

**Muirhouse Housing Association Limited**

**Report and Financial Statements**

**For the year ended 31st March 2014**

**Registered Housing Association No. HAL261**

**FCA Reference No. 2414R(S)**

**Scottish Charity No. SC040979**

# MUIRHOUSE HOUSING ASSOCIATION LIMITED

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**MUIRHOUSE HOUSING ASSOCIATION LIMITED**

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**MANAGEMENT COMMITTEE, EXECUTIVES AND ADVISERS  
YEAR ENDED 31st MARCH 2014**

**MANAGEMENT COMMITTEE**

Michael Woods	Chairperson
Roy Douglas	
Jacqueline Brash	Secretary
<del>Blair Weist</del>	
Alice Wood	
Alison Blezard	
Thomas Diamond	
Ann McDonald	
Tracy Stewart	
Craig Stirrat	resigned 14/04/14
Martin Thoronka	appointed 09/09/13
Kacper Momola	appointed 09/09/13
Steven Prevost	appointed 09/09/13

**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**

TC Young & Son  
69a George Street  
Edinburgh  
EH2 2JG

## MUIRHOUSE HOUSING ASSOCIATION LIMITED

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### REPORT OF THE MANAGEMENT COMMITTEE FOR THE YEAR ENDED 31ST MARCH 2014

The Management Committee presents its report and the Financial Statements for the year ended 31st March 2014.

#### **Legal Status**

The Association is a registered non-profit making organisation under the Co-operative and Community Benefit 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**

At 31<sup>st</sup> March 2014 the association owned 464 units.

In 2012 the Association was offered, and accepted, the opportunity to develop up to 202 units. The site has been split into three phases, the first of which started on site in March 2014. Phase One has 58 units, 16 of which were completed by 31<sup>st</sup> March 2014. The remaining 42 were completed by the end of May 2014.

Phase Two, 64 units, started on site in March 2014, and will be completed between January and July 2015. Phase Three will be considered during 2014, although no commitment has been made to this final stage.

The new development will also include a number of units to be provided at mid-market tenure. As the Association is a charity a subsidiary organisation, Muirhouse Homes Limited, has been established to manage these units. The company was registered in June 2014, and will have five Board Members. To ensure a clear and accountable relationship between the two organisations, the subsidiary organisation includes two members who are not members of the association.

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

The Association continues to be a member of The Rowan Group. However this group has reduced in scale due to there no longer being a need to have a lead development partner. The group continues to provide a useful forum to share good practice across other functions, such as Housing Management. Joint training events and seminars have taken place during the year.

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

Annual staff training continues to encourage staff to attend events organised by Scottish Federation of Housing Associations, Chartered Institute of Housing, Scottish Housing Best Value Network etc. Committee Members are encouraged to attend events and conferences organised by similar organisations. During 2014 an external trainer was brought in to review governance awareness with the Committee.

MUIRHOUSE HOUSING ASSOCIATION LIMITED

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REPORT OF THE MANAGEMENT COMMITTEE  
FOR THE YEAR ENDED 31ST MARCH 2014

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

The small staff team have concentrated on prioritising reviews of housing management and maintenance services to ensure compliance with the Scottish Housing Regulator's Charter, and to be prepared for the handover of the new developments. An ongoing piece of work for staff is to inform and prepare tenants for welfare reform, and universal credit payments. Proposals for savings and

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

## MUIRHOUSE HOUSING ASSOCIATION LIMITED

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### REPORT OF THE MANAGEMENT COMMITTEE FOR THE YEAR ENDED 31ST MARCH 2014

#### Management Committee and Executive Officers

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

Each member of the Management Committee holds one fully paid share of £1 in the Association. The Executive Officers hold no interest in the Association's share capital and, although not having the legal status of Directors, they act as Executives within the authority delegated by the Management Committee.

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

#### Statement of Management Committee's Responsibilities

Co-operative and Community Benefit Societies Act 2014 require the Management Committee to prepare Financial Statements for each financial year which give a true and fair view of the state of affairs of the Association and of the surplus or deficit of the Association for that period. In preparing those Financial Statements, the Management Committee is required to:-

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

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

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

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

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

## MUIRHOUSE HOUSING ASSOCIATION LIMITED

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### REPORT OF THE MANAGEMENT COMMITTEE FOR THE YEAR ENDED 31ST MARCH 2014

#### Statement on Internal Financial Control

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

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

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

- formal policies and procedures are in place, including the ongoing documentation of key systems and rules relating to the delegation of authority, which allow the monitoring of controls and restrict the unauthorised use of Association's assets;
- experienced and suitably qualified staff take responsibility for important business functions and annual appraisal procedures have been established to maintain standards of performance;
- forecasts and budgets are prepared which allow the management team and the Management Committee to monitor key business risks, financial objectives and the progress being made towards achieving the financial plans set for the year and for the medium term;
- 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 Management Committee;
- the Management Committee receive reports from management and from the external and internal auditors to provide reasonable assurance that control procedures are in place and are being followed and that a general review of the major risks facing the Association is undertaken;
- formal procedures have been established for instituting appropriate action to correct any weaknesses identified through internal or external audit reports.

#### Auditors

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

#### By order of the Management Committee

*J. Brash*

**JACQUELINE BRASH**

Secretary

11 August 2014

MUIRHOUSE HOUSING ASSOCIATION LIMITED

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

In addition to our audit of the Financial Statements, we have reviewed your statement on Page 5 concerning the Association's compliance with the information required by the 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 5 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  
11 August 2014



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

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We have audited the financial statements of Muirhouse Housing Association Limited for the year ended 31st March 2014 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 87 of the Co-operative and Community Benefits Societies Act 2014. Our audit work has been undertaken so that we might state to the Association's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Association and the Association's members as a body, for our audit work, for this report, or for the opinions we have formed.

### **Respective Responsibilities of Management Committee and Auditors**

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

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

### **Scope of the audit on the Financial Statements**

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

### **Opinion on the financial statements**

In our opinion the Financial Statements:

- give a true and fair view of the state of the Association's affairs as at 31st March 2014 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, the Housing (Scotland) Act 2010 and the Determination of Accounting Requirements 2012.

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

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**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.
- 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  
11 August 2014

## MUIRHOUSE HOUSING ASSOCIATION LIMITED

### INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED 31st MARCH 2014

	Notes	2014	2013
		£	£
<b>TURNOVER</b>	2.	1,816,285	1,754,745
Operating Costs	2.	<u>(1,290,971)</u>	<u>(1,069,685)</u>
<b>OPERATING SURPLUS</b>	7.	525,314	685,060
Interest Receivable and Other Income		2,272	13,518
Interest Payable and Similar Charges	6.	<u>(97,190)</u>	<u>(135,573)</u>
		<u>(94,918)</u>	<u>(122,055)</u>
<b>SURPLUS ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		430,396	563,005
Tax on surplus on ordinary activities	8.	-	-
<b>SURPLUS ON ORDINARY ACTIVITIES AFTER TAXATION</b>		<u>430,396</u>	<u>563,005</u>

All amounts relate to continuing activities.

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

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

# MUIRHOUSE HOUSING ASSOCIATION LIMITED

## BALANCE SHEET AS AT 31st MARCH 2014

	Notes	£	2014 £	£	2013 £
<b>TANGIBLE FIXED ASSETS</b>					
Housing Properties - Depreciated Cost	9.(a)		30,347,808		23,469,302
Less: Social Housing Grant	9.(a)		(20,914,168)		(17,829,063)
			<u>9,433,640</u>		<u>5,640,239</u>
Other fixed assets	9.(b)		100,697		105,970
			<u>9,534,337</u>		<u>5,746,209</u>
<b>CURRENT ASSETS</b>					
Debtors	12.	80,673		674,593	
Cash at bank and in hand		2,180,929		1,877,283	
		<u>2,261,602</u>		<u>2,551,876</u>	
<b>CREDITORS:</b> Amounts falling due within one year	13.	(4,624,520)		(681,366)	
<b>NET CURRENT (LIABILITIES)/ASSETS</b>			<u>(2,362,918)</u>		<u>1,870,510</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			<u>7,171,419</u>		<u>7,616,719</u>
<b>CREDITORS:</b> Amounts falling due after more than one year	14.		(3,523,475)		(4,399,175)
<b>NET ASSETS</b>			<u><u>3,647,944</u></u>		<u><u>3,217,544</u></u>
<b>CAPITAL AND RESERVES</b>					
Share Capital	16.		44		40
Designated Reserves	17.(a)		2,070,978		1,799,938
Revenue Reserves	17.(b)		1,576,922		1,417,566
			<u>3,647,944</u>		<u>3,217,544</u>

The Financial Statements were approved and authorised for issue by the Management Committee and signed on their behalf on 11 August 2014.



Chairperson



Committee Member



Secretary

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

**MUIRHOUSE HOUSING ASSOCIATION LIMITED**

**CASH FLOW STATEMENT FOR THE YEAR ENDED  
31st MARCH 2014**

	Notes	£	2014 £	£	2013 £
<b>Net Cash Inflow from Operating Activities</b>	15.		1,441,362		901,244
<b>Returns on Investment and Servicing of Finance</b>					
Interest Received		2,272		13,518	
Interest Paid		(92,839)		(135,573)	
<b>Net Cash Outflow from Investment and Servicing of Finance</b>			(90,567)		(122,055)
<b>Capital Expenditure and Financial Investment</b>					
Acquisition and Construction of Properties		(7,174,414)		(935,107)	
Purchase of Other Fixed Assets		-		(7,981)	
Social Housing Grant Received		3,728,460			
<b>Net Cash Outflow from Capital Expenditure and Financial Investment</b>			(3,445,954)		(943,088)
<b>Net Cash Outflow before use of Liquid Resources and Financing</b>			(2,095,159)		(163,899)
<b>Management of Liquid Resources</b>					
Change in short term deposits with banks			-		-
<b>Financing</b>					
Loan Principal Repayments		(927,740)		(258,605)	
Share Capital Issued		4		5	
<b>Net Cash Outflow from Financing</b>			(927,736)		(258,600)
<b>Decrease in Cash</b>	15.		(3,022,895)		(422,499)

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

# MUIRHOUSE HOUSING ASSOCIATION LIMITED

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## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2014

### 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 Determination of Accounting Requirements 2012. 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 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 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 9. 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 LIMITED

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## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2014

### 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	- 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.

##### **Social Housing Grant And Other Grants In Advance/Arrears**

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

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

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

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

##### **Sales Of Housing Properties**

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

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

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

# MUIRHOUSE HOUSING ASSOCIATION LIMITED

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FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2014

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.

### **Designated Reserves**

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

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

### **Property Development Cost**

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

Property developments that are intended for resale are included in current assets until disposal.



# MUIRHOUSE HOUSING ASSOCIATION LIMITED

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2014

### NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

	Notes	2014			2013		
		Turnover £	Operating Costs £	Operating Surplus / (Deficit) £	Turnover £	Operating Costs £	Operating Surplus / (Deficit) £
Social Lettings	3.	1,816,285	1,290,971	525,314	1,754,745	1,069,685	685,060

#### 3. PARTICULARS OF INCOME & EXPENDITURE FROM SOCIAL LETTINGS

	General Needs Housing £	Supported Housing £	Shared ownership £	2014 Total £	2013 Total £
<b>Income from Lettings</b>					
Rent Receivable Net of Identifiable Service Charges	1,751,117	-	-	1,751,117	1,675,283
Service Charges Receivable	54,874	-	-	54,874	55,884
<b>Gross Rents Receivable</b>	1,805,991	-	-	1,805,991	1,731,167
Less: Rent losses from voids	983	-	-	983	1,121
<b>Net Rents Receivable</b>	1,805,008	-	-	1,805,008	1,730,046
Revenue Grants from Scottish Ministers	11,277	-	-	11,277	24,699
<b>Total Income From Social Letting</b>	1,816,285	-	-	1,816,285	1,754,745
<b>Expenditure on Social Letting Activities</b>					
Management and maintenance administration costs	651,972	-	-	651,972	565,620
Reactive Maintenance	188,640	-	-	188,640	188,234
Bad Debts - Rents and Service Charges	3,142	-	-	3,142	(6,821)
Planned and Cyclical Maintenance, including Major Repairs	151,652	-	-	151,652	80,411
Depreciation of Social Housing	295,565	-	-	295,565	242,241
<b>Operating Costs of Social Letting</b>	1,290,971	-	-	1,290,971	1,069,685
<b>Operating Surplus on Social Letting Activities</b>	525,314	-	-	525,314	685,060
<b>2013</b>	685,060	-	-		

# MUIRHOUSE HOUSING ASSOCIATION LIMITED

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2014

### NOTES TO THE FINANCIAL STATEMENTS (Continued)

#### 4. OFFICERS' EMOLUMENTS

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

2014	2013
£	£

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

Emoluments payable to Chief Executive (excluding pension contributions)	<u>57,691</u>	<u>56,011</u>
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#### 5. EMPLOYEE INFORMATION

	2014	2013
	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	238,195	210,500
Social Security Costs	19,840	17,245
Other Pension Costs	38,051	36,134
Temporary, Agency and Seconded Staff	18,250	15,441
	<u>314,336</u>	<u>279,320</u>

## MUIRHOUSE HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2014

NOTES TO THE FINANCIAL STATEMENTS (Continued)

### 6. INTEREST PAYABLE

	2014	2013
	£	£
On Bank Loans & Overdrafts	97,190	135,573

### 7. OPERATING SURPLUS BEFORE TAXATION

	2014	2013
	£	£
Surplus on Ordinary Activities before Taxation is stated after charging:-		
Depreciation - Tangible Owned Fixed Assets	301,181	249,671
Auditors' Remuneration - Audit Services	12,747	7,100
- Other Services	-	3,000
Operating Lease Rentals - Other	1,991	1,991

### 8. TAX ON SURPLUS ON ORDINARY ACTIVITIES

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

# MUIRHOUSE HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2014

NOTES TO THE FINANCIAL STATEMENTS (Continued)

## 9. TANGIBLE FIXED ASSETS

a) Housing Properties	Housing Properties Held for Letting £	Housing Properties In course of Construction £	Total £
<b>COST</b>			
As at 1st April 2013	25,756,631	1,006,698	26,763,329
Additions	448	7,173,966	7,174,414
Disposals	(343)	-	(343)
Schemes Completed	2,184,044	(2,184,044)	-
As at 31st March 2014	<u>27,940,780</u>	<u>5,996,620</u>	<u>33,937,400</u>
<b>DEPRECIATION</b>			
As at 1st April 2013	3,294,027	-	3,294,027
Charge for Year	295,908	-	295,908
Disposals	(343)	-	(343)
As at 31st March 2014	<u>3,589,592</u>	<u>-</u>	<u>3,589,592</u>
<b>DEPRECIATED COST</b>	<u>24,351,188</u>	<u>5,996,620</u>	<u>30,347,808</u>
<b>SOCIAL HOUSING GRANT</b>			
As at 1st April 2013	17,185,708	643,355	17,829,063
Additions	-	3,085,105	3,085,105
Disposals	-	-	-
Schemes Completed	807,392	(807,392)	-
As at 31st March 2014	<u>17,993,100</u>	<u>2,921,068</u>	<u>20,914,168</u>
<b>NET BOOK VALUE</b>			
As at 31st March 2014	<u>6,358,088</u>	<u>3,075,552</u>	<u>9,433,640</u>
As at 31st March 2013	<u>5,276,896</u>	<u>363,343</u>	<u>5,640,239</u>

Additions to housing properties includes capitalised development administration costs of £nil (2013 - £nil) and capitalised major repair costs to existing properties of £nil (2013 £208,766)

All land and housing properties are freehold.

# MUIRHOUSE HOUSING ASSOCIATION LIMITED

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2014

### NOTES TO THE FINANCIAL STATEMENTS (Continued)

#### 9. TANGIBLE FIXED ASSETS (Continued)

##### b) Other Tangible Assets

	Computer Equipment £	Office Premises £	Office Furniture & Equipment £	Total £
<b>COST</b>				
As at 1st April 2013	48,333	130,761	18,819	197,913
Additions	-	-	-	-
Eliminated on Disposals	-	-	-	-
As at 31st March 2014	<u>48,333</u>	<u>130,761</u>	<u>18,819</u>	<u>197,913</u>
<b>AGGREGATE DEPRECIATION</b>				
As at 1st April 2013	42,807	30,379	18,757	91,943
Charge for year	2,864	2,347	62	5,273
Eliminated on disposal	-	-	-	-
As at 31st March 2014	<u>45,671</u>	<u>32,726</u>	<u>18,819</u>	<u>97,216</u>
<b>NET BOOK VALUE</b>				
As at 31st March 2014	<u>2,662</u>	<u>98,035</u>	<u>-</u>	<u>100,697</u>
As at 31st March 2013	<u>5,526</u>	<u>100,382</u>	<u>62</u>	<u>105,970</u>

#### 10. CAPITAL COMMITMENTS

	2014 £	2013 £
Capital Expenditure that has been contracted for but has not been provided for in the Financial Statements	<u>7,100,151</u>	<u>-</u>

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

#### 11. COMMITMENTS UNDER OPERATING LEASES

	2014 £	2013 £
At the year end, the annual commitments under operating leases were as follows:-		
<b>Other</b>		
Expiring between two and five years	<u>968</u>	<u>1,991</u>

# MUIRHOUSE HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2014

NOTES TO THE FINANCIAL STATEMENTS (Continued)

## 12. DEBTORS

	2014	2013
	£	£
Arrears of Rent & Service Charges	73,697	27,243
Less: Provision for Doubtful Debts	(8,768)	(10,627)
	<u>64,929</u>	<u>16,616</u>
Social Housing Grant Receivable	-	643,355
Other Debtors	15,744	14,622
	<u>80,673</u>	<u>674,593</u>

## 13. CREDITORS: Amounts falling due within one year

	2014	2013
	£	£
Bank Overdrafts (secured)	3,336,794	10,253
Housing Loans	204,856	256,896
Trade Creditors	771,103	31,374
Rent in Advance	103,943	47,637
Other Taxation and Social Security	5,892	5,568
Other Creditors	182,037	297,035
Accruals and Deferred Income	19,895	32,603
	<u>4,624,520</u>	<u>681,366</u>

At the balance sheet date there were pension contributions outstanding of £4,735 (2013 £8,875)

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

	2014	2013
	£	£
Housing Loans	<u>3,523,475</u>	<u>4,399,175</u>
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:-		
Within one year	204,856	256,896
Between one and two years	209,071	261,538
Between two and five years	653,968	813,841
In five years or more	2,660,435	3,323,796
	<u>3,728,331</u>	<u>4,656,071</u>
Less: Amount shown in Current Liabilities	204,856	256,896
	<u>3,523,475</u>	<u>4,399,175</u>

# MUIRHOUSE HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2014

NOTES TO THE FINANCIAL STATEMENTS (Continued)

## 15. CASH FLOW STATEMENT

<i>Reconciliation of operating surplus to net cash inflow from operating activities</i>	2014 £	2013 £
Operating Surplus	525,314	685,060
Depreciation	301,181	249,671
Change in Debtors	(49,435)	40,512
Change in Creditors	664,302	(73,999)
Net Cash Inflow from Operating Activities	<u>1,441,362</u>	<u>901,244</u>

<i>Reconciliation of net cash flow to movement in net debt</i>	2014 £	£	2013 £	£
Decrease in Cash	(3,022,895)		(422,499)	
Cash flow from change in debt	927,740		258,605	
Movement in net debt during year		(2,095,155)		(163,894)
Net debt at 1st April 2013		(2,789,041)		(2,625,147)
Net debt at 31st March 2014		<u>(4,884,196)</u>		<u>(2,789,041)</u>

<i>Analysis of changes in net debt</i>	At 01.04.13 £	Cash Flows £	Other Changes £	At 31.03.14 £
Cash at bank and in hand	1,877,283	303,646		2,180,929
Bank Overdrafts	(10,253)	(3,326,541)		(3,336,794)
Debt: Due within one year	1,867,030	(3,022,895)		(1,155,865)
Due after more than one year	(256,896)	927,740	(875,700)	(204,856)
	(4,399,175)	-	875,700	(3,523,475)
Net Debt	<u>(2,789,041)</u>	<u>(2,095,155)</u>	<u>-</u>	<u>(4,884,196)</u>

# MUIRHOUSE HOUSING ASSOCIATION LIMITED

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2014

### NOTES TO THE FINANCIAL STATEMENTS (Continued)

#### 16. SHARE CAPITAL

Shares of £1 each Issued and Fully Paid	£
At 1st April 2013	40
Issued in year	4
	<u>44</u>
At 31st March 2014	<u>44</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

	HMO Service Charge Reserve	Major Repairs	Total
	£	£	£
At 1st April 2013	7,428	1,792,510	1,799,938
Transfer from Revenue Reserves	-	271,040	271,040
	<u>7,428</u>	<u>2,063,550</u>	<u>2,070,978</u>
At 31st March 2014	<u>7,428</u>	<u>2,063,550</u>	<u>2,070,978</u>

##### (b) Revenue Reserves

	Total
	£
At 1st April 2013	1,417,566
Surplus for the year	430,396
Transfer to Designated Reserves	(271,040)
	<u>1,576,922</u>
At 31st March 2014	<u>1,576,922</u>

#### 18. HOUSING STOCK

The number of units of accommodation in management at the year end was:-	2014	2013
	No.	No.
General Needs - New Build	407	391
- Rehabilitation	57	57
	<u>464</u>	<u>448</u>
	<u>464</u>	<u>448</u>



# MUIRHOUSE HOUSING ASSOCIATION LIMITED

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FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2014

NOTES TO THE FINANCIAL STATEMENTS (Continued)

## 19. RELATED PARTY TRANSACTIONS

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

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

8 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 Members of the Committee of Management receive a Maximum of £15 per month each for internet access and received £60 for reimbursement of expenses

# MUIRHOUSE HOUSING ASSOCIATION LIMITED

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FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2014

NOTES TO THE FINANCIAL STATEMENTS (Continued)

## 20. 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 31st March 2012 and the final salary with a 1/80th benefit structure for new entrants from 1st April 2012. From 1 April 2014, the Association has also elected to operate the Defined Contribution Option.

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 Limited 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 Limited. The annual pensionable payroll in respect of these members was £187,103. Muirhouse Housing Association Limited continues to offer membership of the Scheme to its employees.

# MUIRHOUSE HOUSING ASSOCIATION LIMITED

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2014

### NOTES TO THE FINANCIAL STATEMENTS (Continued)

#### 20. RETIREMENT BENEFIT OBLIGATIONS (Continued)

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

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

The Scheme Actuary has prepared an Actuarial Report that provides an approximate update on the funding position of the Scheme as at 30th September 2013. 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 £470 million and indicated a decrease in the shortfall of assets compared to liabilities to approximately £272 million, equivalent to a past service funding level of 63%.

#### Financial Assumptions

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

	% p.a.
- Investment return pre-retirement	5.3
- Investment return post-retirement - non pensioners	3.4
- Investment return post-retirement - pensioners	3.4
- Rate of Salary increases	4.1
- Rate of price inflation:	
RPI	2.6
CPI	2.0

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 LIMITED

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2014

### 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 salaries)</i>
Final salary - 60ths	24.6
Career average 60ths	22.4
Career average 70ths	19.2
Career average 80ths	16.9
Career average 120ths	11.4

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

The Trustees have recently supplied Muirhouse Housing Association Limited with an updated contribution figure to the past service deficit. From 1 April 2014 Muirhouse Housing Association Limited will be required to pay £37,652 per annum as a contribution to the past service deficit. This will represent an increase of 87% in Muirhouse Housing Association Limited's contribution to the past service deficit. The deficit contribution will increase each April by 3%.

As a result of Pension Scheme legislation there is a potential debt on the employer of £1,067,818 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.

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