

Muirhouse Housing Association Ltd

Report and Financial Statements

For the year ended 31st March 2012

Registered Housing Association No. HAL261

FSA Reference No. 2414R(S)

Scottish Charity No. SC040979

MUIRHOUSE HOUSING ASSOCIATION LTD

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MUIRHOUSE HOUSING ASSOCIATION LTD

**COMMITTEE OF MANAGEMENT, EXECUTIVES AND ADVISERS
YEAR ENDED 31st MARCH 2012**

COMMITTEE OF MANAGEMENT

Roy Douglas	Chairperson
Michael Woods	Vice Chairperson
Jacqueline Brash	Secretary
Blair Welsh	
Alice Wood	
Linda Gorman	Resigned 13 August 2012
Eileen Carr	Resigned 23 April 2012
Rhona Cameron	Resigned 27 June 2011
Steve Mulligan	Appointed 14 November 2011
Katy McBride	Appointed 14 November 2011
Alison Blezard	Appointed 13 February 2012

EXECUTIVE OFFICERS

Brenda Tonner	Director
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REGISTERED OFFICE

11 Muirhouse Medway
Edinburgh
EH4 4RW

AUDITORS

Alexander Sloan
Chartered Accountants
38 Cadogan Street
Glasgow
G2 7HF

BANKERS

The Bank of Scotland
38 Crammond Road South
Edinburgh
EH4 6AA

SOLICITORS

T C Young & Son
69 George Street
Edinburgh
EH2 2JG

MUIRHOUSE HOUSING ASSOCIATION LTD

REPORT OF THE COMMITTEE OF MANAGEMENT FOR THE YEAR ENDED 31ST MARCH 2012

The Committee of Management presents its report and the Financial Statements for the year ended 31st March 2012.

Legal Status

The Association is a registered non-profit making organisation under the Industrial and Provident Societies Act 1965 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

At 31st March 2012 the association owned and managed 448 units. Two units were acquired during the year under the Mortgage to Rent Scheme.

The Association aims to continue its role in assisting the community and the Council to complete the regeneration of the area. The Association is included in planning meetings to develop proposals for 800 mixed tenure units in the area. At present these units are to be provided by the Council, however they have intimated that they may consider limited joint development.

During 2011/12 the association was unsuccessful in acquiring a development site in the area, however the successful developer approached the association with a development proposal. The developer has advised that they wish to develop the full site of 200 units on behalf of the association. Detailed plans are being developed with a view to a planning application being lodged in August 2012. The site will be developed in three phases.

The Association continues to be a member of The Rowan Group, a group of 8 housing associations who aim to work together with the aim of achieving efficiencies. Dunedin Canmore will act as specialist development agents to bring forward development plans.

The Association explored joint working with Manor Estates Housing Association with a view to improving service delivery for both organisation's tenants in Muirhouse, and to introduce new services for the community. A Tenant Satisfaction Survey was jointly commissioned. The Association continues to employ the services of Clerk of Works and planned maintenance provision from Manor Estates Housing Association.

The Association continued to develop opportunities for partnership work which would benefit Tenant and community participation. A number of events were jointly organised with the association, Community, Learning and Development staff and local agencies.

Staff training and development is a continued focus of the association. Training opportunities have included in-house for all staff and external specialist training. This included British Sign Language and Chartered Institute of Housing Certificated courses. Staff and Committee members are encouraged to attend events and conferences organised by SFHA, SHARE and EVH to ensure that our organisation is up to date and aware of general housing issues.

Following a staff restructure at the end of 2011 the new staff team are prioritising the review of all housing management and maintenance policies and procedures. The association's priority for the coming year is to ensure that the organisation is prepared to meet the requirements of the new Scottish Housing Charter.

The Association celebrates the 20th anniversary in 1992 and plans to review it's website and marketing information to mark the occasion.

The Committee is satisfied with the Association's performance during the year.

**REPORT OF THE COMMITTEE OF MANAGEMENT
FOR THE YEAR ENDED 31ST MARCH 2012**

Committee of Management and Executive Officers

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

Each member of the Committee 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 Committee of Management.

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

Statement of Committee of Management's Responsibilities

The Industrial and Provident Societies Acts 1965 to 2002 require the Committee 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 Committee of Management is required to:-

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the Financial Statements;
- 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 Committee 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 ensure that the Financial Statements comply with the Industrial and Provident Societies Act 1965 to 2002, the Housing (Scotland) Act 2001 and the Registered Social Landlords Accounting Requirements (Scotland) Order 2007. They are 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 Committee 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 Committee 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 Committee 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.

REPORT OF THE COMMITTEE OF MANAGEMENT
FOR THE YEAR ENDED 31ST MARCH 2012

Statement on Internal Financial Control

The Committee 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 Committee 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 Committee 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;
- regular 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;
- all significant new initiatives, major commitments and investment projects are subject to formal authorisation procedures, through the Committee of Management;
- the Committee 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.

Auditors

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

By order of the Committee of Management

J. Brash

JACQUELINE BRASH

Secretary

20 August 2012

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

In addition to our audit of the Financial Statements, we have reviewed your statement on Page 4 concerning the Association's compliance with the information required by the section on Internal Financial Control within SFHA's publication "Raising Standards in Housing".

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 Auditing Practices Board. The Bulletin does not require us to review the effectiveness of the Association's procedures for ensuring compliance with the guidance notes, nor to investigate the appropriateness of the reasons given for non-compliance.

Opinion

In our opinion the Statement on Internal Financial Control on page 4 has provided the disclosures required by the section on Internal Financial Control within SFHA's publication "Raising Standards in Housing" 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 the section on Internal Financial Control within SFHA's "Raising Standards in Housing".



ALEXANDER SLOAN
Chartered Accountants

GLASGOW
20 August 2012

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF MUIRHOUSE HOUSING ASSOCIATION LTD

We have audited the financial statements of Muirhouse Housing Association Ltd for the year ended 31st March 2012 which comprise an income and expenditure account, balance sheet, cash flow statement and related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the Association's members, as a body, in accordance with Section 9 of the Friendly and Industrial and Provident Societies Act 1968. 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 Committee of Management and Auditors

As explained more fully in the Statement of Committee of Management's Responsibilities the Association's Committee 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 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. 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 31st March 2012 and of its profit 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 Industrial and Provident Societies Acts 1965 to 2002, the Housing (Scotland) Act 2001 and the Registered Social Landlords Accounting Requirements (Scotland) Order 2007.

Matters on which we are required to report by exception

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

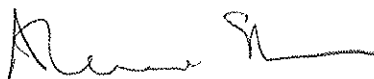
- the information given in the Management Committee's Report is inconsistent with the financial statements.
- proper books of account have not been kept by the Association in accordance with the requirements of the legislation.
- a satisfactory system of control over transactions has not been maintained by the Association in accordance with the requirements of the legislation.

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
MUIRHOUSE HOUSING ASSOCIATION LTD**

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

- the Income and Expenditure Account to which our report relates, and the Balance Sheet are not in agreement with the books of the Association.
- we have not received all the information and explanations necessary for the purposes of our audit.

We have nothing to report in respect of these matters.



ALEXANDER SLOAN
Chartered Accountants
Statutory Auditors
GLASGOW
20 August 2012

MUIRHOUSE HOUSING ASSOCIATION LTD

INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED 31st MARCH 2012

	Notes	2012 £	Restated 2011 £
TURNOVER	2.	1,738,033	1,696,538
Operating Costs	2.	<u>(1,204,719)</u>	<u>(1,161,169)</u>
OPERATING SURPLUS	8.	533,314	535,369
Interest Receivable and Other Income		22,142	24,168
Interest Payable and Similar Charges	7.	<u>(188,612)</u>	<u>(207,335)</u>
		<u>(166,470)</u>	<u>(183,167)</u>
SURPLUS ON ORDINARY ACTIVITIES BEFORE TAXATION		366,844	352,202
Tax on surplus on ordinary activities	9.	-	(5,785)
SURPLUS ON ORDINARY ACTIVITIES AFTER TAXATION		<u>366,844</u>	<u>346,417</u>

All amounts relate to continuing activities.

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

	2012 £	Restated 2011 £
Surplus for the financial year	366,844	346,417
Prior year adjustment (as explained in Note 21)	<u>(965,422)</u>	<u>-</u>
Total losses and gains recognised since last annual report	<u>(598,578)</u>	<u>346,417</u>

MUIRHOUSE HOUSING ASSOCIATION LTD

BALANCE SHEET AS AT 31st MARCH 2012

	Notes	£	2012 £	£	Restated 2011 £
TANGIBLE FIXED ASSETS					
Housing Properties - Depreciated Cost	10.(a)		22,547,782		22,332,650
Less: Social Housing Grant	10.(a)		(17,237,411)		(17,075,228)
			<u>5,310,371</u>		<u>5,257,422</u>
Other fixed assets	10.(b)		105,419		109,578
			<u>5,415,790</u>		<u>5,367,000</u>
CURRENT ASSETS					
Debtors	12.	71,750		66,624	
Cash at bank and in hand		2,305,546		2,109,811	
			<u>2,377,296</u>	<u>2,176,435</u>	
CREDITORS: Amounts falling due within one year					
	13.	(441,790)		(316,546)	
			<u>1,935,506</u>	<u>1,859,889</u>	
NET CURRENT ASSETS					
			<u>7,351,296</u>	<u>7,226,889</u>	
TOTAL ASSETS LESS CURRENT LIABILITIES					
CREDITORS: Amounts falling due after more than one year					
	14.	(4,696,762)		(4,939,202)	
			<u>2,654,534</u>	<u>2,287,687</u>	
NET ASSETS					
			<u>2,654,534</u>	<u>2,287,687</u>	
CAPITAL AND RESERVES					
Share Capital	16.		35		32
Designated Reserves	17.(a)		1,802,757		1,880,619
Revenue Reserves	17.(b)		851,742		407,036
			<u>2,654,534</u>		<u>2,287,687</u>

The Financial Statements were approved by the Committee of Management and signed on their behalf on 20 August 2012.


Chairperson


Vice-Chairperson


Secretary

MUIRHOUSE HOUSING ASSOCIATION LTD

CASH FLOW STATEMENT FOR THE YEAR ENDED
31st MARCH 2012

	Notes	2012 £	Restated 2011 £
Net Cash Inflow from Operating Activities	15.	888,475	834,946
Returns on Investment and Servicing of Finance			
Interest Received		30,917	26,851
Interest Paid		(189,110)	(213,325)
Net Cash Outflow from Investment and Servicing of Finance		(158,193)	(186,474)
Taxation			
Corporation Tax Paid		-	(54,716)
Net Cash Outflow from Taxation		-	(54,716)
Capital Expenditure and Financial Investment			
Acquisition and Construction of Properties		(502,436)	(305,229)
Purchase of Other Fixed Assets		(611)	(6,471)
Social Housing Grant Received		162,183	-
Net Cash Outflow from Capital Expenditure and Financial Investment		(340,864)	(311,700)
Net Cash Inflow before use of Liquid Resources and Financing		389,418	282,056
Financing			
Loan Principal Repayments		(209,703)	(201,256)
Share Capital Issued		3	-
Net Cash Outflow from Financing		(209,700)	(201,256)
Increase in Cash	15.	179,718	80,800

MUIRHOUSE HOUSING ASSOCIATION LTD

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2012

NOTES TO THE FINANCIAL STATEMENTS

1 PRINCIPAL ACCOUNTING POLICIES

Basis Of Accounting

The Financial Statements have been prepared in accordance with applicable Accounting Standards, the Statement of Recommended Practice - Accounting by Registered Social Landlords 2010, and on the historical cost basis. They also comply with the Registered Social Landlords Accounting Requirements (Scotland) Order 2007. A summary of the more important accounting policies is set out below.

Turnover

Turnover represents rental and service charge income receivable, fees receivable and revenue grants

Retirement Benefits

The Association participates in the S.F.H.A. Defined Benefits 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 calculations by consulting Actuaries and are based on pension costs applicable across the various participating Associations taken as a whole.

Valuation Of Housing Properties

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

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

MUIRHOUSE HOUSING ASSOCIATION LTD

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2012

NOTES TO THE FINANCIAL STATEMENTS (Continued)

1 PRINCIPAL ACCOUNTING POLICIES (Continued.)

Depreciation And Impairment Of Other Fixed Assets

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

Office Premises	- Over 50 years
Furniture and Fittings	- Over 5 years
Computer Equipment	- Over 5 years
Office Equipment	- Over 3 years

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

Social Housing Grant And Other Grants In Advance/Arrears

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

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

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

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

Sales Of Housing Properties

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

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

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

MUIRHOUSE HOUSING ASSOCIATION LTD

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2012

NOTES TO THE FINANCIAL STATEMENTS (Continued)

1 PRINCIPAL ACCOUNTING POLICIES (Continued.)

Leases/Leased Assets

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

Works to Existing Properties

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

Capitalisation Of Development Overheads

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

Development Interest

Interest incurred on financing a development is capitalised up to the date of practical completion of the scheme.

Designated Reserves

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

The Cyclical Maintenance Reserve has been designated to meet future repair and maintenance obligations which are cyclical in nature. These are carried out in accordance with a planned programme of works.

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

MUIRHOUSE HOUSING ASSOCIATION LTD

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2012

NOTES TO THE FINANCIAL STATEMENTS (Continued)

2. PARTICULARS OF TURNOVER, COST OF SALES, OPERATING COSTS AND OPERATING SURPLUS

	Notes	2012			2011 -Restated		
		Turnover £	Operating Costs £	Operating Surplus / (Deficit) £	Turnover £	Operating Costs £	Operating Surplus / (Deficit) £
Social Lettings	3.	1,644,218	1,114,719	529,499	1,602,609	1,070,916	531,693
Other Activities	4.	93,815	90,000	3,815	93,929	90,253	3,676
Total		1,738,033	1,204,719	533,314	1,696,538	1,161,169	535,369

3. PARTICULARS OF INCOME & EXPENDITURE FROM SOCIAL LETTINGS

	General Needs Housing £	Supported Housing £	Shared ownership £	2012 Total £	Restated 2011 Total £
Income from Lettings					
Rent Receivable Net of Identifiable Service Charges	1,592,864	-	-	1,592,864	1,516,903
Service Charges Receivable	50,484	-	-	50,484	56,333
Gross Rents Receivable	1,643,348	-	-	1,643,348	1,573,236
Less: Rent losses from voids	465	-	-	465	491
Net Rents Receivable	1,642,883	-	-	1,642,883	1,572,745
Revenue Grants From Local Authorities and Other Agencies	1,335	-	-	1,335	29,864
Total Income From Social Letting	1,644,218	-	-	1,644,218	1,602,609
Expenditure on Social Letting Activities					
Management and maintenance administration costs	494,895	-	-	494,895	531,166
Reactive Maintenance	247,327	-	-	247,327	190,379
Bad Debts - Rents and Service Charges	8,214	-	-	8,214	1,849
Planned and Cyclical Maintenance, including Major Repairs	76,977	-	-	76,977	76,253
Depreciation of Social Housing	287,306	-	-	287,306	271,269
Operating Costs of Social Letting	1,114,719	-	-	1,114,719	1,070,916
Operating Surplus on Social Letting Activities	529,499	-	-	529,499	531,693
2011	531,693	-	-		

MUIRHOUSE HOUSING ASSOCIATION LTD

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2012

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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	Operating Costs Other	Operating Surplus / (Deficit) 2012	Operating Surplus / (Deficit) 2011
	£	£	£	£	£	£	£	£	£
Wider Role Activities	90,000	-	-	-	90,000	-	90,000	-	-
Other Activities	3,815	-	-	-	3,815	-	-	3,815	3,676
Total From Other Activities	93,815	-	-	-	93,815	-	90,000	3,815	3,676
2011	93,929	-	-	-	93,929	-	90,253	3,676	3,676

MUIRHOUSE HOUSING ASSOCIATION LTD

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2012

NOTES TO THE FINANCIAL STATEMENTS (Continued)

5. OFFICERS' EMOLUMENTS

The Officers are defined in s74 of the Industrial and Provident Societies Act 1965 as the members of the Management Committee, managers or servants of the Association.

2012	2011
£	£

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

Emoluments payable to Chief Executive (excluding pension contributions)	<u>54,525</u>	<u>54,095</u>
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6. EMPLOYEE INFORMATION

	2012	2011
	No.	No.
The average monthly number of full time equivalent persons employed during the year was	<u>7</u>	<u>7</u>

The average total number of Employees employed during the year was	<u>8</u>	<u>8</u>
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Staff Costs were:	£	£
Wages and Salaries	179,890	215,947
Social Security Costs	13,428	16,138
Other Pension Costs	32,732	30,796
Temporary, Agency and Seconded Staff	17,934	17,467
	<u>243,984</u>	<u>280,348</u>

MUIRHOUSE HOUSING ASSOCIATION LTD

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2012

NOTES TO THE FINANCIAL STATEMENTS (Continued)

7. INTEREST PAYABLE

	2012	2011
	£	£
On Bank Loans & Overdrafts	<u>188,612</u>	<u>207,335</u>

8. SURPLUS ON ORDINARY ACTIVITIES BEFORE TAXATION

	2012	2011
	£	£
Surplus on Ordinary Activities before Taxation is stated after charging:-		
Depreciation - Tangible Owned Fixed Assets	292,074	279,468
Auditors' Remuneration - Audit Services	6,190	5,000
- Other Services	1,730	1,650
Operating Lease Rentals - Other	1,949	1,949
Gain on sale of fixed assets	-	(253)
	<u> </u>	<u> </u>

9. TAX ON SURPLUS ON ORDINARY ACTIVITIES

	2012	2011
	£	£
(i) Analysis of Charge in Year		
Current Tax:		
Adjustments in respect of previous years	-	5,785
	<u> </u>	<u> </u>

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

MUIRHOUSE HOUSING ASSOCIATION LTD

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2012

NOTES TO THE FINANCIAL STATEMENTS (Continued)

10. TANGIBLE FIXED ASSETS

a) Housing Properties	Housing Properties Held for Letting £	Total £
COST		
As at 1st April 2011- restated	25,188,624	25,188,624
Additions	502,436	502,436
Disposals	(80,119)	(80,119)
As at 31st March 2012	<u>25,610,941</u>	<u>25,610,941</u>
DEPRECIATION		
As at 1st April 2011- restated	2,855,974	2,855,974
Charge for Year	287,304	287,304
Disposals	(80,119)	(80,119)
As at 31st March 2012	<u>3,063,159</u>	<u>3,063,159</u>
SOCIAL HOUSING GRANT		
As at 1st April 2011- restated	17,075,228	17,075,228
Additions	162,183	162,183
Disposals	-	-
As at 31st March 2012	<u>17,237,411</u>	<u>17,237,411</u>
NET BOOK VALUE		
As at 31st March 2012	<u>5,310,371</u>	<u>5,310,371</u>
As at 31st March 2011	<u>5,257,422</u>	<u>5,257,422</u>

Additions to housing properties includes capitalised development administration costs of £nil (2011 - £nil) and replacement components to existing properties of £279,625 (2011 £305,229)

All land and housing properties are freehold.

MUIRHOUSE HOUSING ASSOCIATION LTD

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2012

NOTES TO THE FINANCIAL STATEMENTS (Continued)

10. TANGIBLE FIXED ASSETS (Continued)

b) Other Tangible Assets	Computer Equipment £	Office Premises £	Furniture & Equipment £	Total £
COST				
As at 1st April 2011	43,764	130,761	18,819	193,344
Additions	611	-	-	611
Eliminated on Disposals	-	-	-	-
As at 31st March 2012	<u>44,375</u>	<u>130,761</u>	<u>18,819</u>	<u>193,955</u>
AGGREGATE DEPRECIATION				
As at 1st April 2011	39,449	25,684	18,633	83,766
Charge for year	2,360	2,347	63	4,770
Eliminated on disposal	-	-	-	-
As at 31st March 2012	<u>41,809</u>	<u>28,031</u>	<u>18,696</u>	<u>88,536</u>
NET BOOK VALUE				
As at 31st March 2012	<u>2,566</u>	<u>102,730</u>	<u>123</u>	<u>105,419</u>
As at 31st March 2011	<u>4,315</u>	<u>105,077</u>	<u>186</u>	<u>109,578</u>

11. COMMITMENTS UNDER OPERATING LEASES

At the year end, the annual commitments under operating leases were as follows:-	2012 £	2011 £
Other		
Expiring between two and five years	<u>1,949</u>	<u>1,949</u>

MUIRHOUSE HOUSING ASSOCIATION LTD

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2012

NOTES TO THE FINANCIAL STATEMENTS (Continued)

12. DEBTORS

	2012	2011
	£	£
Arrears of Rent & Service Charges	79,723	65,695
Less: Provision for Doubtful Debts	(19,026)	(16,144)
	<u>60,697</u>	<u>49,551</u>
Other Debtors	11,053	17,073
	<u>71,750</u>	<u>66,624</u>

13. CREDITORS: Amounts falling due within one year

	2012	2011
	£	£
Bank Overdrafts (secured)	16,017	-
Housing Loans	217,914	185,177
Trade Creditors	143,860	61,306
Rent in Advance	29,761	28,099
Other Taxation and Social Security	6,703	5,748
Other Creditors	18,417	15,813
Accruals and Deferred Income	9,118	20,403
	<u>441,790</u>	<u>316,546</u>

At the balance sheet date there were pension contributions outstanding of £3,985 (2011: £nil).

14. CREDITORS: Amounts falling due after more than one year

	2012	2011
	£	£
Housing Loans	<u>4,696,762</u>	<u>4,939,202</u>
<p>Housing Loans are secured by specific charges on the Association's housing properties and are repayable at varying rates of interest in instalments, due as follows:-</p>		
Within one year	217,914	185,177
Between one and two years	223,224	195,391
	784,893	653,840
In five years or more	<u>3,688,645</u>	<u>4,089,971</u>
	4,914,676	5,124,379
Less: Amount shown in Current Liabilities	217,914	185,177
	<u>4,696,762</u>	<u>4,939,202</u>

MUIRHOUSE HOUSING ASSOCIATION LTD

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2012

NOTES TO THE FINANCIAL STATEMENTS (Continued)

15. CASH FLOW STATEMENT

<i>Reconciliation of operating surplus to net cash inflow from operating activities</i>	2012 £	2011 £
Operating Surplus	533,314	535,369
Depreciation	292,074	279,468
Change in Debtors	(13,901)	(8,240)
Change in Creditors	76,988	28,097
Gain on sale of fixed assets	-	253
Share Capital Written Off	-	(1)
Net Cash Inflow from Operating Activities	<u>888,475</u>	<u>834,946</u>

<i>Reconciliation of net cash flow to movement in net debt</i>	2012 £	£	2011 £	£
Increase in Cash	179,718		80,800	
Cash flow from change in debt	<u>209,703</u>		<u>201,256</u>	
Movement in net debt during year		389,421		282,056
Net debt at 1st April 2011		(3,014,568)		(3,296,624)
Net debt at 31st March 2012		<u>(2,625,147)</u>		<u>(3,014,568)</u>

<i>Analysis of changes in net debt</i>	At 01.04.11 £	Cash Flows £	Other Changes £	At 31.03.12 £
Cash at bank and in hand	2,109,811	195,735		2,305,546
Bank Overdrafts	-	(16,017)		(16,017)
	<u>2,109,811</u>	<u>179,718</u>		<u>2,289,529</u>
Debt: Due within one year	(185,177)	185,177	(217,914)	(217,914)
Due after more than one year	(4,939,202)	24,526	217,914	(4,696,762)
Net Debt	<u>(3,014,568)</u>	<u>389,421</u>	<u>-</u>	<u>(2,625,147)</u>

MUIRHOUSE HOUSING ASSOCIATION LTD

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2012

NOTES TO THE FINANCIAL STATEMENTS (Continued)

16. SHARE CAPITAL

Shares of £1 each Issued and Fully Paid	£
At 1st April 2011	32
Issued in year	3
At 31st March 2012	<u>35</u>

Each member of the Association holds one share of £1 in the Association. These shares carry no rights to dividend or distributions 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. Each member has a right to vote at members' meetings.

17. RESERVES

(a) Designated Reserves	Cyclical Maintenance £	Major Repairs £	Total £
At 1st April 2011	57,240	1,823,379	1,880,619
Transfer (to) Revenue Reserves	(57,240)	(20,622)	(77,862)
At 31st March 2012	<u>-</u>	<u>1,802,757</u>	<u>1,802,757</u>

(b) Revenue Reserves	Total £
At 1st April 2011 (as restated)	407,036
Surplus for the year	366,844
Transfer from Designated Reserves	77,862
At 31st March 2012	<u>851,742</u>

18. HOUSING STOCK

The number of units of accommodation in management at the year end was:-	2012 No.	2011 No.
General Needs - New Build	391	391
- Rehabilitation	57	55
	<u>448</u>	<u>446</u>

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2012

NOTES TO THE FINANCIAL STATEMENTS (Continued)

19. RELATED PARTY TRANSACTIONS

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

The related party relationships of the members of the Committee of Management is summarised as follows:

5 members are tenants of the Association

Those members that are tenants of the Association have tenancies that are on the Association's normal tenancy terms and they cannot use their positions to their advantage.

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 following transactions took place during the year between the Association and its related parties:

The Members of the Committee of Management receive a maximum of £15 per quarter each for internet access.

MUIRHOUSE HOUSING ASSOCIATION LTD

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2012

NOTES TO THE FINANCIAL STATEMENTS (Continued)

20. RETIREMENT BENEFIT OBLIGATIONS

General

Muirhouse Housing Association Ltd 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 five 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

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 Ltd has elected to operate the final salary with a 1/60th accrual rate benefit structure for active members as at 31st March 2008 and the final salary with a 1/80th accrual rate benefit structure for new entrants from 1st April 2012.

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

During the accounting period Muirhouse Housing Association Ltd paid contributions at the rate of 9.6% of pensionable salaries. Member contributions were 9.6%.

As at the balance sheet date there were 6 active members of the Scheme employed by Muirhouse Housing Association Ltd. The annual pensionable payroll in respect of these members was £234,415. Muirhouse Housing Association Ltd continues to offer membership of the Scheme to its employees.

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.

MUIRHOUSE HOUSING ASSOCIATION LTD

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2012

NOTES TO THE FINANCIAL STATEMENTS (Continued)

20. RETIREMENT BENEFIT OBLIGATIONS (Continued)

The last formal valuation of the Scheme was performed as at 30th September 2009 by a professionally qualified actuary using the Projected Unit Credit method. The market value of the Scheme's assets at the valuation date was £295m. The valuation revealed a shortfall of assets compared with the value of liabilities of £160m (equivalent to a past service funding level of 64.8%).

The Scheme Actuary has prepared an Actuarial Report that provides an approximate update on the funding position of the Scheme as at 30th September 2011. Such a report is required by legislation for years in which a full actuarial valuation is not carried out. The funding update revealed an increase in the assets of the Scheme to £341 million and indicated an increase in the shortfall of assets compared to liabilities to approximately £207 million, equivalent to a past service funding level of 62.2%.

Financial Assumptions

The financial assumptions underlying the valuation as at 30th September 2009 were as follows:

	% p.a.
- Investment return pre-retirement	7.4
- Investment return post-retirement - non pensioners	4.6
- Investment return post-retirement - pensioners	4.8
- Rate of Salary increases	4.5
- Rate of pension increases:	
pension accrued pre 6 April 2005 in excess of GMP	2.9
pension accrued from 6 April 2005	2.2
(for leavers before 1 October 1993 pension increases are 5.0%)	
- Rate of price inflation	3.0

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

MUIRHOUSE HOUSING ASSOCIATION LTD

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2012

NOTES TO THE FINANCIAL STATEMENTS (Continued)

20. RETIREMENT BENEFIT OBLIGATIONS (Continued)

Valuation Results

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

<i>Benefit Structure</i>	<i>Long-term joint contribution rate (% of pensionable</i>
Final salary - 60ths	19.2
Career average 60ths	17.1
Career average 70ths	14.9
Career average 80ths	13.2
Career average 120ths	9.4

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

Following consideration of the results of the valuation it was agreed that the shortfall of £160m would be dealt with by the payment of additional contributions of 10.4% of pensionable salaries per annum with effect from 1st April 2011, increasing each 1 April in line with the rate of salary increases assumption.

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

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

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

20. RETIREMENT BENEFIT OBLIGATIONS

Growth Plan

Muirhouse Housing Association Ltd 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 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.

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

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.

Muirhouse Housing Association Ltd paid contributions of £nil during the accounting period. Members paid contributions of £240 during the accounting period.

As at the Balance Sheet date there was 1 active member of the Plan employed by Muirhouse Housing Association Ltd. Muirhouse Housing Association Ltd 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.

20. RETIREMENT BENEFIT OBLIGATIONS

Growth Plan (Contd.)

The valuation results at 30 September 2008 were completed in 2009 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 Scheme's assets at the valuation date was £742 million and the Plan's Technical Provisions (i.e. past service liabilities) were £771 million. The valuation therefore revealed a shortfall of assets compared with the value of liabilities of £29 million, equivalent to a past service funding level of 96%.

The preliminary triennial valuation results as at 30 September 2011 were received in March 2012 but, as the valuation will not be finalised until later this year, this disclosure note must still refer to the 2008 valuation results as the last completed valuation.

The Scheme Actuary's preliminary results for 30 September 2011 show that the Plan's assets at that date were £780 million and the Plan's Technical Provisions (i.e. past service liabilities) were £928 million. The valuation therefore revealed a shortfall of assets compared with the value of liabilities of £148 million, equivalent to a funding level of 84%.

Financial Assumptions

The financial assumptions underlying the valuation as at 30th September 2008 were as follows:

	% p.a.
Rate of return pre retirement	7.6
Rate of return post retirement - Active/Deferred	5.1
Rate of return post retirement - Pensioners	5.6
Bonuses on accrued benefits	0.0
Rate of price inflation	3.2

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 Regulator has the power under Part 3 of the Pensions Act 2004 to issue scheme funding directions where it believes that the actuarial valuation assumptions and/or recovery plan are inappropriate. For example, the Regulator could require that the Trustee strengthens the actuarial assumptions (which would increase the scheme liabilities and hence impact on the recovery plan) or impose a schedule of contributions on the Scheme (which would effectively amend the terms of the recovery plan). A copy of the recovery plan in respect of the September 2008 valuation was forwarded to The Pensions Regulator on 18 December 2009, as is required by legislation.

Following a change in legislation in September 2005 there is a potential debt on the employer that could be levied by the Trustee of the Plan. The Trustee's current policy is that it only applies to employers with pre October 2001 liabilities in the Plan. The debt is due in the event of the employer ceasing to participate in the Plan or the Plan winding up.

20. RETIREMENT BENEFIT OBLIGATIONS

Growth Plan (Continued)

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

The leaving employer's share of the buy-out debt is the proportion of the Plan's pre October 2001 liability attributable to employment with the leaving employer compared to the total amount of the Plan's pre October 2001 liabilities (relating to employment with all the currently participating employers). The leaving employer's debt therefore includes a share of any "orphan" liabilities in respect of previously participating employers. The amount of the debt therefore depends on many factors including total Plan liabilities, Plan investment performance, the liabilities in respect of current and former employees of the employer, financial conditions at the time of the cessation event and the insurance buy-out market. The amounts of debt can therefore be volatile over time.

MUIRHOUSE HOUSING ASSOCIATION LTD

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2012

NOTES TO THE FINANCIAL STATEMENTS (Continued)

21. PRIOR YEAR ADJUSTMENT

During the year, the Association changed its accounting policy in relation to housing properties and depreciation, as detailed in Note 1 of the Financial Statements, in order to incorporate component accounting. Major repairs which relate to identified components are capitalised, with major components being depreciated over the estimated useful economic lives of each identified component.

As a result of the change in accounting policy, a prior year adjustment has been required under Financial Reporting Standard 3 - Reporting Financial Performance and Financial Reporting Standard 18 - Accounting Policies, as follows:

	£
Decrease in Net Book Value of Housing Properties	965,422

The effect of adopting component accounting has been to decrease reserves as at 1 April 2010 by £1,143,302.

The figures in the 2011 Financial Statements have been adjusted as follows:

	Reported in 2011 Accounts £	Restated 2011 figures £
Housing Property	6,222,844	5,257,422
Revenue Reserves	<u>1,372,458</u>	<u>407,036</u>
Housing Depreciation Charge	143,920	271,269
Major Repairs Charge	<u>381,482</u>	<u>76,253</u>

The reported surplus in 2011 has been restated by £177,880 and now stands at £346,417.