

Maryhill Housing Association Limited

Report and Financial Statements

For the year ended 31st March 2015

Registered Housing Association No.HCB159

FCA Reference No. 1904R(S)

Scottish Charity No. SC032468

MARYHILL HOUSING ASSOCIATION LIMITED

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MARYHILL HOUSING ASSOCIATION LIMITED

BOARD, EXECUTIVES AND ADVISERS YEAR ENDED 31st MARCH 2015

BOARD

Lorain Mackinnon	Chairperson
Edith Ward	Vice-Chairperson - resigned 17/9/14
Alistair Goold	Vice-Chairperson
Sandra Blair	Secretary
Catherine Stylianou	resigned 26/5/15
Eleanor Brown	
Isabella McTaggart	resigned 26/5/15
Brian Trearty	
Les Currie	
Roger Popplewell	
David Brophy	
Councillor Mohammed Razaq	Corporate representative of GCC
Bruce Dunsmore	
Elizabeth Smith	appointed 17/9/14

EXECUTIVE OFFICERS

L Wassell	Chief Executive - appointed 2/3/15
W Briody	Chief Executive - retired 27/6/14
A Brunt	Interim Chief Executive - appointed 20/5/14
E Biggs	Director of Corporate Services
D Birrell	Director of Investment & Regeneration
A Cameron	Director of Housing Services - resigned 30/1/15

REGISTERED OFFICE

45 Garrioch Road
Maryhill
Glasgow
G20 8RG

AUDITORS

Alexander Sloan
Chartered Accountants
38 Cadogan Street
Glasgow
G2 7HF

BANKERS

Lloyds TSB Scotland PLC Corporate & Commercial Division PO Box 177 120 West George Street Edinburgh EH2 4LH	Royal Bank of Scotland 3rd Floor Kirkstane House 139 St Vincent Street Glasgow G2 5JF
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SOLICITORS

T C Young 7 West George Street Glasgow G2 1BA	Harper McLeod LLP The Ca'd'oro 45 Gordon Street Glasgow G1 3PE
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**REPORT OF THE BOARD
FOR THE YEAR ENDED 31ST MARCH 2015**

The Board presents its report and the Financial Statements for the year ended 31st March 2015.

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 Activities

The principal activities of the Association are the provision and management of low cost affordable 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 is governed by a Board which is elected by its members. Its responsibility is to agree policy, the long term strategy, business plan and overall direction of the Association.

Maryhill Housing Association provides high quality, value for money homes and works with the community and other partners to create opportunities and a safe environment.

The Association's strategic objectives are to:

- meet the needs of the community by providing and maintaining affordable housing of a suitable range and quality
- provide high quality customer focused services
- ensure that we have and manage resources to meet our present and future needs
- empower our tenants and owners and involve the wider community in our work
- work with partners in the social and economic development of the community

Our core values are:

- respect
- working together
- making a positive difference
- commitment

Operational objectives are identified each year as part of the corporate plan and these set out how we will deliver our core services. The Directors are responsible for achieving the strategic objectives and meeting operational objectives in conjunction with the overall staff team.

The Board is responsible to the wider membership 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.

The Board is currently made up of local tenants, owners and three independent Board members. We work with our Registered Tenants Organisations and have established an RTO Forum providing customers with opportunities to influence the organisation's future. We have regular contact with the Scottish Housing Regulator and use this as an opportunity to further advance governance and continuous improvement.

**REPORT OF THE BOARD
FOR THE YEAR ENDED 31ST MARCH 2015**

Review of Business and Future Developments (Contd)

Corporate Governance (Contd)

The Board developed and approved its Governance Effectiveness Action Plan for 2015/16. Annual Board appraisals have been completed and a review is underway to seek members' approval for a set of new model Rules in September 2015.

The Association appointed a new Chief Executive in March 2015 and a new Director of Housing Services will join us in August. We reviewed our Housing Services organisational structure during the year, recruited two new posts and now have a skilled staff team able to deliver continuous improvement and increasingly customer focused services. This includes the creation of a new Customer Contact Team. We continue to complete our Improvement Plan agreed in 2014 and we have an overall Delivery Plan for 2015/16 which includes the development of a new corporate plan which will set out our priorities for the next three years.

The Association recently launched its six month leadership and organisational culture development programme, the Journey to Excellence, to the entire staff team and Board and this will assist us to make further improvements in staff learning, development and performance.

Achievements and Performance

The results for the year are shown in the Income and Expenditure Account. In the year to 31 March 2015 the Association made an operating surplus of £261,032.

We have made significant achievements since the stock transfer from Glasgow Housing Association (GHA) in 2011 although there is still much to be accomplished. The main challenges lie with Housing Services and customer focused services including:

- Managing and reducing arrears, rent affordability and minimising the impact of welfare reform.
- Estate/environmental management and anti-social behaviour.
- Planned, reactive and cyclical maintenance planning, procurement and delivery. This includes a review of our asset management strategy.

The Association's financial position remains strong and every year we review and update medium and long term financial projections to ensure that these financial plans meet future investment and business needs. We have developed a new procurement strategy and have framework agreements in place with a view to achieving efficiencies and demonstrating value for money.

Investment and Regeneration

The Association continues to provide quality new build housing for its tenants and communities working in partnership with the Scottish Government, Glasgow City Council, its lenders and other partner agencies.

In 2014/15, £6.9 million was spent on the capital investment and development programme which was funded by private finance. Maryhill Locks Phase 2 completed in the year and added 125 units for rent and 19 for sale under new supply shared equity (NSSE). This is the second phase of new build within the Maryhill Transformational Regeneration Area (TRA) being delivered by Maryhill Housing Association and its partners.

Maintenance and Investment

Maryhill is committed to ensuring that all its homes are maintained to a good standard and we do this through a programme of planned maintenance work and renewal.

**REPORT OF THE BOARD
FOR THE YEAR ENDED 31ST MARCH 2015**

Review of Business and Future Developments (Contd)

Maintenance and Investment (Contd)

A three year contract is in place to provide a reactive and void repairs service across the Association's stock and we monitor and seek feedback on performance to ensure a high level of service is provided to our customers. We set up a Tenant Scrutiny Panel to look at this area in more detail and were pleased to receive positive feedback along with some suggestions for improvement which we are now implementing.

Our maintenance and investment teams continue to deliver maintenance programmes and carry out stock condition surveys with a view to developing a comprehensive asset management database providing robust maintenance programmes and costs. This work will inform our longer term financial plans as well as providing the information we need to develop an asset management strategy and framework.

Our factoring service is being developed to ensure that we provide a responsive service to owners. We have developed internal systems to meet the requirements of the Property Factors (Scotland) Act 2011 and are working with our IT providers to develop more automated and efficient systems. We are engaging with owners to manage arrears and to consult on planned maintenance programmes over the coming years.

Housing Services

The Association maintains an active waiting list of prospective tenants. Together with partner agencies and other Registered Social Landlords we are continuing towards the implementation of a common housing register. This will assist in our objective to reduce re-let times and void loss, ensuring that we not only maximise our income but also our effectiveness in housing people and providing an improved application process for customers.

As a way of improving our service to prospective applicants we now offer a Housing Options service. Housing Options is a new approach which offers personal advice to anyone who may need housing advice or assistance. The Housing Options service seeks to carry out an interview with the applicant to look at all of the housing options available to them, rather than just getting an applicant to fill out a housing application form. This means that we are now moving away from housing application forms being completed and handed in. For any prospective applicant interested in rehousing with Maryhill we will offer them an appointment to meet with us to go through the options available to them.

The Association continues to focus on void management in order to improve performance. In the year to 31 March 2015, void loss represented 0.6% of gross rents and service charges receivable. In the past year we have improved and relet a number of long term voids and have developed a strategy for properties which are more difficult to let.

Managing rent arrears is a priority for the Association with the income maximisation team responsible for arrears recovery. Total rent arrears at the year-end were 6.7% of gross rent and service charges receivable.

Concierge services are highly valued by the local residents and we aim to develop and build on this success. We are improving CCTV and concierge facilities over the next year and carrying out a service review.

Sheltered housing is also greatly valued and in high demand. The Care Inspectorate has visited our properties and provided useful and positive feedback on the services we provide.

**REPORT OF THE BOARD
FOR THE YEAR ENDED 31ST MARCH 2015**

Review of Business and Future Developments (Contd)

Customer and Community Engagement

Consultation and involvement with tenants is vital to the Association. We continue to work with Registered Tenants Organisations, the RTO Forum, Maryhill and Summerston Community Council and other stakeholders to seek feedback on service delivery and consult on proposals for the future.

Our Tenant Scrutiny Panel is developing well and will be working to review our allocations policy during the year.

The Customer Engagement Team works closely with community groups to enhance and improve the local community. External funding allows these groups to regenerate community spaces.

We will continue to support and hold community events and will be commissioning our three yearly tenant survey to be completed later this year.

Performance Management

Service delivery is underpinned by staff performance and remains a high priority. The Association is committed to staff training and development. Staff appraisals provide an opportunity to review performance and achievements and identify personal development requirements which feed into the organisation's annual training plan.

The Association involves staff across the organisation in decision making and policy development and actively seeks contributions to the development of the business plan and corporate plan through consultation. This ensures that all staff have an opportunity to contribute to the shape of the organisation in the future.

A rolling programme of internal audit supports the Association's objective of continuous improvement and compliance. The annual audit plan for the year included appraisal reviews of the Annual Return on the Charter (ARC) arrangements, the Board and Committee - structure, training and competence and risk arrangements; assurance reviews of void management arrangements, factoring arrangements and rent setting, collection and arrears and compliance reviews of allocations and lettings and the Regulatory Framework. The audit results highlighted our strengths and identified some areas for improvement which we will implement in the forthcoming year.

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 2015 the Association had borrowings of £11 million and an overall facility of £19.5 million.

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 has developed a strategic risk register and 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 risk management policy and strategic risk management strategy are reviewed annually to take account of changes and new risks within the overall business framework.

**REPORT OF THE BOARD
FOR THE YEAR ENDED 31ST MARCH 2015**

Review of Business and Future Developments (Contd)

Community Regeneration

Maryhill actively promotes its role within the wider community working with partner RSLs through Maryhill Regeneration Forum. The Association has identified a need for ongoing locally based, tailored projects and we continue to build on our successes in the area with partner organisations including local community councils, Glasgow Life, Jobs and Business Glasgow, LifeLink, Action for Children and North United Communities. These projects have delivered a range of services to provide opportunities and improvements to our local community.

With funding secured, the Association and its partners have delivered the Brightening Young Futures project. Working with Maryhill Citizens Advice Bureau, the Association is able to provide a money advice project for the local community.

The Association has secured funding from The Scottish Legal Aid Board and The Big Lottery Fund to enhance our welfare benefits and financial inclusion services, providing our customers with advice and support on financial matters and welfare reform.

The development contract at Maryhill Locks includes a community benefit clause which requires the contractor to deliver a wider social benefit and a range of employment and training opportunities for local people including 19 apprenticeships, learning opportunities and careers and school information events.

Other learning and training opportunities are provided in partnership with Glasgow Life in the Association's bespoke training facility, Maryhill Online.

The Association is a partner organisation of Maryhill Burgh Halls Trust together with Cube Housing Association and Glasgow City Council. This restoration project is now complete and open to the public and is a fine example of what can be achieved through partnership working.

**REPORT OF THE BOARD
FOR THE YEAR ENDED 31ST MARCH 2015**

Board and Executive Officers

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

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

Statement of Board's Responsibilities

The Co-operative & Community Benefit Societies Act 2014 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 surplus or deficit 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 judgments and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the Financial Statements;
- prepare the Financial Statements on the going concern basis unless it is inappropriate to presume that the Association will continue in business;
- prepare a statement on Internal Financial Control.

The Board is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Association and to enable them 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 Board 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 Board is 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 Board has taken all steps that it ought to have taken to make itself aware of any relevant audit information and to establish that the Housing Association's auditors are aware of that information.

**REPORT OF THE BOARD
FOR THE YEAR ENDED 31ST MARCH 2015**

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;
- 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 procedures are in place, including the ongoing documentation of key systems and rules relating to the delegation of authority, which allow the monitoring of controls and restrict the unauthorised use of Association's assets;
- experienced and suitably qualified staff take responsibility for important business functions and annual appraisal procedures have been established to maintain standards of performance;
- forecasts and budgets are prepared which allow the management team and the Board to monitor key business risks, financial objectives and the progress being made towards achieving the financial plans set for the year and for the medium term;
- Quarterly financial management reports are prepared promptly, providing relevant, reliable and up to date financial and other information, with significant variances from budget being investigated as appropriate;
- Regulatory returns are prepared, authorised and submitted promptly to the relevant regulatory bodies;
- all significant new initiatives, major commitments and investment projects are subject to formal authorisation procedures, through the Board;
- the Board receive reports from management and from the external and internal auditors to provide reasonable assurance that internal financial controls are in place and are effective and that a review of the major risks facing the Association is undertaken;
- formal procedures have been established for instituting appropriate action to correct any weaknesses identified through internal or external audit reports.

The Board has reviewed the effectiveness of the system of internal financial control in existence in the Association for the year ended 31 March 2015. No weaknesses were found in internal financial controls which resulted in material losses, contingencies or uncertainties which require disclosure in the financial statements or in the auditor's report on the financial statements.

Donations

During the year the Association made charitable donations amounting to £2,350 (2014 - £5,210).

Auditors

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

By order of the Board

SANDRA BLAIR
Secretary
25 August 2015

**REPORT BY THE AUDITORS TO THE MEMBERS
MARYHILL HOUSING ASSOCIATION LIMITED
ON CORPORATE GOVERNANCE MATTERS**

In addition to our audit of the Financial Statements, we have reviewed your statement on Page 8 concerning the Association's compliance with the information required by the Regulatory Standards in respect of internal financial controls contained within the publication "Our Regulatory Framework" and associated Regulatory Advice Notes which are issued by the Scottish Housing Regulator.

Basis of Opinion

We carried out our review having regard to the requirements relating to corporate governance matters within Bulletin 2006/5 issued by the Financial Reporting Council. The Bulletin does not require us to review the effectiveness of the Association's procedures for ensuring compliance with the guidance notes, nor to investigate the appropriateness of the reasons given for non-compliance.

Opinion

In our opinion the Statement on Internal Financial Control on Page 8 has provided the disclosures required by the relevant Regulatory Standards within the publication "Our Regulatory Framework" and associated Regulatory Advice Notes issued by the Scottish Housing Regulator in respect of internal financial controls and is consistent with the information which came to our attention as a result of our audit work on the Financial Statements.

Through enquiry of certain members of the Board and 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 relevant Regulatory Standards within the publication "Our Regulatory Framework" and associated Regulatory Advice Notes issued by the Scottish Housing Regulator in respect of internal financial controls.

ALEXANDER SLOAN
Chartered Accountants

GLASGOW
25 August 2015

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF MARYHILL HOUSING ASSOCIATION LIMITED

We have audited the financial statements of Maryhill Housing Association Limited for the year ended 31st March 2015 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 Co-operative and Community Benefit Societies Act 2014. Our audit work has been undertaken so that we might state to the Association's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Association and the Association's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective Responsibilities of Board and Auditors

As explained more fully in the Statement of Board's Responsibilities, the Association's Board 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 Board; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Board'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 2015 and of its surplus for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice: and
- have been properly prepared in accordance with the Co-operative and Community Benefit Societies Act 2014, the Housing (Scotland) Act 2010 and the Determination of Accounting Requirements 2012.

In our opinion the exemption granted by the Financial Conduct Authority from the requirement to prepare Group Accounts is applicable as the amounts involved are not material.

Matters on which we are required to report by exception

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

- the information given in the Board's Report is inconsistent with the financial statements.

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

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

- proper books of account have not been kept by the Association in accordance with the requirements of the legislation.
- a satisfactory system of control over transactions has not been maintained by the Association in accordance with the requirements of the legislation.
- the Income and Expenditure Account to which our report relates, and the Balance Sheet are not in agreement with the books of the Association.
- we have not received all the information and explanations necessary for the purposes of our audit.

We have nothing to report in respect of these matters.

ALEXANDER SLOAN
Chartered Accountants
Statutory Auditors
GLASGOW
25 August 2015

INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED 31st MARCH 2015

	Notes	2015 £	2014 £
TURNOVER	2.	12,354,238	10,201,263
Operating Costs	2.	(12,093,206)	(9,827,622)
OPERATING SURPLUS	9.	261,032	373,641
Gain On Sale Of Housing Stock	7.	147,566	88,953
Release of Negative Goodwill	24.	288,929	299,771
Interest Receivable and Other Income		14,809	33,390
Interest Payable and Similar Charges	8.	(682,601)	(661,113)
Other finance gain	26.	9,000	-
		(222,297)	(238,999)
SURPLUS FOR THE YEAR		<u>38,735</u>	<u>134,642</u>

All amounts relate to continuing activities. All recognised surpluses and deficits have been included in the Income & Expenditure Account. Historical cost surpluses and deficits are identical to those shown in the accounts.

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

		2015 £	2014 £
Surplus for the financial year		38,735	134,642
Actuarial (loss) recognised in the year	19.(a)	(596,000)	(110,000)
Total losses and gains recognised since last annual report		<u>(557,265)</u>	<u>24,642</u>

MARYHILL HOUSING ASSOCIATION LIMITED

BALANCE SHEET AS AT 31st MARCH 2015

	Notes	2015	2014
		£	£
TANGIBLE FIXED ASSETS			
Housing Properties - Depreciated Cost	11.(a)	81,843,136	77,363,345
Less: Social Housing Grant	11.(a)	(49,160,616)	(49,406,266)
: Other Public Grants	11.(a)	(1,256,662)	(1,257,013)
		<u>31,425,858</u>	<u>26,700,066</u>
Other fixed assets	11.(b)	1,158,197	1,173,822
		<u>32,584,055</u>	<u>27,873,888</u>
Negative Goodwill	24.	(12,052,831)	(12,341,760)
FIXED ASSET INVESTMENTS			
Investment in subsidiaries	22.	1	1
Shared Equity Cost	22.	2,174,675	1,350,306
Shared Equity Grant	22.	(2,174,675)	(1,350,306)
		<u>-</u>	<u>-</u>
CURRENT ASSETS			
Stock		3,380	-
Debtors	14.	718,661	529,380
Development Cost of Housing Property	23.	117,491	861,765
Investments	25.	1,673,809	3,664,151
Cash at bank and in hand		3,872,072	4,350,699
		<u>6,385,413</u>	<u>9,405,995</u>
CREDITORS: Amounts falling due within one year	15.	(3,047,059)	(2,119,817)
NET CURRENT ASSETS		<u>3,338,354</u>	<u>7,286,178</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>23,869,579</u>	<u>22,818,307</u>
CREDITORS: Amounts falling due after more than one year	16.	(11,351,248)	(10,382,703)
PROVISIONS FOR LIABILITIES AND CHARGES			
Pension Liability	26.	(932,000)	(292,000)
		<u>(932,000)</u>	<u>(292,000)</u>
NET ASSETS		<u><u>11,586,331</u></u>	<u><u>12,143,604</u></u>
CAPITAL AND RESERVES			
Share Capital	18.	228	236
Designated Reserves	19.(a)	(932,000)	(292,000)
Revenue Reserves	19.(b)	12,518,103	12,435,368
		<u>11,586,331</u>	<u>12,143,604</u>

The Financial Statements were approved by the Board and signed on their behalf on 25 August 2015.

Chairperson

Vice-Chairperson

Secretary

MARYHILL HOUSING ASSOCIATION LIMITED

**CASH FLOW STATEMENT FOR THE YEAR ENDED
31st MARCH 2015**

	Notes	2015 £	2014 £
Net Cash Inflow from Operating Activities	17.	3,508,384	733,030
Returns on Investment and Servicing of Finance			
Interest Received		15,726	32,516
Interest Paid		(839,210)	(511,359)
Net Cash Outflow from Investment and Servicing of Finance		(823,484)	(478,843)
Capital Expenditure and Financial Investment			
Acquisition and Construction of Properties		(6,316,010)	(6,181,852)
Purchase of Other Fixed Assets		(50,731)	(80,576)
Social Housing Grant Received		57,228	2,894,304
Social Housing Grant Repaid		(7,211)	7,210
Other Grants Received		-	545,804
Proceeds on Disposal of Properties		162,854	162,704
Net Cash Outflow from Capital Expenditure and Financial Investment		(6,153,870)	(2,652,406)
Net Cash Outflow before use of Liquid Resources and Financing		(3,468,970)	(2,398,219)
Management of Liquid Resources			
Change in short term deposits with banks		1,990,342	(13,814)
Financing			
Loan Advances Received		1,000,000	-
Share Capital Issued		1	7
Net Cash Inflow from Financing		1,000,001	7
Decrease in Cash	17.	(478,627)	(2,412,026)

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2015

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.

Basis Of Consolidation

The Association has obtained exemption from the Financial Conduct Authority from producing Consolidated Financial Statements as provided by Section 99(3A) of the Co-operative and Communities Benefit Societies Act 2014. The Financial Statements for Maryhill Housing Association Limited present information about it as an individual undertaking and not about its Group.

Turnover

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

Retirement Benefits

Scottish Housing Associations' Pension Scheme

The Association participates in the Scottish Housing Association Defined Benefit 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.

The expected cost to the Association of pensions is charged to income so as to spread the cost of pensions over the service life of the employees in the scheme taken as a whole.

Strathclyde Pension Fund

The Association also participates in the Strathclyde Pension Fund 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 organisations taken as a whole.

In respect of the Strathclyde Pension Fund, the Association has fully adopted accounting standard FRS17 'Retirement Benefits' during the year. The impact of this standard has been reflected throughout the financial statements. The difference between the fair value of the assets held in the scheme and the liabilities measured on an actuarial basis using the projected unit method is recognised in the balance sheet as a pension liability.

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 11. 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.

MARYHILL HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2015

NOTES TO THE FINANCIAL STATEMENTS (Continued)

1 PRINCIPAL ACCOUNTING POLICIES (Continued.)

<i>Component</i>	<i>Useful Economic Life</i>
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

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	2%
Furniture and Fittings	20%
Computer Equipment	50%
Office Equipment	20%

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

Social Housing Grant And Other Grants In Advance/Arrears

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

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

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

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2015

NOTES TO THE FINANCIAL STATEMENTS (Continued)

1 PRINCIPAL ACCOUNTING POLICIES (Continued.)

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

Sales Of Housing Properties

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

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

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

Leases/Leased Assets

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

Works to Existing Properties

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

Capitalisation Of Development Overheads

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

Development Interest

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

Service Charge Sinking Funds

The Association deposits part of its service charge income in a sinking fund bank account in order to meet future obligations.

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.

Negative Goodwill

Negative goodwill created through transfer of engagements is written off to the Income and Expenditure account as the non-cash assets acquired are depreciated or sold.

MARYHILL HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2015

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

	Notes	2015			2014		
		Turnover £	Operating Costs £	Operating Surplus / (Deficit) £	Turnover £	Operating Costs £	Operating Surplus / (Deficit) £
Social Lettings	3.	10,722,130	10,115,122	607,008	10,033,636	9,363,920	669,716
Other Activities	4.	1,632,108	1,978,084	(345,976)	167,627	463,702	(296,075)
Total		<u>12,354,238</u>	<u>12,093,206</u>	<u>261,032</u>	<u>10,201,263</u>	<u>9,827,622</u>	<u>373,641</u>

3. PARTICULARS OF INCOME & EXPENDITURE FROM SOCIAL LETTINGS

	General Needs Housing £	Shared ownership £	2015 Total £	2014 Total £
Income from Lettings				
Rent Receivable Net of Identifiable Service Charges	10,472,447	28,887	10,501,334	9,974,249
Service Charges Receivable	223,929	3,404	227,333	261,439
Gross Rents Receivable	10,696,376	32,291	10,728,667	10,235,688
Less: Rent losses from voids	62,604	-	62,604	229,173
Net Rents Receivable	10,633,772	32,291	10,666,063	10,006,515
Revenue Grants from Scottish Ministers	56,067	-	56,067	27,121
Total Income From Social Letting	10,689,839	32,291	10,722,130	10,033,636
Expenditure on Social Letting Activities				
Service Costs	258,903	-	258,903	198,810
Management and maintenance administration costs	4,811,138	14,437	4,825,575	4,253,570
Reactive Maintenance	1,527,553	-	1,527,553	1,784,888
Bad Debts - Rents and Service Charges	4,411	-	4,411	119,871
Planned and Cyclical Maintenance, including Major Repairs	1,453,290	-	1,453,290	1,281,375
Depreciation of Social Housing	855,995	2,525	858,520	656,219
Impairment of Housing	1,186,870	-	1,186,870	1,069,187
Operating Costs of Social Letting	10,098,160	16,962	10,115,122	9,363,920
Operating Surplus on Social Letting Activities	591,679	15,329	607,008	669,716
2014	659,611	10,105		

The Impairment of Housing figure relates to investment in the Association's multi-storey properties during the year. These properties were acquired from GHA and, at the time of transfer, had a negative value, i.e. the future costs of maintaining them were greater than the future rental income which would be derived from them.

In carrying out an impairment review, the value of these properties remains negative therefore an impairment charge has been recorded in the Financial Statements.

Included within Management and maintenance administration costs are expenses incurred in relation to a restructuring exercise undertaken by the Association during the year. See Note 6 for further details.

MARYHILL HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2015

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4. PARTICULARS OF TURNOVER, OPERATING COSTS AND OPERATING SURPLUS OR DEFICIT FROM OTHER ACTIVITIES

	Other Revenue Grants £	Other Income £	Total Turnover £	Operating Costs Bad Debts £	Operating Costs Other £	Operating Surplus / (Deficit) 2015 £	Operating Surplus / (Deficit) 2014 £
Wider Role Activities	253,152	-	253,152	-	541,954	(288,802)	(204,458)
Factoring	-	82,018	82,018	(11,953)	144,024	(50,053)	(33,486)
Development and construction of property activities	-	1,238,429	1,238,429	-	1,278,148	(39,719)	(58,189)
Maryhill Online	-	-	-	-	4,521	(4,521)	(1,843)
Commercial Properties	-	10,985	10,985	-	3,711	7,274	7,521
Radio Mast Income	-	23,093	23,093	-	-	23,093	14,793
Sundry Activities	-	24,431	24,431	-	17,679	6,752	(20,413)
Total From Other Activities	<u>253,152</u>	<u>1,378,956</u>	<u>1,632,108</u>	<u>(11,953)</u>	<u>1,990,037</u>	<u>(345,976)</u>	<u>(296,075)</u>
2014	<u>62,763</u>	<u>104,864</u>	<u>167,627</u>	<u>(21,453)</u>	<u>485,155</u>	<u>(296,075)</u>	

Income from Wider Role Activities includes £87,980 grant funding received from the Big Lottery Fund.

MARYHILL HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2015

NOTES TO THE FINANCIAL STATEMENTS (Continued)

5. OFFICERS' EMOLUMENTS

The Officers are defined in s149 of the Co-operative and Community Benefit Societies Act 2014 as the members of the Board, managers or servants of the Association.

	2015	2014
	£	£
Aggregate Emoluments payable to Officers with Emoluments greater than £60,000 (excluding Pension Contributions)	<u>135,244</u>	<u>197,250</u>
Compensation payable to Officers for loss of Office	<u>29,000</u>	<u>-</u>
Pension contributions made on behalf of Officers with emoluments greater than £60,000	<u>16,722</u>	<u>17,735</u>
Emoluments payable to Chief Executive (excluding pension contributions)	<u>25,840</u>	<u>72,265</u>

In addition to the above the Association paid £141,033 in fees for Interim Chief Executive services during 2014/15 (2014: £nil).

The number of Officers, including the highest paid Officer, who received emoluments (excluding pension contributions) over £60,000 was in the following ranges:-

	Number	Number
£60,001 to £70,000	2	2
£70,001 to £80,000	-	1

6. EMPLOYEE INFORMATION

	2015	2014
	No.	No.
The average monthly number of full time equivalent persons employed during the year was	<u>93</u>	<u>88</u>
The average total number of Employees employed during the year was	<u>97</u>	<u>90</u>
Staff Costs were:	£	£
Wages and Salaries	3,289,093	2,682,048
Social Security Costs	232,712	214,183
Other Pension Costs	601,347	321,054
Temporary, Agency and Seconded Staff	156,640	135,606
	<u>4,279,792</u>	<u>3,352,891</u>

During the year the Association undertook a restructuring exercise, incurring redundancy costs of £351,959 which are included within the Wages and Salaries figure above.

MARYHILL HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2015

NOTES TO THE FINANCIAL STATEMENTS (Continued)

7. GAIN ON SALE OF HOUSING STOCK

	2015	2014
	£	£
Sales Proceeds	162,854	162,704
Cost of Sales	<u>15,288</u>	<u>73,751</u>
Gain On Sale Of Housing Stock	<u>147,566</u>	<u>88,953</u>

8. INTEREST PAYABLE

	2015	2014
	£	£
On Bank Loans & Overdrafts	<u>682,601</u>	<u>661,113</u>
	<u>682,601</u>	<u>661,113</u>

Interest incurred in the development period of housing properties which has been written off to the income and expenditure account amounted to £nil (2014 £nil).

9. SURPLUS ON ORDINARY ACTIVITIES BEFORE TAXATION

	2015	2014
	£	£
Surplus on Ordinary Activities before Taxation is stated after charging:-		
Depreciation - Tangible Owned Fixed Assets	2,111,746	1,792,200
Auditors' Remuneration - Audit Services	13,680	20,281
- Other Services	2,652	4,637
Operating Lease Rentals - Other	<u>19,000</u>	<u>8,160</u>

10. 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.

MARYHILL HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2015

NOTES TO THE FINANCIAL STATEMENTS (Continued)

11. TANGIBLE FIXED ASSETS

a) Housing Properties	Housing Properties Held for Letting £	Housing Properties In course of Construction £	Completed Shared Ownership Properties £	Total £
COST				
As at 1st April 2014 restated	69,198,979	14,892,676	604,021	84,695,676
Additions	2,618,840	4,250,862	-	6,869,702
Disposals	(496,509)	-	(40,644)	(537,153)
Schemes Completed	19,123,788	(19,123,788)	-	-
As at 31st March 2015	90,445,098	19,750	563,377	91,028,225
DEPRECIATION				
As at 1st April 2014 restated	7,289,411	-	42,920	7,332,331
Charge for Year	1,938,480	-	2,525	1,941,005
Disposals	(85,495)	-	(2,752)	(88,247)
As at 31st March 2015	9,142,396	-	42,693	9,185,089
SOCIAL HOUSING GRANT				
As at 1st April 2014 restated	39,858,047	9,070,690	477,529	49,406,266
Additions	57,228	-	-	57,228
Disposals	(269,917)	-	(32,961)	(302,878)
Schemes Completed	9,065,689	(9,065,689)	-	-
As at 31st March 2015	48,711,047	5,001	444,568	49,160,616
OTHER CAPITAL GRANTS				
As at 1st April 2014 restated	1,257,013	-	-	1,257,013
Disposals	(351)	-	-	(351)
As at 31st March 2015	1,256,662	-	-	1,256,662
NET BOOK VALUE				
As at 31st March 2015	31,334,993	14,749	76,116	31,425,858
As at 31st March 2014	20,794,508	5,821,986	83,572	26,700,066

Additions to housing properties includes capitalised development administration costs of £146,223 (2014 - £106,050) and capitalised major repair costs to existing properties of £2,616,010 (2014 £1,793,799)

All land and housing properties are freehold.

Impairment Charges

An impairment review was carried out on housing land and buildings during the year. As a result of this the following impairment charges have been recognised and are included within depreciation charges.

	Housing Properties Held for Letting £	Housing Properties In course of Construction £	Completed Shared Ownership Properties £	Total £
Impairment Charge	1,186,870	-	-	1,186,870

This impairment charge has resulted in a reduction of surplus and the net book value of housing properties by the amount of the charge.

MARYHILL HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2015

NOTES TO THE FINANCIAL STATEMENTS (Continued)

11. TANGIBLE FIXED ASSETS (Continued)

b) Other Tangible Assets

	Office Premises £	Office Furniture & Equipment £	Total £
COST			
As at 1st April 2014	1,495,720	465,171	1,960,891
Additions	13,461	37,270	50,731
As at 31st March 2015	<u>1,509,181</u>	<u>502,441</u>	<u>2,011,622</u>
AGGREGATE DEPRECIATION			
As at 1st April 2014	408,564	378,505	787,069
Charge for year	25,449	40,907	66,356
As at 31st March 2015	<u>434,013</u>	<u>419,412</u>	<u>853,425</u>
NET BOOK VALUE			
As at 31st March 2015	<u>1,075,168</u>	<u>83,029</u>	<u>1,158,197</u>
As at 31st March 2014	<u>1,087,156</u>	<u>86,666</u>	<u>1,173,822</u>

12. CAPITAL COMMITMENTS

	2015 £	2014 £
Capital Expenditure that has been contracted for but has not been provided for in the Financial Statements	<u>2,185,763</u>	<u>5,910,592</u>

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

13. COMMITMENTS UNDER OPERATING LEASES

	2015 £	2014 £
At the year end, the annual commitments under operating leases were as follows:-		
Other		
Expiring between two and five years	<u>19,000</u>	<u>16,519</u>

MARYHILL HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2015

NOTES TO THE FINANCIAL STATEMENTS (Continued)

14. DEBTORS

	2015	2014
	£	£
Arrears of Rent & Service Charges	716,527	925,676
Less: Provision for Doubtful Debts	(402,572)	(647,419)
	<u>313,955</u>	<u>278,257</u>
Other Debtors	404,706	251,123
	<u>718,661</u>	<u>529,380</u>

15. CREDITORS: Amounts falling due within one year

	2015	2014
	£	£
Trade Creditors	805,086	811,310
Rent in Advance	366,986	262,078
Amounts Due to Group Undertakings	1	1
Other Creditors	1,415,726	968,552
Accruals and Deferred Income	427,805	46,422
RBS Deferred Income	31,455	31,454
	<u>3,047,059</u>	<u>2,119,817</u>

At the balance sheet date there were pension contributions outstanding of £41,492 (2014 £24,745)

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

	2015	2014
	£	£
Housing Loans	11,000,000	10,000,000
RBS Deferred Income	351,248	382,703
	<u>11,351,248</u>	<u>10,382,703</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:-

Between one and two years	330,000	-
Between two and five years	1,320,000	1,100,000
In five years or more	9,350,000	8,900,000
	<u>11,000,000</u>	<u>10,000,000</u>

As part of the loan facility with RBS which was negotiated during 2011, the Association received an incentive payment of £500,000. This incentive payment is being released to the Income and Expenditure Account over the life of the loan. The balance at year end is shown within "RBS Deferred Income" in the above notes.

MARYHILL HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2015

NOTES TO THE FINANCIAL STATEMENTS (Continued)

17. CASH FLOW STATEMENT

<i>Reconciliation of operating surplus to net cash inflow from operating activities</i>	2015 £	2014 £
Operating Surplus	261,032	373,641
Depreciation	2,111,746	1,792,200
Change in properties developed for resale	744,274	(861,765)
Change in Stock	(3,383)	-
Change in Debtors	(190,198)	(215,956)
Change in Creditors	531,922	(407,082)
Share Capital Written Off	(9)	(8)
Contributions payable to Defined Benefit Scheme (Strathclyde)	(144,000)	(105,000)
Service cost on Defined Benefit Scheme (Strathclyde)	197,000	157,000
Net Cash Inflow from Operating Activities	<u>3,508,384</u>	<u>733,030</u>

<i>Reconciliation of net cash flow to movement in net debt</i>	2015 £	£	2014 £	£
Decrease in Cash	(478,627)		(2,412,026)	
Cash flow from management of liquid resources	(1,990,342)		13,814	
Cash flow from change in debt	(1,000,000)		-	
Movement in net debt during year		(3,468,969)		(2,398,212)
Net debt at 1st April 2014		(1,985,150)		413,062
Net debt at 31st March 2015		<u>(5,454,119)</u>		<u>(1,985,150)</u>

<i>Analysis of changes in net debt</i>	At 01.04.14 £	Cash Flows £	Other Changes £	At 31.03.15 £
Cash at bank and in hand	4,350,699	(478,627)	-	3,872,072
Bank Overdrafts	-	-	-	-
	<u>4,350,699</u>	<u>(478,627)</u>	-	<u>3,872,072</u>
Liquid Resources	3,664,151	1,990,342	-	1,673,809
Debt: Due within one year	-	-	-	-
Due after more than one year	(10,000,000)	(1,000,000)	-	(11,000,000)
Net Debt	<u>(1,985,150)</u>	<u>511,715</u>	-	<u>(5,454,119)</u>

MARYHILL HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2015

NOTES TO THE FINANCIAL STATEMENTS (Continued)

18. SHARE CAPITAL

Shares of £1 each Issued and Fully Paid	£
At 1st April 2014	236
Issued in year	1
Cancelled in year	<u>(9)</u>
At 31st March 2015	<u>228</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.

19. RESERVES

(a) Pension Reserve

	Total £
At 1st April 2014	(292,000)
Actuarial (loss)	(596,000)
Transfer to / (from) Revenue Reserves	<u>(44,000)</u>
At 31st March 2015	<u>(932,000)</u>

(b) Revenue Reserves

	Total £
At 1st April 2014	12,435,368
Surplus for the year	38,735
Transfer (to) / from Designated Reserves	<u>44,000</u>
At 31st March 2015	<u>12,518,103</u>

20. HOUSING STOCK

The number of units of accommodation in management at the year end was:-	2015 No.	2014 No.
General Needs - New Build	568	483
- Rehabilitation	2,480	2,486
Shared Ownership	<u>16</u>	<u>17</u>
	<u>3,064</u>	<u>2,986</u>

MARYHILL HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2015

NOTES TO THE FINANCIAL STATEMENTS (Continued)

21. RELATED PARTY TRANSACTIONS

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

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

6 members are tenants of the Association

1 member is a relevant local councillor

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.

22. FIXED ASSET INVESTMENT

	2015 £	2014 £
Shared Equity Properties		
Development Cost of Shared Equity Property	2,174,675	1,350,306
Less: Grants Receivable	2,174,675	1,350,306
	<u>-</u>	<u>-</u>
Investments in Subsidiaries		
As at 31st March 2015 & 31st March 2014	<u>1</u>	<u>1</u>

In the opinion of the Board the aggregate value of the assets of the subsidiary is not less than the aggregate of the amounts at which those assets are stated in the Association's balance sheet.

The Association has a 100% owned subsidiary Maryhill Communities Limited. The company was incorporated on 26 April 2011 and did not trade during the year ended 31 March 2014 or 31 March 2015.

The aggregate amount of capital and reserves and the results of Maryhill Communities Limited for the year ended 31st March 2015 were as follows:

	2015 £	2014 £
Capital & Reserves	<u>1</u>	<u>1</u>
Loss for the year	<u>-</u>	<u>-</u>

MARYHILL HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2015

NOTES TO THE FINANCIAL STATEMENTS (Continued)

23. DEVELOPMENT COST OF HOUSING PROPERTY

	2015 £	2014 £
Shared Equity Properties		
In the course of construction	-	2,112,228
Completed Properties Unsold	230,699	-
	<u>230,699</u>	<u>2,112,228</u>
Less: Grants Received from Scottish Ministers	(113,208)	(1,250,463)
	<u>117,491</u>	<u>861,765</u>

24. NEGATIVE GOODWILL

	2015 £	2014 £
Balance as at 1st April 2014	12,341,760	12,641,531
Release during the year	(288,929)	(299,771)
	<u>12,052,831</u>	<u>12,341,760</u>

25. CURRENT ASSET INVESTMENTS

	2015 £	2014 £
Short Term Deposits	<u>1,673,809</u>	<u>3,664,151</u>

MARYHILL HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2015

NOTES TO THE FINANCIAL STATEMENTS (Continued)

26. RETIREMENT BENEFIT OBLIGATIONS

a) Scottish Housing Associations' Pension Scheme

General

Maryhill 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) scheme

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.

Maryhill Housing Association Limited has elected to operate the final salary with a 1/60th accrual rate benefit structure for active members as at 31st March 2011 and the CARE 1/80th accrual rate benefit structure for new entrants from 1st April 2011.

The Trustees commission 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 Maryhill Housing Association Limited paid contributions at the rate of 12.3% and 8.5% of pensionable salaries. Member contributions were 12.3% and 8.4%.

As at the balance sheet date there were 49 active members of the Scheme employed by Maryhill Housing Association Limited. The annual pensionable payroll in respect of these members was £1,561,023. Maryhill Housing Association Limited continues to offer membership of the Scheme to its employees.

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

MARYHILL HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2015

NOTES TO THE FINANCIAL STATEMENTS (Continued)

26. RETIREMENT BENEFIT OBLIGATIONS (Continued)

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 2014. 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 £539 million and indicated a decrease in the shortfall of assets compared to liabilities to approximately £281 million, equivalent to a past service funding level of 66%.

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.

MARYHILL HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2015

NOTES TO THE FINANCIAL STATEMENTS (Continued)

26. 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 Trustees must prepare a recovery plan setting out the steps to be taken to make up the shortfall.

The Trustees have supplied Maryhill Housing Association Limited with an updated contribution figure to the past service deficit. From 1 April 2014 Maryhill Housing Association Limited is required to pay £233,529 per annum as a 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 that could be levied by the Trustees 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.

MARYHILL HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2015

NOTES TO THE FINANCIAL STATEMENTS (Continued)

26. RETIREMENT BENEFIT OBLIGATIONS

b) Strathclyde Pension Scheme

Defined Benefit Scheme

The Association operates a defined benefit scheme as an admitted body under the Strathclyde Pension Fund, the assets of which are held in a separate trustee administered fund.

The Association became an admitted body in this scheme by virtue of the Second Stage Transfer that took place on 27 June 2011.

The administering authority has responsibility for the management of the Fund. As most of the Fund's investments are equity based, there is an inherent risk of volatility in the investment market having a significant effect on the value of the fund's assets. In order to mitigate this risk, the Fund holds a diverse investment portfolio with a range of investment managers.

At the balance sheet date, there were 24 active members of the scheme employed by the Association. Total pension contributions made by the Association for the year were £137,560. Gross pensionable salaries for the year were £756,341.

The following figures are prepared by the Actuaries in accordance with their understanding of Financial Reporting Standard 17 - 'Retirement Benefits' (FRS 17) and Guidance Note 36: Accounting for Retirement Benefits under Financial Reporting Standard 17 issued by the Institute and Faculty of Actuaries.

Principal Actuarial Assumptions

Assumptions as at 31st March	2015	2014	2013
	%p.a.	%p.a.	%p.a.
Pension increase rate	2.5	2.9	2.8
Salary increase rate	4.4	5.2	5.1
Expected return on assets	3.3	6.0	5.2
Discount rate	3.3	4.3	4.5

The defined benefit obligation is estimated to comprise of the following:

	2015	2014
	£	£
Employee members	2,745,000	1,569,000
	<u>2,745,000</u>	<u>1,569,000</u>
Net Pension Liability	2015	2014
	£	£
Fair value of employer's assets	1,813,000	1,277,000
Present value of scheme liabilities	2,745,000	1,569,000
Net liability	<u>(932,000)</u>	<u>(292,000)</u>

MARYHILL HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2015

NOTES TO THE FINANCIAL STATEMENTS (Continued)

26. RETIREMENT BENEFIT OBLIGATIONS

Analysis of amount charged to the Income and Expenditure Account

	2015 £	2014 £
Charged to operating costs:		
Service cost	<u>197,000</u>	<u>157,000</u>
	<u>197,000</u>	<u>157,000</u>
Charged to Other Finance Costs / (Income)		
Expected Return on employer assets	72,000	58,000
Interest on pension scheme liabilities	<u>(81,000)</u>	<u>(58,000)</u>
Gain	<u>(9,000)</u>	<u>-</u>
Net Charge to the Income and Expenditure Account	<u>188,000</u>	<u>157,000</u>
Actual Return on Plan Assets	<u>176,000</u>	<u>75,000</u>

Expected Return on Assets

The expected return on assets is based on the long-term future expected investment return for each asset class as at the beginning of the period as follows:

Asset Class	2015 % p.a.	2014 % p.a.	2013 % p.a.
Equities	3.3	6.6	5.7
Bonds	3.3	3.7	3.4
Property	3.3	4.8	3.9
Cash	3.3	3.7	3.0

Other Assumptions

Mortality Rates

Life expectancy is based on the Fund's VitaCurves. Based on these assumptions, the average future life expectancies at age 65 are summarised below:

	Males (Years)	Females (Years)
Current Pensioners	22.1	23.6
Future Pensioners	24.8	26.2

MARYHILL HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2015

NOTES TO THE FINANCIAL STATEMENTS (Continued)

26. RETIREMENT BENEFIT OBLIGATIONS

Employer membership statistics	2015	2014
	(Number)	(Number)
Actives	24	23

Fair Value of employer assets	2015	2014
	£	£
Opening fair value of employer assets	1,277,000	1,031,000
Expected Return on Assets	81,000	58,000
Contributions by Members	44,000	40,000
Contributions by the Employer	144,000	131,000
Actuarial Gains / (Losses)	310,000	17,000
Estimated Benefits Paid	(43,000)	-
Closing fair value of employer assets	1,813,000	1,277,000

Fair value of scheme assets by category	2015	2014
	£	£
Equities	1,360,000	971,000
Bonds	236,000	153,000
Property	199,000	89,000
Cash	18,000	64,000
	1,813,000	1,277,000

Reconciliation of defined benefit obligations	2015	2014
	£	£
Opening defined benefit obligation	1,569,000	1,187,000
Current Service Cost	197,000	157,000
Interest Cost	72,000	58,000
Contributions by members	44,000	40,000
Actuarial Losses	906,000	127,000
Estimated Benefits Paid	(43,000)	-
	2,745,000	1,569,000

MARYHILL HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2014

NOTES TO THE FINANCIAL STATEMENTS (Continued)

26. RETIREMENT BENEFIT OBLIGATIONS (Continued)

Analysis of projected amount to be charged to the Income & Expenditure Account for the year ended 31 March 2016

	£	% of pay
Projected current service cost	218,000	30
Interest on obligation	95,000	13
Expected return on plan assets	<u>(63,000)</u>	<u>(9)</u>
	<u>250,000</u>	<u>34.6</u>

Contributions made by the Association for the year ended 31 March 2016 are estimated to be approximately £147,000.

Amounts for the current and previous accounting periods:

	2015	2014
	£	£
Fair value of employer assets	1,813,000	1,277,000
Present value of defined benefit obligations	(2,745,000)	(1,569,000)
(Deficit)	(932,000)	(292,000)
Experience Gains on assets	310,000	17,000
Experience Gains / (Losses) on liabilities	(530,000)	-

Actuarial Gain / (Loss) recognised in the Statement of Recognised Gains and Losses

	2015	2014
	£	£
Actuarial (loss) recognised in year	(596,000)	(110,000)
Cumulative actuarial losses	(863,000)	(267,000)