costs	110,592	-	110,592	67,333
Reactive maintenance costs	168,005	-	168,005	201,824
Bad debts – rents and service charges	8,071	-	8,071	(350)
Depreciation of affordable let properties	873,013	-	873,013	868,208
	-----	-----	-----	-----
Operating costs for affordable letting activities	1,982,192	-	1,982,192	2,066,783
	-----	-----	-----	-----
Operating surplus for affordable letting activities	797,528	-	797,528	635,788
	=====	=====	=====	=====
Operating surplus for affordable letting activities for previous reporting period	635,788	-	635,788	
	=====	=====	=====	

MUIRHOUSE HOUSING ASSOCIATION LIMITED

NOTES to the FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2017

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 2017 £	Operating surplus or deficit 2016 £
Other activities	-	21,553	-	335,073	356,626	-	25,341	331,285	216,927
Total from other activities	-	21,553	-	335,073	356,626	-	25,341	331,285	216,927
Total from other activities for the previous reporting period	-	-	-	229,136	229,136	-	12,209	216,927	-

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 2017

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 Board of Management, managers or servants of the Association.

	2017	2016
	£	£
Emoluments payable to Chief Executive (excluding pension contributions of £248 (2016: £2,598))	57,595	39,539
Compensation for loss of office	-	59,903
	-----	-----
	57,595	99,442
	=====	=====

Key management personnel are considered to be the Chief Executive and the Finance & Corporate Services Manager. In the previous year key management personnel included 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 £34,895 (2016: £182,436).

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

	2017	2016
£60,001 to £70,000	-	1
	-----	-----

6. Employee information

	2017	2016
	No.	No.
The average monthly number of full time equivalent persons employed during the year was	9	7
	-----	-----
The average total number of employees employed during the year was	9	7
	-----	-----

	£	£
Staff costs were:		
Wages and salaries	311,910	300,967
Social security costs	28,498	22,596
Other pension costs	19,293	21,672
	-----	-----
	359,701	345,235
	=====	=====

7. Interest payable

	2017	2016
	£	£
On bank loans and overdrafts	408,648	398,947
	-----	-----

Interest incurred in the development period of housing properties which has been written off to the income and expenditure account amounted to £14,857 (2016: £14,857)

MUIRHOUSE HOUSING ASSOCIATION LIMITED

NOTES to the FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2017

8. Operating surplus before taxation	2017	2016
	£	£
Surplus on ordinary activities before taxation is stated after charging:		
Depreciation - tangible owned fixed assets	873,013	871,717
Amortisation - housing association grant	(458,470)	(458,470)
Auditors' remuneration - audit services	9,370	11,540
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.

10. Tangible fixed assets	Housing Properties held for letting £	Housing Properties held in course of construction £	Total £
(a) Housing properties			
Cost			
As at 1 April 2016	40,795,543	-	40,795,543
Additions	152,499	-	152,499
Disposals	(50,789)	-	(50,789)
	-----	-----	-----
As at 31 March 2017	40,897,253	-	40,897,253
	-----	-----	-----
Depreciation			
As at 1 April 2016	11,106,120	-	11,106,120
Charge for year	873,013	-	873,013
Disposal	(50,789)	-	(50,879)
	-----	-----	-----
As at 31 March 2017	11,928,344	-	11,928,344
	-----	-----	-----
Depreciated cost	28,968,909	-	29,868,909
	-----	-----	-----
Net book value			
As at 31 March 2017	28,968,909	-	28,968,909
	=====	=====	=====
As at 31 March 2016	29,689,423	-	29,689,423
	=====	=====	=====

Additions to the housing properties include component replacements costs to existing properties of £152,499 (2016: £149,146). 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 £18,956,847 (2016: £19,428,342).

Housing stock	2017	2016
	No.	No.
The number of units of accommodation in management at the year end was:		
General needs - new build	513	513
- rehabilitation	57	57
	-----	-----
	570	570
	=====	=====

MUIRHOUSE HOUSING ASSOCIATION LIMITED

NOTES to the FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2017

10. Tangible fixed assets (continued)	Computer Equipment £	Office Premises £	Office Furniture and Equipment £	Total £
(b) Other tangible assets				
Cost				
As at 1 April 2016	70,438	130,761	20,759	221,958
Additions	-	-	-	-
Eliminated on disposals	-	-	-	-
As at 31 March 2017	<u>70,438</u>	<u>130,761</u>	<u>20,759</u>	<u>221,958</u>
Aggregate depreciation				
As at 1 April 2016	49,453	37,421	18,859	105,733
Charge for year	4,421	2,347	617	7,385
Eliminated on disposal	-	-	-	-
As at 31 March 2017	<u>53,874</u>	<u>39,768</u>	<u>19,476</u>	<u>113,118</u>
Net book value				
As at 31 March 2017	<u>16,564</u>	<u>90,993</u>	<u>1,283</u>	<u>108,840</u>
As at 31 March 2016	<u>20,985</u>	<u>93,340</u>	<u>1,900</u>	<u>116,225</u>

11. Investments

Cost

As at 1 April 2016 and 31 March 2017

2017 £	2016 £
<u>1</u>	<u>1</u>

In 2014, 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.

	2017 £	2016 £
Aggregate capital and reserves		
Muirhouse Homes Limited	<u>61,530</u>	<u>45,095</u>
Profit for the year		
Muirhouse Homes Limited	<u>16,435</u>	<u>34,233</u>

In the opinion of the Board of Management 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 2017

12. Capital commitments	2017	2016
	£	£
Capital expenditure that has been contracted for but has not been provided for in the Financial Statements	-	-
	=====	=====

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 2017, £6,886,780 (2016: £6,428,310) of grant had been amortised.

14. Commitments under operating leases

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

	2017	2016
	£	£
Other		
Within 1 year	1,503	1,503
Between 1 and 2 years	1,503	1,503
Between 2 and 5 years	2,632	4,135
	=====	=====

15. Debtors	2017	2016
	£	£
Arrears of rent and service charges	70,249	66,713
<u>Less:</u> Provision for doubtful debts	(22,267)	(16,537)
	-----	-----
	47,982	50,176
Prepayments and accrued income	91,151	88,775
Amounts owed by group undertakings	36,834	77,416
	-----	-----
	175,967	216,367
	=====	=====

Included within prepayments and accrued income are amounts due over one year amounting to £59,658 (2016: £64,567). 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 2017

16. Creditors: Amounts falling due within one year	2017	2016
	£	£
Housing loans	394,476	381,926
Trade creditors	92,601	36,535
Rent in advance	88,751	53,394
Other taxation and social security	8,740	5,152
Other creditors	16,832	254,589
Accruals and deferred income	127,205	162,332
Deferred Housing Association Grant	458,470	458,470
Provision for pension deficit contributions	44,000	39,867
	<u>1,231,075</u>	<u>1,392,265</u>
	=====	=====

At the balance sheet date there were pension contributions outstanding of £6,143 (2016: £6,408).

17. Creditors: Amounts falling due after more than one year	2017	2016
	£	£
Housing loans	9,408,311	9,804,059
Deferred Housing Association Grant	15,578,265	16,036,735
Provision for pension deficit contributions	178,000	211,001
	<u>25,164,576</u>	<u>26,051,795</u>
	=====	=====

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	394,476	381,926
Between one and two years	403,034	389,380
Between two and five years	1,367,100	1,204,340
In five years or more	7,638,177	8,210,339
	<u>9,802,787</u>	<u>10,185,985</u>
<u>Less:</u> Amount shown in current liabilities	394,476	381,926
	<u>9,408,311</u>	<u>9,804,059</u>
	=====	=====

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 £5,479,312, 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 3.25% (2016: 3.92%).

MUIRHOUSE HOUSING ASSOCIATION LIMITED

NOTES to the FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2017

17. Creditors: Amounts falling due after more than one year (continued)	2017	2016
	£	£
Deferred Housing Association Grant		
Balance b/fwd	16,495,205	16,953,675
Released in year	(458,470)	(458,470)
	-----	-----
Balance c/fwd	16,036,735	16,495,205
	=====	=====

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	13,744,385	14,202,855
	-----	-----
	16,036,735	16,495,205
<u>Less:</u> Amount shown in current liabilities	458,470	458,470
	-----	-----
	15,578,265	16,036,735
	=====	=====

The provision for pension deficit contributions is repayable as follows

Within one year	44,000	39,867
Between one and two years	45,000	43,666
Between two and five years	133,000	139,016
In five years or more	-	28,319
	-----	-----
	222,000	250,868
<u>Less:</u> Amount shown in current liabilities	44,000	39,867
	-----	-----
	178,000	211,001
	=====	=====

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 1.06% (2016: 2.29%).

18. Cash flow statement	2017	2016
	£	£
Surplus for the year	712,656	674,910
Adjustment for non-cash items		
Depreciation of tangible fixed assets	880,399	874,471
Decrease/(increase) in trade and other debtors	40,399	(58,949)
Increase/(decrease) in trade and other creditors	(206,742)	(607,469)
Adjustments for investing or financing activities:		
Housing Association grants utilised in the year	(458,470)	(458,470)
Interest receivable	(2,436)	(7,838)
Interest payable	408,648	398,947
	-----	-----
Net cash flow from operating activities	1,374,454	815,602
	=====	=====

MUIRHOUSE HOUSING ASSOCIATION LIMITED

NOTES to the FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2017

19. Cash and cash equivalents

	At 1 April 2016 £	Movement in year £	At 31 March 2017 £
Cash at bank and in hand	1,417,366	432,547	1,849,913
	=====	=====	=====

20. Share capital

	Ordinary Shares of £1 each issued and fully paid £
At 31 March 2016	48
Additions in the year	2

At 31 March 2017	50
	=====

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 2016	£ 3,995,273
Surplus for the year	712,656

At 31 March 2017	4,707,929
	=====

22. Related party transactions

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

Some members of the Board of Management 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 Board of Management receive a maximum of £15 per month each for internet access and in total members received £1,800 (2016: £1,394) for reimbursement of expenses.

MUIRHOUSE HOUSING ASSOCIATION LIMITED

NOTES to the FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2017

22. Related party transactions

The Association leased 60 properties during the year to Muirhouse Homes Limited, a subsidiary of Muirhouse Housing Association Limited which was set up during the previous year to accommodate the properties which receive rent on a mid-market basis, receiving £288,187 (2016: £217,796) in respect of these leases. In addition, it provided management services totalling £15,120 (2016: £11,340) to Muirhouse Homes Limited. Muirhouse Homes Limited agreed a gift aid distribution of £31,812 (2016: £nil) to the Association. The balance due from Muirhouse Homes Limited at 31 March 2017 was £36,834 (2016 £77,416) and is included in the Association's debtors in note 15.

4 of the Board of Management were tenants of the Association at 31 March 2017. 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 £19,932 (2016: £17,474) and the net balance outstanding as at 31 March 2017 was £157 (2016: £819).

Board of Management 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 earnings 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 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 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.

MUIRHOUSE HOUSING ASSOCIATION LIMITED

NOTES to the FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2017

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 8 active members of the Scheme employed by Muirhouse Housing Association Limited. The annual pensionable payroll in respect of these members was £287,526. 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.

A full actuarial valuation for the scheme was carried out at 30 September 2015. This actuarial valuation showed assets of £616m, liabilities of £814m and a deficit of £198m. There has been an improvement in the ongoing funding level from 76% at 30 September 2015 to 79% at 30 September 2016. However, the deficit had increased slightly from to £210m.

The improvements in the 'ongoing' funding level is in line with the Actuary's expectation. The main contributing factors to the change in the funding level are the increase in the value of the liabilities due to the reduction in government bond yields, and the assets have performed better than expected together with the deficit contributions paid. No action has been taken to change the deficit contributions payable as a result of the 2016 funding update.

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 £44,000 from 1 April 2017. Payments are expected to increase by 3% per annum and continue until March 2022.

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 £222,000 (2016: £271,685). 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 1.06% (2016: 2.22%).

The Association made payments totalling £73,059 (2016: £78,675) to the pension scheme during the year.

As a result of Pension Scheme legislation there is a potential debt on the employer of £2,234,325 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 £nil 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 2016 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%. The funding deficit has increased from £138.6m at 30 September 2015 to £150.9m at 30 September 2016, an increase of approximately 8.9%.

MUIRHOUSE HOUSING ASSOCIATION LIMITED

NOTES to the FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2017

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 £6,887.

