



Scott-Moncrieff
business advisers and accountants

Bryony Willet
Secretary
Maryhill Housing Association Ltd
45 Garrioch Road
Glasgow
G20 8RG

31 August 2018

Our Ref: JJM/CM

Dear Bryony

Maryhill Housing Association Ltd

Please find enclosed the principal copy of the accounts for the year ended 31 March 2018 with the Auditor's Report duly signed.

Kind regards.

Yours sincerely

James McBride
Director

james.mcbride@scott-moncrieff.com

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Partners: Nick Bennett, David Boyd,
Chris Brown, Mhairi Callander, Scott Craig,
Gary Devlin, Gillian Donald, Allison Gibson,
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Gareth Magee,
Fraser Nicol, Paul Renz,
Marc Shenken, Morag Watson.



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MARYHILL HOUSING ASSOCIATION LIMITED
REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018

MARYHILL HOUSING ASSOCIATION LIMITED

BOARD, EXECUTIVES AND ADVISERS

Board

Roger Popplewell	Chairperson
Lorain Mackinnon	Vice-Chairperson
Sandra Blair	
Les Currie	
Linda Duff	
Elizabeth Smith	
Brian Treaty	
Richard Turnock	
Isabella McTaggart	
Councillor Franny Scally	
Tim Holmes	(Appointed 25 April 2017)
Paul Imrie	(Appointed 25 April 2017)
Eleanor Brown	(Resigned 22 April 2018)
Councillor Mohammed Razaq	(Resigned 4 May 2017)

Registered Office

45 Garrioch Road
Maryhill
Glasgow
G20 8RG

Executive Officers

Bryony Willett	Chief Executive and Secretary
Jennifer Simon	Director of Operations (Appointed 1 February 2018)
Rebecca Wilson	Director of Resources (Appointed 12 February 2018)
Eleanor Biggs	Director of Corporate Services (Resigned 15 December 2017)
Donna Birrell	Director of Investment & Regeneration (Resigned 17 November 2017)

Auditor

Scott-Moncrieff
Chartered Accountants
25 Bothwell Street
Glasgow
G2 6NL

Internal auditor

Quinn Internal Audit & Business Support Services
55 Lady Place
Livingston
EH54 6TB

Bankers

Royal Bank of Scotland
5th Floor
Kirkstane House
139 St Vincent Street
Glasgow
G2 5JF

Solicitors

T C Young
7 West George Street
Glasgow
G2 1BA

Harper McLeod LLP
The Ca'd'oro
45 Gordon Street
Glasgow
G1 3PE

Shepherd & Wedderburn
5th Floor
1 Exchange Crescent,
Conference Square
Edinburgh
EH3 8UL

Registration numbers

The Scottish Housing Regulator	HCB159
Financial Conduct Authority	1904R(S)
Registered Scottish Charity	SC032468

MARYHILL HOUSING ASSOCIATION LIMITED

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MARYHILL HOUSING ASSOCIATION LIMITED

REPORT OF THE BOARD (INCORPORATING THE STRATEGIC REPORT) FOR THE YEAR ENDED 31 MARCH 2018

The Board presents their report and the audited financial statements for the year ended 31 March 2018.

Legal Status

The Association is a registered non-profit making organisation under the Co-operative and Community Benefit Societies Act 2014 (No.1904R(S)). The Association is governed under its Rule Book. The Association is a registered Scottish Charity with the charity number SC032468.

Principal Activity

The principal activity of the Association is the provision and management of social housing for rent and the maintenance, development and regeneration of its community base of Maryhill and Ruchill.

Review of Business and Future Developments

Corporate Governance

Maryhill Housing Association Limited is governed by a voluntary Board which is elected by its members. Its responsibility is to agree the long term strategy, business plan and overall direction of the Association. The Board is supported by the Chief Executive, Directors and specialist staff. The Association reviews its Governance Effectiveness Plan annually. Actions in the 2017/18 Governance Effectiveness Plan included the development of the Association's approach to value for money and the development of a sustainable Board succession plan.

The Board has delegated powers to three sub-committees with responsibility for: Policy and Performance; Audit and Risk and Staffing.

The Board is accountable to the members of the Association. The Board serves in a voluntary capacity and we recognise that this puts more onus on us to set and achieve high standards of professionalism. Strong governance is essential to the organisation and we continue to build and strengthen governance arrangements. Board appraisals are carried out annually and we have a programme of training to assist with Board members' development.

The Board is comprised of a majority of tenants with six independent members bringing skills from the fields of finance, third sector development, social housing and property maintenance. Under our rules tenants must remain in the majority and we are currently in the process of recruiting new Board members to ensure our Board remains representative of our tenant base. We work with our Registered Tenants Organisations (RTOs) and are committed to providing customers with opportunities to influence the organisation's future. We have supported two groups of tenants to form formally constituted residents' associations during 2018. Our tenant scrutiny was supported by the Tenants' Information Service to scrutinise consultation around our Investment Programme and the recommendations will be reported to Board in June 2018.

Strategic Planning

During 2015/16 the Board developed a new Corporate Plan up to 2020; reviewing its priorities, risks and opportunities. This plan was refreshed in Spring 2018 with a new Corporate Business Plan approved by the Board in April 2018 which pulls together our strategic and service priorities, risks and financial capacity into a single document. The Corporate Business Plan also includes our annual Delivery Plan for 2017/18. Each team sets its own Service Improvement Plan which supports the achievement of the organisation-wide delivery plan.

MARYHILL HOUSING ASSOCIATION LIMITED

REPORT OF THE BOARD (INCORPORATING THE STRATEGIC REPORT) FOR THE YEAR ENDED 31 MARCH 2018

Strategic Planning (continued)

The Association's vision is 'Inspiring passion in people, for our homes and for our community' and our values reflect our approach to our customers - 'to be friendly, honest and respectful'. Our long term aims are to:

- Create a real sense of community and help people thrive;
- Provide the best homes and create places where people love to live, work and play; and
- Build a reputation for excellence and being ahead of the game.

The Chief Executive the Directors and their teams are responsible for achieving the strategic objectives and meeting operational objectives.

Achievements and Performance

Summary

During 2017/18 we have worked hard to continue to drive up performance standards across the business and deliver key strategic projects and plans, such as the re-launch of our housing management service and the delivery of a significant programme of savings to help minimise future rent increases. The Association has a medium level of engagement with the Scottish Housing Regulator and we are required to provide an update on our Development Programme as part of our Regulation Plan. We will meet the Regulator in Summer 2018 to discuss how our new Senior Team structure is bedding in.

During 2017/18 we continued to focus on developing the right organisational culture; creating further opportunities for leadership and employee development. We have an increasingly skilled staff team able to deliver continuous improvement, better performance and customer focused services. We have invested in significant vocational training during 2017/18 to ensure our staff have the skills they need to deliver the best possible services. We were recognised for this by winning the award for best Training and Developing Association at the Chartered Institute of Housing awards in 2017.

We restructured our Senior Management Team to ensure it was aligned with the future aspirations of the organisation, and continued to deliver value for money. As a result we reduced the number of Executive Directors from three to two. We also restructured our Housing Management; Corporate and Community regeneration and Customer Engagement Teams. These changes directed resources to the front-line and reduced the number of management posts in the Association. As a result we are aiming to empower our customer-facing staff to drive up customer satisfaction during 2018/19.

Our 3 yearly tenant and owner survey was completed in 2015 by over a third of our customers. We improved our customer satisfaction for 7 of the 8 performance indicators since the previous survey in 2013. The level of overall owner satisfaction reduced from 55% to 45% and we have been working on a significant programme of improvements to the factoring service. The key aims of this project are to provide a more responsive customer-facing service, provide better and timelier information to customers, ensure we consult owners in line with our legal duties as factor and maximise the amount of money we can recover from owners. We are in the process of commissioning a new all tenant satisfaction survey to be delivered in late Summer 2018.

The Association's focus on value for money will continue to be a key area in our 2018/19 plans. In 2017/18 we have achieved annual ongoing savings of £300k and aim to achieve a further £250k in 2018/19. These savings have allowed our 2018/19 business plan to move towards CPI-linked rent increases over time.

The results for the year are shown in the Statement of Comprehensive Income. In the year to 31 March 2018 the Association made an operating deficit of £517,185 and an overall deficit of £1,067,628. The deficit was anticipated due to staff restructure costs along with our continued investment in planned maintenance including roof repairs, CCTV and upgrades to environmental projects. Due to an actuarial gain of £978,000 in respect of the Strathclyde Pension Scheme, total comprehensive income was a loss of £89,628.

The Association had net assets of £27,858,935 as at 31 March 2018.

MARYHILL HOUSING ASSOCIATION LIMITED

REPORT OF THE BOARD (INCORPORATING THE STRATEGIC REPORT) FOR THE YEAR ENDED 31 MARCH 2018

Passion for our Homes: Property Investment and New Development

Maryhill Housing Association Limited wants to ensure that all its homes are maintained to an excellent standard and we do this through a programme of cyclical and planned maintenance work and renewal as well as through our reactive repair service.

We launched new responsive repairs, gas servicing, empty property repairs, lift and door entry and planned works contracts in April 2018. These contracts are generally progressing well with positive feedback from customers. The Association is enjoying much greater control over reactive repairs processing and we are working with the contractor to improve response times.

In 2017/18 we delivered a broad ranging investment programme with projects such as upgrades to our CCTV and door entry systems; kitchen and bathroom replacements and a window refurbishment programme. Performance around delivery significantly improved in 2017/18 with spend of over £2.8m achieved compared to £1.5m in the previous year. In 2018/19 our focus will be on energy efficiency improvements as we work towards the Energy Efficiency Standard for Social Housing (EESH) by 2020; communal area improvements; a feasibility study assessing options for the future of our electrically heated properties and kitchen and bathroom replacements.

We continue to provide factoring services for over 700 homes and during 2018/19 will be looking to continue to grow our factoring business.

The quality of the environment and community safety continues to be a high priority for our customers and in January 2017 we launched a new responsive caretaking service which is making a big difference in our community. From June 2017 we piloted delivering part of our landscaping service in-house through employing our own directly employed staff. This project was a great success with over 85% of customers supporting continuation of the delivery model. As a result the pilot was extended into 2018. During 2018/19 we will be assessing whether to roll this out to all of our stock in future years, and assessing the business case for taking further services in-house such as close cleaning because of the potential to deliver an improved service at a reduced cost.

In Spring 2017 we launched a new partnership approach to the delivery of new housing with Queens Cross Housing Association Limited through the North West Partners Development Hub which is responsible for developing a joint development programme of 600 units over five years. The main benefits of this approach are: sharing skills and expertise; increased strategic and political impact in the North of Glasgow; attracting skilled development staff looking for a challenge and economies of scale and efficiencies. Our own new build programme at Maryhill is currently 110 units over five years. We commissioned a Housing Needs and Demand Study in 2017 and our Board will be considering how to respond to this in June 2018. We are likely to refocus our development programme around the need for more desperately needed family sized housing.

In 2017/18, £6.9 million was spent on maintenance and component replacements. Development costs and replacements to components of properties are capitalised and included in fixed assets in accordance with component accounting requirements. These costs are amortised over the useful economic life of the asset or component and charged as depreciation.

MARYHILL HOUSING ASSOCIATION LIMITED

REPORT OF THE BOARD (INCORPORATING THE STRATEGIC REPORT) FOR THE YEAR ENDED 31 MARCH 2018

Passion for People and Community: Housing Services and Community Regeneration

We've continued to make significant improvements in our performance during 2017/18 in key areas such as rent collection, turnover of empty properties and management of anti-social behaviour. Our performance is now above the Scottish benchmark in all of these areas as well as others including the time it takes us to complete reactive repairs.

We continued to benefit from funding from the Scottish Government to support our welfare benefits and financial inclusion services, providing our customers with advice and support on financial matters and welfare reform. We also successfully applied for Scottish Government Grant funding to provide internet free of charge to customers in our high rise blocks. Homes are being connected throughout late Spring and Summer 2018.

Consultation and involvement with tenants is vital to the Association and during 2017/18 we moved away from traditional consultation events and as a result significantly improved our response rates. Over 300 tenants told us what they thought about our proposed rent increases and over 100 responded to consultations around our Allocations and Anti-Social behaviour policies. We continue to work with Registered Tenants Organisations, Maryhill and Summerston Community Council, Ruchill Community Council and other stakeholders to seek feedback on our services.

We worked with the Tenant Information Service to deliver a programme of training to our Tenant Scrutiny Group (renamed as the Service Improvement Panel) during 2017 and they proposed a series of recommendations following their review of communication around Property Investment works in 2018. The scrutiny of Communications will commence in August 2018 when our new Corporate Officer joins the team.

Our Customer Engagement and Regeneration Team works closely with community groups to enhance and improve the local community. In 2017/18 we celebrated our 40th Anniversary through a range of community events organised by the team including canal boat trips, fun days and even choir concerts. The success of our community groups was recognised at the Evening Times Street Ahead Awards where we had successes in the categories of Best Community Garden, Best Community Initiative and Overall Award.

The Association continues to form strong partnerships to maximise the impact of services in the community. Our current partners include: local community councils, Glasgow Life, Jobs and Business Glasgow, LifeLink, Action for Children, North United Communities, neighbouring housing associations Queens Cross Housing Association Limited, North Glasgow Housing Association Limited and Cadder Housing Association Limited, Police Scotland, the Fire Service and Community Safety Glasgow. Projects delivered through these partnerships include job clubs; IT classes; parenting support; fire safety briefings and counselling support.

We have introduced a community benefit clause into all of our new contracts and as a result we will create or sustain thirteen apprenticeship places and generate contributions to community initiatives from our contractors. In 2017/18 we also re-launched our Community Fund which channelled £60k back into the community, part of which was allocated through two very well attended participatory budgeting events. In 2017/18 we also re-launched our Bursary scheme and allocated over £6k in 2017/18. A further £10k has been set aside for 2018/19.

MARYHILL HOUSING ASSOCIATION LIMITED

REPORT OF THE BOARD (INCORPORATING THE STRATEGIC REPORT) FOR THE YEAR ENDED 31 MARCH 2018

Performance Management

Service delivery is underpinned by employee performance and remains a high priority. The Association is committed to staff training and development and in 2017/18 we invested in a programme of professional qualifications for our frontline housing teams. We introduced a new system of Service Improvement Plans for each team which are clearly linked to appraisal objectives and corporate Delivery Plan priorities.

A rolling programme of internal audit supports the Association's objective of continuous improvement and compliance. In 2017/18 internal audits were completed in respect of reactive repairs; gas servicing and repairs; cyclical repairs; rent collection; anti-social behaviour and contract management. Actions following these audits are being tracked through our Audit and Risk Committee. The audit programme for 2018/2019 has been approved by the Association's Audit and Risk Committee.

Treasury Management

The Association manages its borrowings and investments to ensure that it is in a position to meet its financial obligations as they fall due. At 31 March 2018, the Association had borrowings of £11.8million (including £0.3m of a cash incentive being amortised) and an overall facility of £19.5million.

Under the terms of the loan agreement with Royal Bank of Scotland the Association is required to meet a number of financial and operational covenants based on annual business plan projections and approval. These loan covenants were achieved.

Risk Management

The Association maintains a strategic risk register and a strategic risk map to assess the business risks faced by the organisation and implements risk management controls to mitigate the risk where possible. This involves identifying the types of risks, prioritising them in terms of likelihood and impact and identifying and implementing controls.

The approach to strategic risk management is reviewed annually as part of our Corporate Business Plan to take account of changes and new risks which have arisen within the overall business framework.

A separate operational risk register is monitored and controlled by the operational team made up of members from each of the business functions. Our risk management approach includes the escalation of operational risks into Strategic risks.

An internal audit of our approach to risk management was completed in 2017/18.

Board Members and Executive Officers

The members of the Board and the Executive Officers are listed on the first page of the financial statements.

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

The members of the Board are also Trustees of the Association for the purposes of charity law. Members of the Board are appointed by the members at the Association's Annual General Meeting.

MARYHILL HOUSING ASSOCIATION LIMITED

REPORT OF THE BOARD (INCORPORATING THE STRATEGIC REPORT) FOR THE YEAR ENDED 31 MARCH 2018

Statement of the Board's Responsibilities

Housing Association legislation requires the Board 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 income and expenditure of the Association for that period. In preparing those financial statements the Board is required to:

- select suitable accounting policies and then apply them consistently;
- make judgements 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; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Association will continue in business.

The Board is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Association. The Board 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.

Statement on Internal Financial Control

The Board 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; and
- the safeguarding of assets against unauthorised use or disposition.

It is the Board'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 procedure are in place, including the on-going documentation of key systems and rules relating to the delegation of authority, which allows the monitoring of controls and restricts the unauthorised use of the Association's assets;
- experienced and suitably qualified staff take responsibility for important business functions and annual appraisal procedures have been established to maintain standards of performance;
- forecasts and budgets are prepared which allow the management team and the Board 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;
- monthly and quarterly financial management reports are prepared promptly, providing relevant, reliable and up to date financial and other information, with significant variances from budget being investigated as appropriate;
- regulatory returns are prepared, authorised and submitted promptly to the relevant regulatory bodies;
- all significant new initiatives, major commitments and investment projects are subject to formal authorisation procedures, through the Board;
- the Board receives 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; and
- formal procedures have been established for instituting appropriate action to correct any weaknesses identified through internal or external audit reports.

MARYHILL HOUSING ASSOCIATION LIMITED

**REPORT OF THE BOARD (INCORPORATING THE STRATEGIC REPORT)
FOR THE YEAR ENDED 31 MARCH 2018**

Statement on Internal Financial Control (continued)

The Board has reviewed the effectiveness of the system of internal financial control in existence in the Association for the year ended 31 March 2018. No weaknesses were found in the internal financial controls which resulted in material losses, contingencies or uncertainties which require disclosure in the financial statements or in the auditor's report on the financial statements.

Donations

During the year the Association made charitable donations amounting to £927 (2017: £1,595).

Disclosure of information to the auditor

To the knowledge and belief of each of the persons who are members of the Board at the time the report is approved:

- so far as the Board members are aware, there is no relevant information of which the Association's auditor is unaware; and
- he/she has taken all the steps that he/she ought to have taken as a Board member in order to make himself/herself aware of any relevant information, and to establish that the Association's auditor is aware of the information.

Auditor

A resolution to re-appoint Scott-Moncrieff, Chartered Accountants, as auditor will be proposed at the Annual General Meeting.

The Report of the Board (incorporating the Strategic Report) has been approved by the Board and signed on its behalf by:

By order of the Board



Bryony Willet
Secretary

Date:

29/8/18

MARYHILL HOUSING ASSOCIATION LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MARYHILL HOUSING ASSOCIATION LIMITED ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

Opinion

We have audited the financial statements of Maryhill Housing Association Limited (the 'Association') for the year ended 31 March 2018 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Capital and Reserves, the Statement of Cash Flows and the notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the Association's affairs as at 31 March 2018 and of its income and expenditure for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the Co-operative and Community Benefit Societies Act 2014, Part 6 of the Housing (Scotland) Act 2010 and the Determination of Accounting Requirements 2014 issued by the Scottish Housing Regulator.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Association in accordance with the ethical requirements that are relevant to our audit of the financial statements in the United Kingdom, including the Financial Reporting Council's Ethical Standard and we have fulfilled our ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in which the ISAs (UK) require us to report to you where:

- the Board's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Board has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Association's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

MARYHILL HOUSING ASSOCIATION LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MARYHILL HOUSING ASSOCIATION LIMITED ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

Other information

The Board are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Co-operative and Community Benefit Societies Act 2014 require us to report to you if, in our opinion:

- a satisfactory system of control over transactions has not been maintained; or
- the Association has not kept proper accounting records; or
- the Association's financial statements are not in agreement with the books of account; or
- we have not received all the information and explanations we need for our audit.

Responsibilities of the Board

As explained more fully in the Statement of the Board's Responsibilities set out on page 6, the Board is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Board determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board are responsible for assessing the Association's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board either intend to liquidate the Association or to cease operations, or have no realistic alternative but to do so.

MARYHILL HOUSING ASSOCIATION LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MARYHILL HOUSING ASSOCIATION LIMITED ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

Auditor's responsibilities for the audit of the financial statements

We have been appointed as auditor under the Co-operative and Community Benefit Societies Act 2014 and report in accordance with the Act and relevant regulations made or having effect thereunder.

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the Association's members, as a body, in accordance with Section 87 of the Co-operative and Community Benefit Society Act 2014.

Our audit work has been undertaken so that we might state to the Association's members, as a body, those matters we are required to state to them in an auditor's 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.

Scott-Moncrieff

Scott-Moncrieff, Statutory Auditor

Eligible to act as an auditor in terms of Section 1212 of the Companies Act 2006

Chartered Accountants

25 Bothwell Street

Glasgow

G2 6NL

Date: 29 AUGUST 2018

MARYHILL HOUSING ASSOCIATION LIMITED

REPORT OF THE AUDITOR TO THE MEMBERS OF MARYHILL HOUSING ASSOCIATION LIMITED ON CORPORATE GOVERNANCE MATTERS FOR THE YEAR ENDED 31 MARCH 2018

In addition to our audit of the financial statements, we have reviewed your statements on pages 6 and 7 concerning the Association's compliance with the information required by the Regulatory Standards in respect of internal financial controls contained within the publication "Our Regulatory Framework" and associated Regulatory Advisory Notes which are issued by the Scottish Housing Regulator.

Basis of Opinion

We carried out our review having regard to the requirements on corporate governance matters within Bulletin 2009/4 issued by the Financial Reporting Council. The Bulletin does not require us to review the effectiveness of the Association's procedures for ensuring compliance with the guidance notes, nor to investigate the appropriateness of the reason given for non-compliance.

Opinion

In our opinion the Statement on Internal Financial Control on pages 6 and 7 has provided the disclosures required by the relevant Regulatory Standards within the publication "Our Regulatory Framework" and associated Regulatory Advisory Notes issued by the Scottish Housing Regulator in respect of internal financial controls and is consistent with the information which came to our attention as a result of our audit work on the Financial Statements.

Through our enquiry of certain members of the Board and Executive Officers of the Association and examination of relevant documents, we have satisfied ourselves that the Board's Statement on Internal Financial Control appropriately reflects the Association's compliance with the information required by the relevant Regulatory Standards in respect of internal financial controls contained within the publication "Our Regulatory Framework" and associated Regulatory Advisory Notes issued by the Scottish Housing Regulator in respect of internal financial controls.

Scott-Moncrieff

Scott-Moncrieff
Statutory Auditor
Chartered Accountants
25 Bothwell Street
Glasgow G2 6NL

Date: *29 AUGUST 2018*

MARYHILL HOUSING ASSOCIATION LIMITED

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2018**

	Notes	£	2018 £	£	2017 £
Turnover	4		12,298,055		11,984,666
Operating expenditure	4		(12,815,240)		(11,123,932)
Operating (deficit)/surplus	4		(517,185)		860,734
(Loss)/gain on sale of housing stock	10	(79,106)		200,032	
Release of negative goodwill	11	340,949		405,406	
Interest receivable and other income	12a	4,203		7,611	
Interest payable and similar charges	12b	(770,489)		(728,876)	
Other finance charges	13	(46,000)		(84,000)	
			(550,443)		(199,827)
(Deficit)/surplus for the year before tax	9		(1,067,628)		660,907
Tax	14		-		-
(Deficit)/surplus for the year after tax			(1,067,628)		660,907
Other comprehensive income					
Actuarial gain/(loss) recognised in the pension liability	34		978,000		(605,000)
Total comprehensive income			(89,628)		55,907

The results for the year relate wholly to continuing activities.

The notes form part of these financial statements.

MARYHILL HOUSING ASSOCIATION LIMITED

STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2018

	Notes	£	2018 £	£	Restated 2017 £
Tangible fixed assets					
Housing properties	15		58,701,901		58,927,927
Other fixed assets	17		1,155,997		1,211,527
			<u>59,857,898</u>		<u>60,139,454</u>
Negative goodwill	11		(10,701,038)		(11,041,987)
Investments					
Investment in subsidiary	18		1		1
Current assets					
Debtors	19	480,561		638,046	
Investments	20a	610,078		606,548	
Cash and cash equivalents	20b	4,815,604		5,950,988	
			<u>5,906,243</u>	<u>7,195,582</u>	
Creditors: amounts falling due within one year	21		<u>(3,261,670)</u>	<u>(3,043,498)</u>	
Net current assets			<u>2,644,573</u>	<u>4,152,084</u>	
Total assets less current liabilities			<u>51,801,434</u>	<u>53,249,552</u>	
Creditors: amounts falling due after more than one year	22		<u>(23,585,499)</u>	<u>(24,066,992)</u>	
Strathclyde Pension Scheme liability	33		<u>(357,000)</u>	<u>(1,234,000)</u>	
Net assets			<u><u>27,858,935</u></u>	<u><u>27,948,560</u></u>	
Capital and reserves					
Share capital	25		143		140
Revenue reserve	26		27,858,792		27,948,420
			<u><u>27,858,935</u></u>		<u><u>27,948,560</u></u>

The financial statements were authorised for issue by the Board on 29 AUGUST 2018 and are signed on their behalf by:

Roger Popplewell  Chairperson

Lorain Mackinnon  Vice-Chairperson

Bryony Willet  Secretary

The notes form part of these financial statements.

MARYHILL HOUSING ASSOCIATION LIMITED**STATEMENT OF CHANGES IN CAPITAL AND RESERVES
FOR THE YEAR ENDED 31 MARCH 2018**

	Share Capital £	Revenue Reserve £	Total £
Balance as at 1 April 2016	233	27,892,513	27,892,746
Issue of shares	4	-	4
Cancellation of shares	(97)	-	(97)
Total comprehensive income	-	55,907	55,907
Balance as at 31 March 2017	<u>140</u>	<u>27,948,420</u>	<u>27,948,560</u>
Balance as at 1 April 2017	140	27,948,420	27,948,560
Issue of shares	3	-	3
Cancellation of shares	-	-	-
Total comprehensive income	-	(89,628)	(89,628)
Balance as at 31 March 2018	<u>143</u>	<u>27,858,792</u>	<u>27,858,935</u>

The notes form part of these financial statements.

MARYHILL HOUSING ASSOCIATION LIMITED

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2018**

	Note	2018		Restated 2017
		£	£	£
Net cash generated from operating activities	27	2,194,321		2,325,034
Cash flow from investing activities				
Acquisition and construction of properties	(2,762,083)	(2,546,744)		
Purchase of other fixed assets	(54,467)	(221,215)		
Social housing grant received	401,104	975,821		
Proceeds on disposal of properties	117,557	471,497		
Interest received	4,203	7,611		
		<u>(2,293,686)</u>		<u>(1,313,030)</u>
Cash flow from financing activities				
Interest paid on loans and bank charges	(795,492)	(809,517)		
Share capital Issued	3	4		
Payment of past service contributions	(237,000)	(239,000)		
Increase in investments	(3,530)	(3,479)		
		<u>(1,036,019)</u>		<u>(1,051,992)</u>
Net change in cash and cash equivalent		(1,135,384)		(39,988)
Opening cash and cash equivalents		<u>5,950,988</u>		<u>5,990,976</u>
Closing cash and cash equivalents		<u>4,815,604</u>		<u>5,950,988</u>

The notes form part of these financial statements.

MARYHILL HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

1. General information

The financial statements have been prepared in accordance with applicable law and United Kingdom Accounting Standards including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice) and comply with the requirements of the Determination of Housing Requirements 2014 as issued by the Scottish Housing Regulator and the Statement of Recommended Practice for Social Housing Providers issued in 2014. The principal accounting policies are set out below.

The preparation of these financial statements in compliance with FRS 102 requires the use of certain accounting estimates. It also requires management to exercise judgement in applying the Association's accounting policies (note 3).

The presentational currency is pound sterling and the financial statements are rounded to the nearest whole number.

The Association is a Co-operative and Community Benefit Society Limited by shares and is incorporated in Scotland. The Association is a registered social landlord (HCB159) and a registered charity (SC032468). The registered address is 45 Garrioch Road, Maryhill, Glasgow, G20 8RG.

The Association is defined as a public benefit entity and thus the Association complies with all disclosure requirements relating to public benefit entities.

2. Principal accounting policies

a) Basis of accounting

The financial statements are prepared under the historical cost convention, subject to the revaluation of certain fixed assets, and in accordance with applicable accounting standards. The effect of events relating to the year ended 31 March 2018, which occurred before the date of approval of the financial statements by the Board has been included in the financial statements to the extent required to show a true and fair view of the state of affairs as at 31 March 2018 and of the results for the year ended on that date.

b) Group financial statements

The Association has a fully owned subsidiary, Maryhill Communities Limited which is dormant. Group financial statements have not been prepared due to the immaterial nature of Maryhill Communities Limited.

c) Going concern

The financial statements have been prepared on a going concern basis by the Board based on financial projections and funding available and the Association has a healthy cash and net asset position. Thus the Board continues to adopt the going concern basis of accounting in preparing the financial statements.

d) Turnover

Turnover represents rental and service charge income receivable, fees receivable and revenue grants receivable from the Scottish Government, Glasgow City Council and other agencies. Also included are management fees for the factoring of properties for private owners as the provision of factoring services is accounted for on an on-going basis. First tranche shared ownership sales are also included in turnover.

MARYHILL HOUSING ASSOCIATION LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018**

2. Principal accounting policies (continued)

e) Apportionment of management expenses

Direct employee, administration and operating expenditure have been apportioned to the relevant sections of the Statement of Comprehensive Income on the basis of costs of staff directly attributable to the operations dealt with in the financial statements.

The costs of cyclical and major repairs are charged to the Statement of Comprehensive Income in the year which they are incurred.

f) Interest receivable and other income

Interest receivable is recognised in the Statement of Comprehensive Income on an accruals basis.

g) Interest payable and similar expenses

Finance costs are charged to the Statement of Comprehensive Income over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

h) Tangible fixed assets - Housing properties

Housing properties are stated at cost less accumulated depreciation. Housing under construction and land are not depreciated. The Association depreciates housing properties by major component on a straight line basis over the estimated useful economic lives of each identified component. All components are categorised as Housing Properties within note 15. Impairment reviews are carried out if events or circumstances indicate that the carrying value of the components listed below is higher than the depreciated replacement amount.

Component	Useful Economic Life
Structure	50 years
Roofing	50 years
Exterior walls	40 years
Windows	30 years
Balconies	50 years
Doors	20 years
Controlled entry	20 years
Kitchens	15 years
Bathrooms	20 years
Central heating – pipes & radiators	30 years
Central heating – boilers	15 years
Central heating – electric storage	20 years
Electrics	30 years
Communal lighting	30 years
Lifts	25 years

i) Tangible fixed assets – 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:-

Offices premises	2%
Furniture, fittings and equipment	20% - 50%
Motor vehicles	25%

The carrying value of other fixed assets is reviewed for impairment at the end of each reporting period.

2. Principal accounting policies (continued)

j) Negative goodwill

Negative goodwill created through acquisition is written-off to the Statement of Comprehensive Income as the non-cash assets acquired are depreciated or sold.

k) Operating leases

Rentals paid under operating leases are charged to the Statement of Comprehensive Income on a straight line basis over the lease term.

l) Debtors

Short term debtors are measured at transaction price, less any impairment.

m) Rental arrears

Rental arrears represent amounts due by tenants for the rental of social housing properties at the year-end. Rental arrears are reviewed regularly by management and written down to the amount deemed recoverable. Any provision deemed necessary is shown alongside gross rental arrears in note 19.

n) Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

o) Creditors

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

p) Financial instruments

The Association only enters into basic financial instruments transactions that result in the recognition of financial assets and liabilities like trade and other accounts receivable and payable, loans from banks and related parties.

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at the present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade payables or receivables, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration, expected to be paid or received. However if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or financed at a rate of interest that is not a market rate or in case of an outright short-term loan not at market rate, the financial asset or liability is measured, initially, at the present value of the future cash flow discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost.

Financial assets are derecognised when contractual rights to the cash flows from the assets expire, or when the Association has transferred substantially all the risks and rewards of ownership.

Financial liabilities are derecognised only once the liability has been extinguished through discharge, cancellation or expiry.

2. Principal accounting policies (continued)

q) Government capital grants

Government capital grants, at amounts approved by The Scottish Government or Glasgow City Council, are paid directly to the Association as required to meet its liabilities during the development process. This is treated as a deferred capital grant and is released to income in accordance with the accrual model over the useful life of the asset it relates to on completion of the development phase. The accrual model requires the Association to recognise income on a systematic basis over the period in which the Association recognises the related costs for which the grant is intended to compensate.

r) Government revenue grants

Government revenue grants are recognised using the accrual model which means the Association recognises the grant in income on a systematic basis over the period in which the Association recognises the related costs for which the grant is intended to compensate.

s) Non-government capital and revenue grants

Non-government capital and revenue grants are recognised using the performance model. If there are no performance conditions attached the grants are recognised as revenue when the grants are received or receivable.

A grant that imposes specific future performance related conditions on the recipient is recognised as revenue only when the performance related conditions are met.

A grant received before the revenue recognition criteria are satisfied is recognised as a liability.

t) Pension costs (note 33)

Scottish Housing Association Pension Scheme (SHAPS)

The Association participates in the Scottish Housing Associations' Defined Benefits Pension Scheme (SHAPS) 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.

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.

Thus the Scheme is accounted for as a defined contribution scheme. However the Association has entered into a past service deficit repayment agreement with the Pension Trust and per FRS 102, this discounted past service deficit liability has been recognised in the Statement of Financial Position.

Defined Contribution Pension Scheme (Auto Enrolment) (SHAPS)

The Association is also a member of the SHAPS Defined Contribution Pension Scheme and this scheme is used for auto-enrolment and for new employees. The cost of the employer's contributions is charged to the Statement of Comprehensive Income on an accruals basis.

2. Principal accounting policies (continued)

t) Pension costs (note 33)

Strathclyde Pension Fund

The Strathclyde Pension Fund is accounted for as a defined benefit scheme. In accordance with FRS 102, the operating and financing costs of pension and post retirement schemes (determined by a qualified actuary) are recognised separately in the Statement of Comprehensive Income. Service costs are systematically spread over the service lives of the employees and financing costs are recognised in the period in which they arise.

The difference between actual and expected returns on assets during the year, including changes in the actuarial assumptions, is recognised in Other Comprehensive Income.

u) Development administration costs

Development administration costs relating to development activities are capitalised based on an apportionment of the staff time spent directly on this activity.

3. Judgements in applying policies and key sources of estimation uncertainty

Estimation Uncertainty

In preparing the financial statements, management is required to make estimates and assumptions which affect reported income, expenses, assets, and liabilities. Use of available information and application of judgement are inherent in the formation of estimates, together with past experience and expectations of future events that are believed to be reasonable under the circumstances. Actual results in the future could differ from such estimates.

The Board is satisfied that the accounting policies are appropriate and applied consistently. Key sources of estimation have been applied as follows:

<u>Estimate</u>	<u>Basis of estimation</u>
Valuation of housing properties	Housing properties are held at deemed cost which is based on an existing use valuation at the date of transition to FRS 102 of 1 April 2014.
Useful lives of property, plant and equipment	The useful lives of property, plant and equipment are based on the knowledge of senior management at the Association, with reference to expected asset life cycles.
The main components of housing properties and their useful lives	The cost of housing properties is split into separately identifiable components. These components were identified by knowledgeable and experienced staff members and are based on costing models.
Recoverable amount of rental and other trade receivables	Rental arrears and other trade receivables are reviewed by appropriately experienced senior management team members on a case by case basis with the balance outstanding together with the payment history of the individual tenant being taken into account.
The obligations under the SHAPS pension scheme and Strathclyde pension scheme	These have relied on the actuarial assumptions of qualified actuaries which have been reviewed and are considered reasonable and appropriate.

MARYHILL HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018

4. Particulars of turnover, operating expenditure and operating surplus or (deficit)

	Note	2018				Restated 2017	
		Turnover	Operating Expenditure	Operating (Deficit)	Turnover	Operating expenditure	Operating surplus/(deficit)
Social lettings	5	12,132,404	12,494,867	(362,463)	11,854,373	10,968,343	886,030
Other activities	6	165,651	320,373	(154,722)	130,293	155,589	(25,296)
Total		12,298,055	12,815,240	(517,185)	11,984,666	11,123,932	860,734

5. Particulars of turnover, operating expenditure and operating surplus or (deficit) from social letting activities

	General Needs Housing £	Shared Ownership £	2018 Total £	Restated 2017 Total £
Revenue from lettings				
Rent receivable net of service charges	11,670,266	29,388	11,699,654	11,268,091
Service charges	76,213	2,908	79,121	213,346
Gross income from rent and service charges	11,746,479	32,296	11,778,775	11,481,437
Less: Rent losses from voids	(64,191)	-	(64,191)	(85,631)
Net rents receivable	11,682,288	32,296	11,714,584	11,395,806
Release of deferred Government capital grants	316,298	-	316,298	268,774
Revenue grants from Scottish Ministers (Stage 3 adaptations)	40,917	-	40,917	16,850
Other revenue grants	60,605	-	60,605	172,943
Total turnover from social letting activities	12,100,108	32,296	12,132,404	11,854,373
Expenditure on social letting activities				
Management and maintenance administration costs	5,332,254	14,875	5,347,129	5,054,502
Service costs	153,735	-	153,735	168,148
Planned and cyclical maintenance, including major repairs	2,390,599	-	2,390,599	1,625,120
Reactive maintenance costs	1,775,045	-	1,775,045	1,997,156
Bad debt – rents and service charges	36,913	-	36,913	(11,156)
Depreciation of social let properties	2,781,228	10,218	2,791,446	2,134,573
Operating expenditure of social letting activities	12,469,774	25,093	12,494,867	10,968,343
Operating (deficit)/surplus on social letting activities 2018	(369,666)	7,203	(362,463)	
Operating surplus on social letting activities 2017	868,601	17,429		886,030

The depreciation charges of social let properties in the year was £2,673,171 (2017: £2,067,988). The net book value of disposed components was £118,275 (2017: £66,585).

There has been a reallocation of the 2017 income and costs previously included as wider role in note 6 to note 5 as these services are actually core activities of the Association including benefits advice and money advice.

MARYHILL HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018

6. Particulars of turnover, operating expenditure and operating surplus or (deficit) from other activities

	Grants From Scottish Ministers £	Other Revenue Grants £	Other Income £	Total Turnover £	Operating Expenditure - Bad Debts £	Operating Expenditure - Other £	Operating Surplus or (Deficit) 2018 £	Operating Surplus or (Deficit) 2017 £
Factoring	-	-	112,035	112,035	1,397	258,801	(148,163)	(49,270)
Development and construction of property activities	16,425	-	-	16,425	-	56,964	(40,539)	(15,079)
Maryhill Online	-	-	-	-	-	1,374	(1,374)	(2,514)
Commercial properties	-	-	10,502	10,502	-	-	10,502	11,264
Radio mast income	-	-	26,689	26,689	-	-	26,689	24,161
Sundry activities	-	-	-	-	-	1,837	(1,837)	6,142
Total from other activities 2018	16,425	-	149,226	165,651	1,397	318,976	(154,722)	
Total from other activities 2017	-	-	130,293	130,293	(2,409)	157,998		(25,296)

MARYHILL HOUSING ASSOCIATION LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018**

7. Employees

	2018	2017
	£	£
Staff costs during year:		
Wages and salaries	3,181,756	3,089,216
Social security costs	285,144	283,333
Pension costs	446,474	294,623
Strathclyde Pension Fund service cost (Note 33)	67,000	13,000
SHAPS re-measurements (Note 33)	(8,000)	14,495
Temporary, agency and seconded staff	97,098	78,292
Staff recruitment costs	104,830	53,061
	<u>4,174,302</u>	<u>3,826,020</u>

Included in above is £389,866 of costs relating to the restructure.

The SHAPS past service deficit liability is subject to remeasurement each financial year.

During the past year, past service deficit contributions of £244,127 (2017: £247,265) were paid. Of this payment £237,000 (2017: £239,000) was a payment in respect of the SHAPS past service deficit liability. The remainder of £7,127 (2017: £8,265) was pension management costs which have been included in the pension contributions total included in staff costs above.

The unwinding of the SHAPs discount has been charged to finance costs (note 13) in the Statement of Comprehensive Income. This finance cost was £12,000 (2017: £62,000) in the year.

	2018	2017
	No.	No.
The average monthly number of full time equivalent employees during the year was	92	90
The average total number of employees employed during the year was	101	96

8. Directors' emoluments

The directors are defined as the members of the Board, the Chief Executive and any other person reporting directly to the Chief Executive or the Board whose total emoluments exceed £60,000 per year. No emoluments were paid to any member of the Board during the year. The Association considers key management personnel to be the members of the Board and the senior management team (as listed on the first page of the financial statements) of the Association only.

	2018	2017
	£	£
Aggregate emoluments payable to the key management team amounted to:	395,519	269,670

Total pension contributions to the key management team were £19,339 (2017: £27,688). The Social Security costs for these individuals were £42,096 (2017: £32,871). Aggregate emoluments to those earning over £60k amounted to £548,603 (2017: £269,670). Total pension contributions to those earning over £60k were £32,246 (2017: £27,688). The social security for these individuals was £53,229 (2017: £32,871). This does not include an element of the SHAPs past service deficit repayment. No enhanced or special terms apply to membership and the key management team have no other pension arrangements to which the Association contributes. Included in the above is £148,249 (2017: £nil) in respect of payments made for loss of office.

MARYHILL HOUSING ASSOCIATION LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018**

8. Directors' emoluments (continued)

	2018 £	2017 £
Total emoluments payable to the current Chief Executive (excluding pension contributions) amounted to:	<u>83,780</u>	<u>6,834</u>
Total emoluments payable to the former Chief Executive (excluding pension contributions) amounted to:	<u>-</u>	<u>76,654</u>
Pension contributions payable to the current Chief Executive (excluding past service deficit repayments)	<u>7,518</u>	<u>581</u>
Pension contributions payable to the former Chief Executive (excluding past service deficit repayments)	<u>-</u>	<u>6,490</u>

Both the current and former Chief Executives are members of the SHAPs pension scheme as detailed in note 33.

	2018 Number	2017 Number
The numbers of officers including the highest paid officer who received emoluments (excluding pension contributions) in the following ranges were:		
£60,001 - £70,000		
£70,001 - £80,000	1	3
£80,001 - £90,000	-	1
£90,001 - £100,000	2	-
£100,001 - £120,000	-	-
£120,001 - £130,000	<u>2</u>	<u>-</u>

9. (Deficit)/surplus for year before tax

	2018 £	2017 £
The (deficit)/surplus before tax is stated after charging/(crediting):-		
Depreciation – Housing properties	2,673,171	2,067,988
Depreciation – loss on disposal of components	118,275	66,585
Depreciation – Other fixed assets	109,075	95,028
External auditor's remuneration – Audit services excluding VAT	11,575	13,850
External auditor's remuneration – corporation tax compliance excluding VAT	585	575
External auditor's remuneration – employment tax advice excluding VAT	300	-
Operating lease rentals	12,832	19,552
Loss/(gain) on sale of housing properties	79,106	(200,032)
Loss/(gain) on sale of other fixed assets	<u>922</u>	<u>-</u>

10. (Loss)/gain on sale of housing stock

	2018 £	2017 £
Sales proceeds	117,557	471,497
Net book value of disposals	<u>196,663</u>	<u>(271,465)</u>
(Loss)/gain on sale of housing stock	<u>(79,106)</u>	<u>200,032</u>

MARYHILL HOUSING ASSOCIATION LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018**

11. Negative goodwill

	2018 £	2017 £
Gross Goodwill		
At 1 April 2017	(12,760,293)	(12,880,202)
Eliminated on disposal of housing units	59,954	119,909
	<u>(12,700,339)</u>	<u>(12,760,293)</u>
At 31 March 2018	(12,700,339)	(12,760,293)
Amortisation		
At 1 April 2017	1,718,306	1,432,809
Amortisation charge for year	290,473	299,538
Eliminated on disposal of housing units	(9,478)	(14,041)
	<u>1,999,301</u>	<u>1,718,306</u>
At 31 March 2018	1,999,301	1,718,306
Net book value at 31 March 2018	<u><u>(10,701,038)</u></u>	<u><u>(11,041,987)</u></u>

12a. Interest receivable and similar income

	2018 £	2017 £
Bank interest	<u>4,203</u>	<u>7,611</u>

12b. Interest payable and similar charges

	2018 £	2017 £
On bank loans	722,364	671,534
Bank charges - non utilisation fees	48,125	57,342
	<u>770,489</u>	<u>728,876</u>

Offset within interest payable on bank loans is a £25,003 (2017: £80,641) credit in respect of the release of the cash incentive received when the loans were originally financed with RBS. This is being written over the 20 year fixed term period.

13. Other finance charges

	2018 £	2017 £
Strathclyde Pension Fund – finance charge (note 33)	34,000	22,000
SHAPS – unwinding of discount (note 33)	12,000	62,000
	<u>46,000</u>	<u>84,000</u>

14. Tax on (deficit)/surplus

The Association is a Scottish Charity and thus its charitable activities are not subject to tax in both 2017 and 2018. No (2017: £nil) corporation tax is due on the Association's non-charitable activities.

MARYHILL HOUSING ASSOCIATION LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018**

15. Tangible fixed assets – Housing properties

	Housing properties held for letting £	Housing properties in course of construction £	Completed shared ownership properties £	Total £
Cost				
As at 1 April 2017	66,827,487	19,749	300,461	67,147,697
Additions	2,362,288	399,795	-	2,762,083
Disposals	(489,879)	-	-	(489,879)
As at 31 March 2018	68,699,896	419,544	300,461	69,419,901
Depreciation				
As at 1 April 2017	8,186,776	-	32,994	8,219,770
Charge for year	2,662,953	-	10,218	2,673,171
Disposals	(174,941)	-	-	(174,941)
As at 31 March 2018	10,674,788	-	43,212	10,718,000
Net Book Value				
As at 31 March 2018	58,025,108	419,544	257,249	58,701,901
As at 31 March 2017	58,640,711	19,749	267,467	58,927,927

Additions to housing properties include capitalised development administration costs of £212,458 (2017: £89,155). The amount spent on maintenance of housing properties held for letting can be seen in note 5.

Included in the cost of disposals is £249,521 (2017: £77,370) and included in depreciation eliminated on disposal is £131,246 (2017: £10,785) in relation to disposed components.

Total expenditure on existing properties in the year amounted to £6,927,727 (2017: £6,169,020). The amount capitalised is £2,762,083 (2017: £2,546,744), with the balance charged to the Statement of Comprehensive Income. The amounts capitalised can be further split between component replacements of £2,568,750 (2017: £1,552,156) and property additions of £193,333 (2017: £994,588). All housing properties are freehold.

The Association's Lenders have standard securities over housing property with a carrying value of £26,734,067 (2017: £28,005,850).

The housing properties were revalued as at 1 April 2014 (by Jones Lang LaSalle Limited) and this value was used as the deemed cost from that date in accordance with FRS 102.

16. Housing stock

	2018 No.	2017 No.
The number of units of accommodation in management at the year-end was:-		
General needs – New Build	568	568
General needs – Rehabilitation	2,469	2,473
Shared ownership	16	16
	3,053	3,057

MARYHILL HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018

17. Tangible fixed assets - Other fixed assets

	Office Premises £	Furniture, Fittings & Equipment £	Motor Vehicles £	Total £
Cost				
As at 1 April 2017	1,543,828	601,164	48,722	2,193,714
Additions	978	53,489	-	54,467
Disposals	-	(3,855)	-	(3,855)
Transfers	(25,028)	25,028	-	-
As at 31 March 2018	<u>1,519,778</u>	<u>675,826</u>	<u>48,722</u>	<u>2,244,326</u>
Depreciation				
As at 1 April 2017	502,896	476,246	3,045	982,187
Charge for year	29,396	67,499	12,180	109,075
Disposals	-	(2,933)	-	(2,933)
As at 31 March 2018	<u>532,292</u>	<u>540,812</u>	<u>15,225</u>	<u>1,088,329</u>
Net Book Value				
As at 31 March 2018	<u>987,486</u>	<u>135,014</u>	<u>33,497</u>	<u>1,155,997</u>
As at 31 March 2017	<u>1,040,932</u>	<u>124,918</u>	<u>45,677</u>	<u>1,211,527</u>

18. Investments

	2018 £	2017 £
Investment in subsidiary		
As at 31 March 2018 & 31 March 2017	<u>1</u>	<u>1</u>

The Association has a 100% owned subsidiary, Maryhill Communities Limited. The relationship between the Association and its subsidiary is set out in an independence agreement between both parties.

The company was incorporated on 26 April 2011 and has not traded since incorporation.

The aggregate amount of capital and reserves and the results of Maryhill Communities Limited for the year ended 31 March 2018 were as follows:

	2018 £	2017 £
Capital & reserve	<u>1</u>	<u>1</u>
Profit for the year	<u>-</u>	<u>-</u>

MARYHILL HOUSING ASSOCIATION LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018**

19. Debtors

	2018 £	2017 £
Arrears of rent & service charges	552,243	559,752
Less: Provision for doubtful debts	(293,691)	(352,120)
	<u>258,552</u>	<u>207,632</u>
Factoring arrears	73,278	156,813
Prepayments	84,561	92,202
Accrued income	-	22,047
Other debtors	64,170	159,352
	<u><u>480,561</u></u>	<u><u>638,046</u></u>

20a. Current asset investments

	2018 £	<i>Restated</i> 2017 £
Deposit account	<u>610,078</u>	<u>606,548</u>

In the 2017 financial statements, £1,083,087 had been wrongly included in current asset investments instead of cash equivalents. This has been corrected.

20b. Cash and cash equivalents

	2018 £	<i>Restated</i> 2017 £
Cash at bank and in hand	3,731,815	4,867,901
Cash equivalents – short term deposits	1,083,789	1,083,087
	<u><u>4,815,604</u></u>	<u><u>5,950,988</u></u>

21. Creditors: amounts falling due within one year

	2018 £	2017 £
Bank loans	255,753	-
Trade creditors	1,321,952	1,286,132
Rent in advance	439,241	421,367
Other taxation and social security	82,285	72,623
Amounts due to group undertakings	1	1
Retention creditors	95,934	427,417
Liability for past service deficit contributions	242,019	237,000
Accruals and deferred income	371,871	193,868
HAG creditor	136,316	136,316
Deferred Government capital grant (note 23)	316,298	268,774
	<u><u>3,261,670</u></u>	<u><u>3,043,498</u></u>

MARYHILL HOUSING ASSOCIATION LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018**

22. Creditors: amounts falling due after more than one year

	2018 £	2017 £
Liability for past service deficit contributions	726,981	965,000
Bank loans	11,569,244	11,850,000
Deferred Government capital grant (note 23)	11,289,274	11,251,992
	<u>23,585,499</u>	<u>24,066,992</u>
Bank loans		
Amounts due within one year	255,753	-
Amounts due in one year or more but less than two years	184,732	230,753
Amounts due in two year or more but less than five years	1,641,467	1,726,200
Amounts due in more than five years	9,743,045	9,893,047
	<u>11,824,997</u>	<u>11,850,000</u>
Liability for past service contributions		
Amounts due within one year	242,019	237,000
Amounts due in one year or more but less than two years	245,572	237,000
Amounts due in two year or more but less than five years	481,409	711,000
Amounts due in more than five years	-	17,000
	<u>969,000</u>	<u>1,202,000</u>

Bank loans are secured by specific charges on the Association's properties and are repayable at rates of interest between 2.56% and 6.73% in instalments. The loans are due to be repaid in full by 8 June 2041. The Capital repayments begin in June 2018. Included in the loan balance is £324,997 (2017: £350,000) of a cash incentive which is being amortised and credited to interest over the 20 year fixed loan period.

23. Deferred Government capital grants

	2018 £	2017 £
Gross deferred Government capital grants		
At 1 April 2017	12,136,273	11,160,452
Addition in year	401,104	975,821
At 31 March 2018	<u>12,537,377</u>	<u>12,136,273</u>
Amortisation		
At 1 April 2017	(615,507)	(346,733)
Amortised in year	(316,298)	(268,774)
At 31 March 2018	<u>(931,805)</u>	<u>(615,507)</u>
Net book value at 31 March 2018	<u>11,605,572</u>	<u>11,520,766</u>

MARYHILL HOUSING ASSOCIATION LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018**

23. Deferred Government capital grants (continued)

This is expected to be released to the Statement of Comprehensive Income in the following years:

	2018 £	2017 £
Amounts due within one year	316,298	268,774
1-2 years	316,298	268,774
2-5 years	948,894	806,322
> 5 years	10,024,082	10,176,896
	<u>11,289,274</u>	<u>11,251,992</u>
Total	<u>11,605,572</u>	<u>11,520,766</u>

24. Financial instruments

	2018 £	2017 £
Financial assets		
Cash and cash equivalents	4,815,604	5,950,988
Investments	610,078	606,548
Financial assets measured at amortised cost	396,000	545,844
	<u>5,821,682</u>	<u>7,103,380</u>
	2018 £	2017 £
Financial liabilities		
Financial liabilities measured at amortised cost	14,720,071	15,095,734

Financial assets measured at amortised cost comprise rental arrears, factoring arrears, other debtors and accrued income.

Financial liabilities measured at amortised cost comprise bank loans, trade creditors, amounts due to group undertakings, retention creditors, accruals, the HAG creditor and the liability for past service deficit contributions.

No financial assets or liabilities are held at fair value.

25. Share capital

	2018 £	2017 £
Shares of £1 each issued and fully paid		
At 1 April 2017	140	233
Cancelled during the year	3	(97)
Issued during the year	-	4
	<u>143</u>	<u>140</u>
At 31 March 2018	<u>143</u>	<u>140</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.

MARYHILL HOUSING ASSOCIATION LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018**

26. Reserve

The revenue reserve includes all current and prior year retained surpluses or deficits.

27. Net cash generated from operating activities

Reconciliation of operating (deficit)/surplus to net cash generated from operating activities	2018	2017
	£	£
Operating (deficit)/surplus	(517,185)	860,734
Depreciation including loss on disposal of components	2,900,521	2,229,601
Loss on disposal of other fixed assets	922	-
Change in properties developed for resale	-	60,400
Amortisation of deferred Government capital grants	(316,298)	(268,774)
Movement in stock	-	4,830
Movement in debtors	157,485	(52,060)
Movement in creditors	(90,124)	(537,095)
Share capital written off	-	(97)
SHAPS – remeasurements	(8,000)	14,495
Strathclyde Pension Fund service cost	67,000	13,000
Net cash generated from operating activities	2,194,321	2,325,034

28. Related party transactions

Some members of the Board are tenants of the Association. The tenancies of these Board Members are on normal terms and the members cannot use their position to their advantage.

The total rent and service charge payable in the year relating to tenant Board members is £31,466 (2017: £31,215).

At the year-end total rent arrears owed by the tenant Board members were £184 (2017: £194). Prepaid rent at the year-end was £554 (2017: £958).

29. Legislative provisions

The Association is incorporated under the Co-operative and Community Benefit Societies Act 2014.

30. Capital commitments

	2018	2017
	£	£
Capital expenditure that has been contracted for but has not been provided for in the financial statements	382,539	655,288

The above commitments will be financed by the Association's own resources:

Association's reserves	382,539	655,288
	382,539	655,288

MARYHILL HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

31. Commitments under operating leases

	2018 £	2017 £
At the year-end, the total future minimum lease payments under non-cancellable operating leases were as follows:-		
Not later than one year	8,797	16,962
Later than one year and not later than five years	22,727	26,392
Later than five years	-	-
	<u>31,524</u>	<u>43,354</u>

32. Governing body member emoluments

Board members received £2,575 in the year by way of reimbursement of expenses (2017: £3,013). No (2017: £nil) remuneration was paid to Board members in respect of their duties in the Association.

33. Pension schemes

Scottish Housing Association Pension Scheme (SHAPS)

Maryhill Housing Association Limited (the "Association") participates in the Scottish Housing Association Pension Scheme (SHAPS) (the scheme).

The scheme is a multi-employer scheme which provides benefits to over 150 non-associated employers. The scheme is a defined benefit scheme in the UK. It is not possible for the Association to obtain sufficient information to enable it to account for the scheme as a defined benefit scheme. Therefore it accounts for the scheme as a defined contribution scheme.

The scheme is subject to the funding legislation outlined in the Pensions Act 2004 which came into force on 30 December 2005. This, together with documents issued by the Pensions Regulator and Technical Actuarial Standards issued by the Financial Reporting Council, set out the framework for funding defined benefit occupational pension schemes in the UK.

The scheme is classified as a 'last-man standing arrangement'. Therefore the Association is potentially liable for other participating employers' obligations if those employers are unable to meet their share of the scheme deficit following withdrawal from the scheme. Participating employers are legally required to meet their share of the scheme deficit on an annuity purchase basis on withdrawal from the scheme.

A full actuarial valuation for the scheme was carried out at 30 September 2015. This actuarial valuation showed assets of £616m, liabilities of £814m and a deficit of £198m equivalent to a post service funding level of 76%. To eliminate this funding shortfall, the Trustee has asked the participating employers to pay additional contributions to the scheme as follows:

The key valuation assumptions used to determine the assets and liabilities of the Scheme as at 30 September 2015 are detailed below:

- Investment return pre retirement		5.30% per annum
- Investment return post retirement	- Non-pensioners	3.40% per annum
- Investment return post retirement	- Pensioners	3.40% per annum
- Rate of salary increases		4.10% per annum
- Rate of pension increases	- pension accrued pre 6 April 2005	2.00% per annum
	- pension accrued from 6 April 2005	1.70% per annum
	(for leavers before 1 October 1993 pension increases are 5%)	
- Rate of price inflation		2.60% per annum

33. Pension schemes (continued)

The contributions paid in respect of the defined contribution scheme is 6% employee contributions and 6.45% employer contributions.

30 September 2017 funding update

The Employer Committee has recently received the 30 September 2017 Actuarial Report, the annual funding update which shows the Scheme's ongoing funding position in between each three-yearly valuation.

A summary is shown below:

30 September	Assets	Liabilities	Deficit	Funding
2015	£616m	£814m	£198m	76%
2016	£810m	£1,020m	£210m	79%
2017	£852m	£981m	£129m	87%

The Trustee's view is that the recovery plan remains appropriate and there is no need to take any action ahead of the next actuarial valuation due at 30 September 2018.

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 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 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.

The Association has been notified by the Pensions Trust of the estimated employer debt on withdrawal from the Scheme based on the financial position of the Scheme as at 30 September 2017. As of this date the estimated employer debt for the Association was £6,712,004 (2017: £8,483,991).

Where the scheme is in deficit and where the Association has agreed to a deficit funding arrangement the Association recognises a liability for this obligation. The amount recognised is the net present value of the deficit reduction contributions payable under the agreement that relates to the deficit. The present value is calculated using the discount rate detailed in these disclosures. The unwinding of the discount rate is recognised as a finance cost.

MARYHILL HOUSING ASSOCIATION LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018**

33. Pension schemes (continued)

Present Value of Provision

Reconciliation of Opening and Closing Provisions	2018	2017
	£	£
Provision at start of year	1,202,000	1,364,505
Unwinding of the discount factor (interest expense)	12,000	62,000
Deficit contribution paid	(237,000)	(239,000)
Re-measurements – impact of changes in assumptions	(8,000)	14,495
	969,000	1,202,000

	2018	2017
	£	£
Split: < 1 year	242,019	237,000
1-2 years	245,572	244,000
2-5 years	481,409	721,000
	969,000	1,202,000

Impact on Statement of Comprehensive Income	2018	2017
	£	£
Interest expense	12,000	62,000
Re-measurements – impact of changes in assumptions	(8,000)	14,495
	4,000	76,495

Assumptions	2018	2017
Rate of discount	1.51%	1.06%

The discount rates shown above are the equivalent single discount rates which, when used to discount the future recovery plan contributions due, would give the same results as using a full AA corporate bond yield curve to discount the same recovery plan contributions.

Strathclyde Pension scheme

Maryhill Housing Association Limited participates in the Strathclyde Pension Fund which is a statutory multi-employer defined benefit scheme. It is administered by Glasgow City Council in accordance with the Local Scheme (Scotland) Regulations 1998, as amended. At 31 March 2018, there were 11 (2017: 15) active members of the scheme employed by the Association.

The main financial assumptions used by the Actuary, Hymans Robertson, in their 2018 valuations are as follows;

Assumptions as at	31 March	31 March
	2018	2017
Pension increase rate	2.3%	2.4%
Salary increase rate	3.5%	4.4%
Discount rate	2.7%	2.7%

MARYHILL HOUSING ASSOCIATION LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
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33. Pension schemes (continued)

Mortality

Life expectancy for both current and future pensioners is based on the Fund's VitaCurves with improvements in line with the CMI 2012 model assuming current rates of improvement have peaked and will converge to a long term rate of 1.5% per annum for males and 1.25% per annum for females. Based on these assumptions, the average future life expectancies at age 65 are summarised below:

	Males	<i>Females</i>
Current pensioners	21.4 years	<i>23.7 years</i>
Future pensioners	23.4 years	<i>25.8 years</i>

Reconciliation of defined benefit obligation

Year ended:	31 March 2018 £(000)	<i>31 March 2017 £(000)</i>
Opening defined benefit obligation	3,792	<i>2,575</i>
Current service cost	154	<i>103</i>
Interest cost	104	<i>95</i>
Contributions by members	27	<i>29</i>
Actuarial (gains)/losses	(987)	<i>1,003</i>
Estimated benefits paid	(20)	<i>(13)</i>
Closing defined benefit obligation	3,070	<i>3,792</i>

Reconciliation of fair value of employer assets

Year ended:	31 March 2018 £(000)	<i>31 March 2017 £(000)</i>
Opening fair value of employer assets	2,558	<i>1,981</i>
Expected return on assets	70	<i>73</i>
Contributions by members	27	<i>29</i>
Contributions by the employer	87	<i>90</i>
Actuarial (losses)/gains	(9)	<i>398</i>
Estimated benefits paid	(20)	<i>(13)</i>
Closing fair value of employer assets	2,713	<i>2,558</i>
Net pension liability	(357)	<i>(1,234)</i>

Analysis of amounts included in Statement of Comprehensive Income

	2018 £(000)	<i>2017 £(000)</i>
Expected return on pension scheme assets	70	<i>73</i>
Interest on pension scheme liabilities	(104)	<i>(95)</i>
Net return – finance charge	(34)	<i>(22)</i>

MARYHILL HOUSING ASSOCIATION LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
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33. Pension schemes (continued)

	2018 £(000)	<i>2017</i> <i>£(000)</i>
Current service cost	(154)	<i>(103)</i>
Contributions by the employer	87	<i>90</i>
	<hr/>	<hr/>
Charge to staff costs	(67)	<i>(13)</i>
	<hr/> <hr/>	<hr/> <hr/>

The expected employer's contributions for the year to 31 March 2019 will be approximately £103,000.

	2018 £(000)	<i>2017</i> <i>£(000)</i>
Actual return less expected return on scheme assets	(9)	<i>398</i>
Changes in assumptions underlying the present value of scheme liabilities	987	<i>(1,003)</i>
	<hr/>	<hr/>
Actuarial gain/(loss) recognised in other comprehensive income	978	<i>(605)</i>
	<hr/> <hr/>	<hr/> <hr/>

