

Maryhill Housing Association Limited

Report and Financial Statements

For the year ended 31st March 2012

Registered Housing Association No.HCB159

FSA Reference No. 1904R(S)

Scottish Charity No. SC032468

MARYHILL HOUSING ASSOCIATION LIMITED

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BOARD, EXECUTIVES AND ADVISERS
YEAR ENDED 31st MARCH 2012

BOARD

| | |
|---------------------------|---|
| Edith Ward | Chairperson |
| Lorain Mackinnon | Vice-Chairperson |
| Catherine Stylianou | Secretary |
| Martin Rhodes | |
| Eleanor Brown | |
| Billy McAllister | |
| Les Currie | |
| Roy Greatorex | |
| John Brown | |
| Brian Trearty | appointed 29 May 2012 |
| Roger Popplewell | appointed 29 May 2012 |
| David Brophy | appointed 29 May 2012 |
| Councillor Robert Winter | Corporate Representative of GCC- retired 1 May 2012 |
| Councillor Mohammed Razaq | Corporate Representative of GCC |
| John Kane | resigned 3 April 2012 |
| Margaret McDade | resigned 2 August 2011 |
| Isabella McTaggart | appointed 7 August 2012 |

EXECUTIVE OFFICERS

| | |
|-----------|--|
| W Briody | Chief Executive |
| E Biggs | Director of Corporate Services |
| D Birrell | Director of Development & Regeneration |
| A Cameron | Director of Housing Services |

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 George Street Edinburgh EH2 4LH | Royal Bank of Scotland 3rd Floor Kirkstane House 139 St Vincent Street Glasgow G2 5JF |
|---|--|

SOLICITORS

| | |
|---|---|
| TC Young 7 West George Street Glasgow G2 1BA | Harper Macleod LLP The Ca'd'oro 45 Gordon Street Glasgow G1 3PE |
|---|---|

**REPORT OF THE BOARD
FOR THE YEAR ENDED 31ST MARCH 2012**

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

Legal Status

The Association is a registered non-profit making organisation under the Industrial and Provident Societies Act 1965 No.1904R(S). The Association is constituted 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 affordable rented accommodation.

Review of Business and Future Developments

Corporate Governance

Maryhill Housing Association is governed by its Board which is elected by its members. Its responsibility is to agree the long term strategy and approve the policies and overall direction of the organisation.

The Association's strategic objectives which were reviewed in 2011 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

Operational objectives are identified each year as part of the internal management plan and these set out how we will deliver our core services. The Management Team is responsible for achieving the strategic objectives and undertaking the operational objectives in conjunction with the 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. We take governance seriously and we continue to build on work from previous years to strengthen our governance arrangements.

With the second stage transfer much to the fore this year, there have been a number of governance activities that we have been involved in.

We have amended our rules to reflect the organisation's structure and size post second stage transfer. We now have a Board whereas previously we had a Management Committee and we have elected three independent members to the Board to strengthen our overall capacity and effectiveness. The rules also allowed for the establishment of a forum of RTOs which will have direct links to the Board. We have also carried out a governance review at the request of the Regulator. This review highlights what we are presently engaged in and our proposals for the future.

We have established a new management team, a new staff structure and implemented through TUPE the process of transferring GHA staff to Maryhill Housing Association. Pension arrangements for transferring staff have also been put in place. A new concierge service has been established with additional staff being appointed. We have a subsidiary for our factoring services and we are now VAT registered.

**REPORT OF THE BOARD
FOR THE YEAR ENDED 31ST MARCH 2012**

Review of Business and Future Developments (Contd.)

Achievements and Performance

The results for the year are shown in the Income and Expenditure Account. In the year to 31 March 2012 the Association made an operating surplus of £1,722,591. Significant investment continues to be made in the Association's stock which includes the work required to ensure that properties will meet the Scottish Housing Quality Standard (SHQS) by 2015.

The year has been dominated by the second stage transfer process. 2,032 units have transferred to the Association after a successful ballot which saw 72% of the tenants voting yes. The transfer took place on the 27th June 2011. Between the ballot result and the transfer date we were involved in an intensive disengagement period with GHA.

Since the transfer date in June we have been working hard to put in place the required policies, procedures, processes and plans to ensure that the promises we made to tenants will be kept. We have achieved much in that time, although there is still much to be accomplished. The main challenges lie with Housing Services and front line contact with our customers including:

- Reletting void properties
- Managing arrears and planning for welfare reform
- Estate management and anti-social behaviour
- Maintenance procurement and programme implementation
- Asset Management

The Association's financial position remains strong and we reviewed and updated long term financial projections and stock condition information to ensure that the financial plans reflect future investment needs. We have improved procurement methods and have developed framework agreements with a view to achieving efficiencies and economies.

Development and Regeneration review

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 2011/12 just under £4.5 million was spent on the new build development programme for which we received around £3 million of Social Housing Grant. During the year the former Maryhill Primary School was completed providing 19 units for rent with a further 9 units marketed for sale under the New Supply Shared Equity (NSSE) scheme. Work also commenced on the Maryhill Locks Phase 2 project, the second phase of new build within the Maryhill Transformational Regeneration Area (TRA) being delivered by Maryhill Housing Association in partnership with Glasgow City Council, the Scottish Government and the GHA. 125 new build units are now under construction including a further 19 units for shared equity.

The Association's first planned investment project, the over-cladding at Glenavon Road, also commenced in the year and will provide improved thermal performance and other associated improvements to the three multi storey blocks transferred from GHA at stock transfer.

Maintenance Services review

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. During the financial year we replaced bathrooms, windows and central heating. A full stock condition survey has informed the planned maintenance programme for forthcoming years.

**REPORT OF THE BOARD
FOR THE YEAR ENDED 31ST MARCH 2012**

Review of Business and Future Developments (Contd.)

Maintenance Services review (Contd.)

In addition, the Association carries out a programme of cyclical maintenance which includes gas safety inspections, gutter cleaning, painterwork, servicing of fire alarms and CCTV, lift maintenance and inspections and term contracts for landscape maintenance, stairlighting and backcourt cleaning.

Housing Services review

The Association maintains an active waiting list of prospective tenants and added 1,143 new applicants in the year. Together with partner agencies and other Registered Social Landlords we are still working 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.

The Association continues to focus on void management in order to improve performance in this area. In the year to 31 March 2012 void loss increased to 1.69% of gross rents receivable.

Managing rent arrears remains a priority for the Association and we continue to monitor the levels of arrears closely. Total current tenant arrears at the year-end represented 9.67% of gross rent receivable.

Tenant Participation

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

The Association has appointed a dedicated Tenant Participation Officer who is working to establish new RTO's, particularly in areas transferred as part of the stock transfer with no existing resident led organisations. The Maryhill Residents Voice has also been developed to encourage residents to get involved and have their say on how the services in their areas are delivered. During the year the Association has also developed responses to the Scottish Housing Charter and new Complaints Handling model guidance being developed by the SPSO.

Performance Management

Service delivery is underpinned by staff performance and this remains a high priority for Maryhill. The Association is committed to staff training and development. During the year our staff appraisal process was reviewed and following assessment the Association continues to meet the requirements of the Investors in People standards.

The Association involves staff across the organisation in decision making and policy development and actively seeks contributions to the development of the internal management plan through planning days and staff 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. The annual audit plan for the year included reviews of governance - strategic control and forward planning, treasury management, payments, gas safety checks, asset management, tenancy support strategy, management of arrears, anti social behaviour and IT security - management controls. The audit results highlighted our strengths and identified some areas where we have drawn up an action plan for improvement and implementation.

**REPORT OF THE BOARD
FOR THE YEAR ENDED 31ST MARCH 2012**

Review of Business and Future Developments (Contd.)

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 2012 the Association had borrowings of £10.445 million 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. The loan covenants were all achieved.

Risk Management

The Association has developed a risk management strategy to assess the business risks faced by the organisation and implement risk management strategies 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.

Wider Role review

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 hope to build on our successes in the area with partner organisations including Glasgow Regeneration Agency (GRA), Glasgow Life and Maryhill and Summerston Community Council.

Learning and training opportunities were again provided in partnership with GRA and 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 H A and Glasgow City Council. This restoration project is now complete and open to the public.

The Association plans to undertake a review of Wider Role strategy and activities following stock transfer and increased stock numbers to ensure that it continues to identify need, raise much needed funding and target resources within its communities.

**REPORT OF THE BOARD
FOR THE YEAR ENDED 31ST MARCH 2012**

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 Industrial and Provident Societies Acts 1965 to 2002 require 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 Industrial and Provident Societies Act 1965 to 2002, the Housing (Scotland) Act 2001 and the Registered Social Landlords Accounting Requirements (Scotland) Order 2007. They are also responsible for safeguarding the assets of the Association and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities. It is also responsible for ensuring the Association's suppliers are paid promptly.

The 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 have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the Housing Association's auditors are aware of that information.

**REPORT OF THE BOARD
FOR THE YEAR ENDED 31ST MARCH 2012**

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 misstatement 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;
- regular financial management reports are prepared promptly, providing relevant, reliable and up to date financial and other information, with significant variances from budget being investigated as appropriate
- all significant new initiatives, major commitments and investment projects are subject to formal authorisation procedures, through the 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;
- formal procedures have been established for instituting appropriate action to correct any weaknesses identified through internal or external audit reports.

Donations

During the year the Association made charitable donations amounting to £50 (2011 £200).

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

CATHERINE STYLIANOU

Secretary

28 August 2012

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

In addition to our audit of the Financial Statements, we have reviewed your statement on Page 7 concerning the Association's compliance with the information required by the section on Internal Financial Control within SFHA's publication "Raising Standards in Housing".

Basis of Opinion

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

Opinion

In our opinion the Statement on Internal Financial Control on Page 7 has provided the disclosures required by the section on Internal Financial Control within SFHA's publication "Raising Standards in Housing" and is consistent with the information which came to our attention as a result of our audit work on the Financial Statements.

Through enquiry of certain members of the 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 the section on Internal Financial Control within SFHA's "Raising Standards in Housing".

ALEXANDER SLOAN
Chartered Accountants

GLASGOW
28 August 2012

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 2012 which comprise an income and expenditure account, balance sheet, cash flow statement and related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the Association's members, as a body, in accordance with Section 9 of the Friendly and Industrial and Provident Societies Act 1968. Our audit work has been undertaken so that we might state to the Association's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Association and the Association's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective Responsibilities of Board and Auditors

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

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

Scope of the audit on the Financial Statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Association's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Board; 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. If we become aware of any apparent material misstatements or inconsistencies we consider the implications of our report.

Opinion on the financial statements

In our opinion the Financial Statements:

- give a true and fair view of the state of the Association's affairs as at 31st March 2012 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice: and
- have been properly prepared in accordance with the Industrial and Provident Societies Acts 1965 to 2002, the Housing (Scotland) Act 2001 and the Registered Social Landlords Accounting Requirements (Scotland) Order 2007.

Matters on which we are required to report by exception

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

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

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

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

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

We have nothing to report in respect of these matters.

ALEXANDER SLOAN
Chartered Accountants
Statutory Auditors
GLASGOW
28 August 2012

MARYHILL HOUSING ASSOCIATION LIMITED

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

| | Notes | 2012 £ | Restated 2011 £ |
|---|-------|------------------|-----------------------|
| TURNOVER | 2. | 8,453,945 | 3,458,291 |
| Operating Costs | 2. | (6,731,354) | (3,083,992) |
| OPERATING SURPLUS | 9. | 1,722,591 | 374,299 |
| Gain On Sale Of Housing Stock | 7. | 41,033 | - |
| Release of Negative Goodwill | 24. | 7,582,769 | - |
| Exceptional Items | 26. | 23,412 | (1,232,280) |
| Interest Receivable and Other Income | | 82,941 | 535 |
| Interest Payable and Similar Charges | 8. | (464,920) | (239,106) |
| Other Finance Costs | 28. | 18,000 | - |
| | | 7,283,235 | (1,470,851) |
| SURPLUS / (DEFICIT) ON ORDINARY ACTIVITIES | | <u>9,005,826</u> | <u>(1,096,552)</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

| | 2012 £ | Restated 2011 £ |
|---|-------------------|-----------------------|
| Surplus for the financial year | 9,005,826 | (1,096,552) |
| Prior year adjustment | 30. 3,082,725 | - |
| Actuarial gain / (loss) recognised in year | 28. (46,000) | - |
| Total gains and losses recognised since last annual report | <u>12,042,551</u> | <u>(1,096,552)</u> |

MARYHILL HOUSING ASSOCIATION LIMITED

BALANCE SHEET AS AT 31st MARCH 2012

| | Notes | £ | 2012 £ | £ | Restated 2011 £ |
|--|--------|--------------|--------------------------|------------------|-------------------------|
| TANGIBLE FIXED ASSETS | | | | | |
| Housing Properties - Depreciated Cost | 11.(a) | | 69,989,781 | | 54,550,597 |
| Less: Social Housing Grant | 11.(a) | | (44,837,354) | | (43,044,078) |
| : Other Public Grants | 11.(a) | | (594,902) | | (618,230) |
| | | | <u>24,557,525</u> | | <u>10,888,289</u> |
| Other fixed assets | 11.(b) | | 1,157,692 | | 450,329 |
| | | | <u>25,715,217</u> | | <u>11,338,618</u> |
| Negative Goodwill | 24. | | (12,952,736) | | - |
| FIXED ASSET INVESTMENTS | | | | | |
| Investment in subsidiaries | 22. | | 1 | | - |
| Shared Equity Cost | 22. | 1,180,650 | | - | |
| Shared Equity Grant | 22. | (1,180,650) | | - | |
| | | | <u>-</u> | | <u>-</u> |
| CURRENT ASSETS | | | | | |
| Stock | | | 280 | | 1,222 |
| Debtors | 14. | 810,668 | | 2,238,584 | |
| Development Cost of Housing Property | 23. | 68,950 | | - | |
| Investments | 25. | 8,017,598 | | 1,000,000 | |
| Cash at bank and in hand | | 3,811,639 | | 763,195 | |
| | | | <u>12,709,135</u> | <u>4,003,001</u> | |
| CREDITORS: Amounts falling due within one year | 15. | (1,873,814) | | (2,968,089) | |
| NET CURRENT ASSETS | | | <u>10,835,321</u> | | <u>1,034,912</u> |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | | <u>23,597,803</u> | | <u>12,373,530</u> |
| CREDITORS: Amounts falling due after more than one year | 16. | (10,445,373) | | (8,236,941) | |
| NET ASSETS EXCLUDING PENSION LIABILITY | | | <u>13,152,430</u> | | <u>4,136,589</u> |
| Pension (Liability)/ Asset | 28. | (56,000) | | - | |
| | | | <u>(56,000)</u> | | <u>-</u> |
| NET ASSETS | | | <u><u>13,096,430</u></u> | | <u><u>4,136,589</u></u> |
| CAPITAL AND RESERVES | | | | | |
| Share Capital | 18. | | 257 | | 242 |
| Revenue Reserves | 19.(a) | | 13,152,173 | | 4,136,347 |
| Pension Reserve | 19.(b) | | (56,000) | | - |
| | | | <u>13,096,430</u> | | <u>4,136,589</u> |

The Financial Statements were approved by the Board and signed on their behalf on 28 August 2012.

Chairperson

Vice-Chairperson

Secretary

MARYHILL HOUSING ASSOCIATION LIMITED

CASH FLOW STATEMENT FOR THE YEAR ENDED
31st MARCH 2012

| | Notes | £ | 2012 £ | £ | Restated 2011 £ |
|--|-------|-------------|-------------|-------------|-----------------------|
| Net Cash Inflow from Operating Activities | 17. | | 1,532,641 | | 454,300 |
| Returns on Investment and Servicing of Finance | | | | | |
| Interest Received | | 39,058 | | 535 | |
| Interest Paid | | (348,056) | | (294,306) | |
| Net Cash Outflow from Investment and Servicing of Finance | | | (308,998) | | (293,771) |
| Capital Expenditure and Financial Investment | | | | | |
| Acquisition and Construction of Properties | | (3,870,396) | | (6,385,786) | |
| Purchase of Other Fixed Assets | | (553,527) | | (8,359) | |
| Social Housing Grant Received | | 3,560,633 | | 4,919,991 | |
| Social Housing Grant Repaid | | (147,336) | | - | |
| Proceeds on Disposal of Properties | | 237,673 | | - | |
| SST Costs Incurred Net of Grant | | (268,913) | | - | |
| SST Cash Dowry Received | | 7,653,620 | | - | |
| Net Cash Inflow / (Outflow) from Capital Expenditure and Financial Investment | | | 6,611,754 | | (1,474,154) |
| Net Cash Inflow / (Outflow) before use of Liquid Resources and Financing | | | 7,835,397 | | (1,313,625) |
| Management of Liquid Resources | | | | | |
| Change in short term deposits with banks | | | (7,017,598) | | (1,000,000) |
| Financing | | | | | |
| Loan Advances Received | | 10,000,000 | | 2,300,000 | |
| Loan Redemption Payments | | (8,269,374) | | - | |
| Loan Incentive Received | | 500,000 | | - | |
| Loan Principal Repayments | | - | | (38,795) | |
| Share Capital Issued | | 19 | | 1 | |
| Net Cash Inflow from Financing | | | 2,230,645 | | 2,261,206 |
| Increase / (decrease) in Cash | 17. | | 3,048,444 | | (52,419) |

MARYHILL HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2012

NOTES TO THE FINANCIAL STATEMENTS

1 PRINCIPAL ACCOUNTING POLICIES

Basis Of Accounting

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

Turnover

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

Retirement Benefits

The Association participates in the Scottish Housing Associations' Defined Benefits Pension Scheme and retirement benefits to employees of the Association are funded by the contributions from all participating employers and employees in the Scheme. Payments are made in accordance with periodic calculations by consulting Actuaries and are based on pension costs applicable across the various participating Associations taken as a whole.

Valuation Of Housing Properties

Housing Properties are stated at cost, less social housing and other public grants and less accumulated depreciation. Housing under construction and Land are not depreciated. The Association depreciates housing properties by major component on a straight line basis over the estimated useful economic lives of each identified component. All components are categorised as Housing Properties within note 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.

| <i>Component</i> | <i>Useful Economic Life</i> |
|---|-----------------------------|
| Structure | 50 years |
| Roofing | 50 years |
| Exterior walls | 40 years |
| Windows | 35 years |
| Balconies | 50 years |
| Doors | 30 years |
| Controlled entry | 10 years |
| Kitchens | 15 years |
| Bathrooms | 20 years |
| Central heating- pipes & radiators | 30 years |
| Central heating- boilers | 15 years |
| Central heating- electric storage heaters | 25 years |
| Electrics | 30 years |
| Communal lighting | 30 years |
| Lifts | 50 years |

MARYHILL HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2012

NOTES TO THE FINANCIAL STATEMENTS (Continued)

1 PRINCIPAL ACCOUNTING POLICIES (Continued.)

Depreciation And Impairment Of Other Fixed Assets

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

| | |
|------------------------|-----|
| Office Premises | 2% |
| Furniture and Fittings | 20% |
| Computer Equipment | 50% |
| Office Equipment | 20% |

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

Social Housing Grant And Other Grants In Advance/Arrears

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

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

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

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

Sales Of Housing Properties

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

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

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

MARYHILL HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2012

NOTES TO THE FINANCIAL STATEMENTS (Continued)

1 PRINCIPAL ACCOUNTING POLICIES (Continued.)

Leases/Leased Assets

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

Works to Existing Properties

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

Capitalisation Of Development Overheads

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

Development Interest

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

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.

Stock

Stock of maintenance supplies is stated at the lower of cost and net realisable value.

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 2012

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

| | Notes | 2012 | | | 2011 | | |
|-------------------------|-------|------------------|-------------------------|--|------------------|-------------------------|--|
| | | Turnover £ | Operating Costs £ | Operating Surplus / (Deficit) £ | Turnover £ | Operating Costs £ | Operating Surplus / (Deficit) £ |
| Social Lettings | 3. | 7,767,257 | 5,404,111 | 2,363,146 | 2,700,415 | 1,721,862 | 978,553 |
| Other Activities | 4. | 686,688 | 1,327,243 | (640,555) | 757,876 | 1,362,130 | (604,254) |
| Total | | <u>8,453,945</u> | <u>6,731,354</u> | <u>1,722,591</u> | <u>3,458,291</u> | <u>3,083,992</u> | <u>374,299</u> |

Turnover and operating costs from Social Lettings includes income and expenditure relating to operations acquired in the year:

| | Turnover £ | Operating Costs £ | Operating Surplus £ |
|--------------------|------------------|-------------------------|---------------------------|
| Acquisition | <u>4,792,601</u> | <u>3,278,197</u> | <u>1,514,404</u> |

3. PARTICULARS OF INCOME & EXPENDITURE FROM SOCIAL LETTINGS

| | General Needs Housing £ | Shared Ownership £ | 2012 Total £ | Restated 2011 Total £ |
|---|----------------------------------|--------------------------|--------------------|--------------------------------|
| Income from Lettings | | | | |
| Rent Receivable Net of Identifiable Service Charges | 7,595,506 | 28,265 | 7,623,771 | 2,618,120 |
| Service Charges Receivable | 218,700 | 3,408 | 222,108 | 105,714 |
| Gross Rents Receivable | <u>7,814,206</u> | <u>31,673</u> | <u>7,845,879</u> | <u>2,723,834</u> |
| Less: Rent losses from voids | 132,423 | - | 132,423 | 23,419 |
| Net Rents Receivable | <u>7,681,783</u> | <u>31,673</u> | <u>7,713,456</u> | <u>2,700,415</u> |
| Revenue Grants from Scottish Ministers | 53,801 | - | 53,801 | - |
| Total Income From Social Letting | <u>7,735,584</u> | <u>31,673</u> | <u>7,767,257</u> | <u>2,700,415</u> |
| Expenditure on Social Letting Activities | | | | |
| Service Costs | 137,619 | - | 137,619 | 102,431 |
| Management and maintenance administration costs | 2,642,370 | 10,728 | 2,653,098 | 719,135 |
| Reactive Maintenance | 900,559 | - | 900,559 | 270,379 |
| Bad Debts - Rents and Service Charges | 361,809 | - | 361,809 | 40,911 |
| Planned and Cyclical Maintenance, including Major Repairs | 678,784 | - | 678,784 | 221,058 |
| Depreciation of Social Housing | 551,790 | 2,748 | 554,538 | 367,948 |
| Impairment of Housing | 117,704 | - | 117,704 | - |
| Operating Costs of Social Letting | <u>5,390,635</u> | <u>13,476</u> | <u>5,404,111</u> | <u>1,721,862</u> |
| Operating Surplus on Social Letting Activities | <u>2,344,949</u> | <u>18,197</u> | <u>2,363,146</u> | <u>978,553</u> |
| 2011 (as restated) | <u>955,956</u> | <u>22,597</u> | | |

MARYHILL HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2012

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

| | Grants From Scottish Ministers £ | Other Revenue Grants £ | Supporting People Income £ | Other Income £ | Total Turnover £ | Operating Costs Bad Debts £ | Operating Costs Other £ | Operating Surplus / (Deficit) 2012 £ | Operating Surplus / (Deficit) 2011 £ |
|---|--|---------------------------------|-------------------------------------|----------------------|------------------------|--------------------------------------|----------------------------------|--|--|
| Wider Role Activities | 56,496 | - | - | - | 56,496 | - | 329,527 | (273,031) | (127,757) |
| Property Management Services | - | - | - | 50,750 | 50,750 | 17,782 | 89,220 | (56,252) | (37,028) |
| Development and construction of property activities | - | - | - | 508,345 | 508,345 | - | 588,637 | (80,292) | (440) |
| Sundry Activities | - | - | - | 268 | 268 | - | - | 268 | 100 |
| Maryhill Burgh Halls Trust | 39,470 | - | - | - | 39,470 | - | 85,419 | (45,949) | (26,215) |
| Radio Mast Income | - | - | - | 18,270 | 18,270 | - | 5,462 | 12,808 | - |
| Commercial Properties | - | - | - | 9,719 | 9,719 | - | 2,036 | 7,683 | 8,005 |
| LHO Stock Transfer | 3,370 | - | - | - | 3,370 | - | 209,160 | (205,790) | (375,944) |
| Ruchill Park Adventure Play Centre | - | - | - | - | - | - | - | - | (44,975) |
| Total From Other Activities | <u>99,336</u> | <u>-</u> | <u>-</u> | <u>587,352</u> | <u>686,688</u> | <u>17,782</u> | <u>1,309,461</u> | <u>(640,555)</u> | <u>(604,254)</u> |
| 2011 | <u>318,295</u> | <u>-</u> | <u>-</u> | <u>439,581</u> | <u>757,876</u> | <u>16,133</u> | <u>1,345,997</u> | <u>(604,254)</u> | |

MARYHILL HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2012

NOTES TO THE FINANCIAL STATEMENTS (Continued)

5. OFFICERS' EMOLUMENTS

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

| | 2012 | 2011 |
|---|----------------|---------------|
| | £ | £ |
| Aggregate Emoluments payable to Officers with Emoluments greater than £60,000 (excluding Pension Contributions) | <u>143,191</u> | <u>68,074</u> |
| Pension contributions made on behalf on Officers with emoluments greater than £60,000 | <u>11,040</u> | <u>9,563</u> |
| Emoluments payable to Chief Executive (excluding pension contributions) | <u>74,504</u> | <u>68,074</u> |

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 | 1 | 1 |
| £70,001 to £80,000 | 1 | - |

6. EMPLOYEE INFORMATION

| | 2012 | 2011 |
|---|------------------|------------------|
| | No. | No. |
| The average monthly number of full time equivalent persons employed during the year was | <u>63</u> | <u>28</u> |
| The average total number of Employees employed during the year was | <u>65</u> | <u>29</u> |
| Staff Costs were: | £ | £ |
| Wages and Salaries | 1,892,030 | 917,407 |
| Social Security Costs | 153,009 | 70,833 |
| Other Pension Costs | 243,104 | 111,938 |
| Temporary, Agency and Seconded Staff | 185,206 | 77,087 |
| | <u>2,473,349</u> | <u>1,177,265</u> |

MARYHILL HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2012

NOTES TO THE FINANCIAL STATEMENTS (Continued)

7. GAIN ON SALE OF HOUSING STOCK

| | 2012 | 2011 |
|-------------------------------|---------------|----------|
| | £ | £ |
| Sales Proceeds | 237,673 | - |
| Cost of Sales | 196,640 | - |
| Gain On Sale Of Housing Stock | <u>41,033</u> | <u>-</u> |

8. INTEREST PAYABLE

| | 2012 | 2011 |
|-----------------------------------|----------------|----------------|
| | £ | £ |
| On Bank Loans & Overdrafts | 464,920 | 293,868 |
| On Other Loans | - | - |
| | <u>464,920</u> | <u>293,868</u> |
| Less: Interest Capitalised | - | 54,762 |
| | <u>464,920</u> | <u>239,106</u> |

Interest incurred in the development period of housing properties which has been written off to the income and expenditure account amounted to £Nil (2011 £Nil).

9. SURPLUS / (DEFICIT) ON ORDINARY ACTIVITIES

| | 2012 | Restated 2011 |
|---|--------------|------------------|
| | £ | £ |
| Surplus / (Deficit) on Ordinary Activities before Taxation is stated after charging:- | | |
| Depreciation - Tangible Owned Fixed Assets | 759,620 | 402,417 |
| Auditors' Remuneration - Audit Services | 13,600 | 7,832 |
| - Other Services | 1,674 | 1,980 |
| Operating Lease Rentals - Other | <u>7,830</u> | <u>2,524</u> |

10. TAX ON SURPLUS / (DEFICIT) 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 2012

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 2011- restated | 53,064,108 | 2,795,810 | 648,575 | 56,508,493 |
| Additions | 13,444,925 | 2,916,576 | - | 16,361,501 |
| Disposals | (260,588) | - | - | (260,588) |
| Schemes Completed | 2,387,639 | (2,343,085) | (44,554) | - |
| As at 31st March 2012 | 68,636,084 | 3,369,301 | 604,021 | 72,609,406 |
| DEPRECIATION | | | | |
| As at 1st April 2011- restated | 1,919,508 | - | 38,388 | 1,957,896 |
| Charge for Year | 669,494 | - | 2,748 | 672,242 |
| Eliminated on Disposal | (10,513) | - | - | (10,513) |
| Transfers | 3,276 | - | (3,276) | - |
| As at 31st March 2012 | 2,581,765 | - | 37,860 | 2,619,625 |
| SOCIAL HOUSING GRANT | | | | |
| As at 1st April 2011- restated | 39,847,094 | 2,685,821 | 511,163 | 43,044,078 |
| Additions | (141,134) | 2,111,853 | - | 1,970,719 |
| Disposals | (177,443) | - | - | (177,443) |
| Schemes Completed | 1,665,842 | (1,632,208) | (33,634) | - |
| As at 31st March 2012 | 41,194,359 | 3,165,466 | 477,529 | 44,837,354 |
| OTHER CAPITAL GRANTS | | | | |
| As at 1st April 2011- restated | 618,230 | - | - | 618,230 |
| Additions | - | - | - | - |
| Disposals | (23,328) | - | - | (23,328) |
| Schemes Completed | - | - | - | - |
| As at 31st March 2012 | 594,902 | - | - | 594,902 |
| NET BOOK VALUE | | | | |
| As at 31st March 2012 | 24,265,058 | 203,835 | 88,632 | 24,557,525 |
| As at 31st March 2011 | 10,679,276 | 109,989 | 99,024 | 10,888,289 |

Additions to housing properties includes capitalised development administration costs of £154,462 (2011 - £127,873) and capitalised major repair costs to existing properties of £114,155 (2011 - £298,693)

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 £ | Total £ |
|-------------------|--|---|---------------------------------|------------|
| Impairment Charge | 117,704 | - | - | - |

This impairment charge has resulted in 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 2012

NOTES TO THE FINANCIAL STATEMENTS (Continued)

11. TANGIBLE FIXED ASSETS (Continued)

| b) Other Tangible Assets | Motor Vehicles £ | Office Premises £ | Furniture & Equipment £ | Total £ |
|--------------------------------|------------------------|-------------------------|-------------------------------|------------------|
| COST | | | | |
| As at 1st April 2011- restated | 4,988 | 750,636 | 247,557 | 1,003,181 |
| Additions | - | 656,611 | 138,130 | 794,741 |
| Eliminated on Disposals | - | - | - | - |
| As at 31st March 2012 | <u>4,988</u> | <u>1,407,247</u> | <u>385,687</u> | <u>1,797,922</u> |
| AGGREGATE DEPRECIATION | | | | |
| As at 1st April 2011- restated | 4,988 | 330,341 | 217,523 | 552,852 |
| Charge for year | - | 27,145 | 60,233 | 87,378 |
| Eliminated on disposal | - | - | - | - |
| As at 31st March 2012 | <u>4,988</u> | <u>357,486</u> | <u>277,756</u> | <u>640,230</u> |
| NET BOOK VALUE | | | | |
| As at 31st March 2012 | <u>-</u> | <u>1,049,761</u> | <u>107,931</u> | <u>1,157,692</u> |
| As at 31st March 2011 | <u>-</u> | <u>420,295</u> | <u>30,034</u> | <u>450,329</u> |

12. CAPITAL COMMITMENTS

| | 2012 £ | 2011 £ |
|--|-------------------|------------------|
| Capital Expenditure that has been contracted for but has not been provided for in the Financial Statements | <u>16,965,688</u> | <u>2,886,833</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

| At the year end, the annual commitments under operating leases were as follows:- | 2012 £ | 2011 £ |
|--|--------------|-----------|
| Other | | |
| Expiring within one year | - | 328 |
| Expiring between two and five years | - | 1,368 |
| Expiring in over five years | <u>7,830</u> | <u>-</u> |

MARYHILL HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2012

NOTES TO THE FINANCIAL STATEMENTS (Continued)

14. DEBTORS

| | 2012 | 2011 |
|---|----------------|------------------|
| | £ | £ |
| Arrears of Rent & Service Charges | 888,382 | 172,958 |
| Less: Provision for Doubtful Debts | (618,941) | (110,703) |
| | <u>269,441</u> | <u>62,255</u> |
| Social Housing Grant Receivable | 257,360 | 1,847,274 |
| Other Debtors & Prepayments | 283,867 | 157,738 |
| SST Prepayments | - | 171,317 |
| | <u>810,668</u> | <u>2,238,584</u> |

15. CREDITORS: Amounts falling due within one year

| | 2012 | 2011 |
|------------------------------------|------------------|------------------|
| | £ | £ |
| Housing Loans | - | 32,433 |
| Trade Creditors | 272,881 | 163,278 |
| Rent in Advance | 192,461 | 72,589 |
| Other Taxation and Social Security | 3,314 | - |
| Amounts Due to Group Undertakings | 1 | - |
| Other Creditors | 750,903 | 261,333 |
| Accruals and Deferred Income | 623,039 | 2,270,256 |
| RBS Deferred Income | 31,215 | - |
| SST Deferred Income | - | 168,200 |
| | <u>1,873,814</u> | <u>2,968,089</u> |

At the balance sheet date there were pension contributions outstanding of £nil (2011 £2,037)

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

| | 2012 | 2011 |
|---------------------|-------------------|------------------|
| | £ | £ |
| RBS Deferred Income | 445,373 | - |
| Housing Loans | 10,000,000 | 8,236,941 |
| | <u>10,445,373</u> | <u>8,236,941</u> |

Housing Loans are secured by specific charges on the Association's housing properties and are repayable at varying rates of interest in instalments, due as follows:-

| | | |
|---|-------------------|------------------|
| Within one year | - | 32,433 |
| Between one and two years | - | 1,096,941 |
| Between two and five years | 300,000 | 1,000,000 |
| In five years or more | 9,700,000 | 6,140,000 |
| | <u>10,000,000</u> | <u>8,269,374</u> |
| Less: Amount shown in Current Liabilities | - | 32,433 |
| | <u>10,000,000</u> | <u>8,236,941</u> |

MARYHILL HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2012

NOTES TO THE FINANCIAL STATEMENTS (Continued)

17. CASH FLOW STATEMENT

| <i>Reconciliation of operating surplus to net cash inflow from operating activities</i> | 2012 £ | Restated 2011 £ |
|---|------------------|-----------------------|
| Operating Surplus | 1,722,591 | 374,299 |
| Depreciation | 759,620 | 402,417 |
| Change in properties developed for resale | (68,950) | 30,164 |
| Change in Debtors | (159,569) | (251,356) |
| Change in Creditors | (707,989) | (100,925) |
| Share Capital Written Off | (4) | (23) |
| Change in Stock | 942 | (276) |
| Contributions payable to Defined Benefit Scheme (Strathclyde) | (76,000) | - |
| Service cost on Defined Benefit Scheme (Strathclyde) | 62,000 | - |
| Net Cash Inflow from Operating Activities | <u>1,532,641</u> | <u>454,300</u> |

Reconciliation of net cash flow to movement in net debt

| | 2012 £ | 2011 £ | £ |
|---|--------------------|--------------------|--------------------|
| Increase / (decrease) in Cash | 3,048,444 | (52,419) | |
| Cash flow from management of liquid resources | 7,017,598 | 1,000,000 | |
| Cash flow from change in debt | <u>(1,730,626)</u> | <u>(2,261,205)</u> | |
| Movement in net debt during year | 8,335,416 | | (1,313,624) |
| Net debt at 1st April 2011 | (6,506,179) | | (5,192,555) |
| Net debt at 31st March 2012 | <u>1,829,237</u> | | <u>(6,506,179)</u> |

Analysis of changes in net debt

| | At 01.04.11 £ | Cash Flows £ | Other Changes £ | At 31.03.12 £ |
|------------------------------|---------------------|--------------------|-----------------------|---------------------|
| Cash at bank and in hand | 763,195 | 3,048,444 | - | 3,811,639 |
| Bank Overdrafts | - | - | - | - |
| | <u>763,195</u> | <u>3,048,444</u> | | <u>3,811,639</u> |
| Liquid Resources | 1,000,000 | 7,017,598 | - | 8,017,598 |
| Debt: Due within one year | (32,433) | 32,433 | - | - |
| Due after more than one year | <u>(8,236,941)</u> | <u>(1,763,059)</u> | - | <u>(10,000,000)</u> |
| Net Debt | <u>(6,506,179)</u> | <u>8,335,416</u> | <u>-</u> | <u>1,829,237</u> |

MARYHILL HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2012

NOTES TO THE FINANCIAL STATEMENTS (Continued)

18. SHARE CAPITAL

| Shares of £1 each Issued and Fully Paid | £ |
|---|------------|
| At 1st April 2011 | 242 |
| Issued in year | 19 |
| Cancelled in year | (4) |
| At 31st March 2012 | <u>257</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) Revenue Reserves | Total £ |
|--|-------------------|
| At 1st April 2011 (as restated) | 4,136,347 |
| Surplus / (Deficit) for the year | 9,005,826 |
| Transfer (to) / from Pension Reserve | 10,000 |
| At 31st March 2012 | <u>13,152,173</u> |
| (b) Pension Reserve | Total £ |
| At 1st April 2011 | - |
| Transfer to / (from) Revenue Reserve | (10,000) |
| Actuarial gain / (loss) recognised in year | (46,000) |
| - | <u>(56,000)</u> |

20. HOUSING STOCK

| The number of units of accommodation in management at the year end was:- | 2012 No. | 2011 No. |
|--|--------------|-------------|
| General Needs - New Build | 463 | 446 |
| - Rehabilitation | 2,494 | 465 |
| Shared Ownership | 17 | 18 |
| | <u>2,974</u> | <u>929</u> |

MARYHILL HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2012

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:

7 members are tenants of the Association

2 members are factored owners

2 members are relevant local councillors

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

| | 2012 £ | 2011 £ |
|--|-----------------------------|-----------------------------|
| Shared Equity Properties | | |
| Development Cost of Shared Equity Property | 1,180,650 | - |
| Less: Grants Receivable | 1,180,650 | - |
| | <u> </u> | <u> </u> |
| | - | - |
| | <u> </u> | <u> </u> |
| Investments in Subsidiaries | | |
| As at 31st March 2012 & 31st March 2011 | 1 | - |
| | <u> </u> | <u> </u> |

The Association has a 100% owned subsidiary Maryhill Communities Limited. The company was incorporated on 26 April 2011 and did not trade in the period to 31 March 2012.

MARYHILL HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2012

NOTES TO THE FINANCIAL STATEMENTS (Continued)

23. DEVELOPMENT COST OF HOUSING PROPERTY

| | 2012 £ | 2011 £ |
|---|----------------|----------------|
| Shared Equity Properties | | |
| In the course of construction | 107,209 | 593,098 |
| Completed Properties Unsold | 245,816 | - |
| | <u>353,025</u> | <u>593,098</u> |
| Less: Grants Received from Scottish Ministers | (284,075) | (593,098) |
| | <u>68,950</u> | <u>-</u> |

24. NEGATIVE GOODWILL

| | 2012 £ | 2011 £ |
|--|-------------------|-----------|
| Balance as at 1st April 2011 | - | - |
| Negative Goodwill arising on Acquisition | 20,535,505 | - |
| Release during the year | (7,582,769) | - |
| | <u>12,952,736</u> | <u>-</u> |

25. CURRENT ASSET INVESTMENTS

| | 2012 £ | 2011 £ |
|---------------------|------------------|------------------|
| Short Term Deposits | 8,017,598 | 1,000,000 |
| | <u>8,017,598</u> | <u>1,000,000</u> |

26. EXCEPTIONAL ITEMS

| | 2012 £ | 2011 £ |
|--------------------------------|---------------|--------------------|
| Pensions Trust Growth Plan | - | (22,580) |
| Lloyds TSB Loan Breakage Costs | - | (1,209,700) |
| Release of RBS Deferred Income | 23,412 | - |
| | <u>23,412</u> | <u>(1,232,280)</u> |

In 2011, the Association withdrew from the Pensions Trust Growth Plan. The debt which crystallised upon withdrawal from the Plan, payable by the Association including actuarial charges, was £22,580.

In addition during 2011, following an extensive exercise, the Association approved the redemption of its loan portfolio with Lloyds TSB, in advance of significant changes in the future financing requirements of the organisation brought about primarily by the Second Stage Transfer from GHA. In redeeming the outstanding loans with Lloyds, breakage costs totalling £1,209,700 were incurred. These exceptional costs are reported within accruals at the year end date.

Following the redemption of the Lloyds TSB loan portfolio, the Association arranged a loan facility with RBS during 2012. The Association received an incentive payment of £500,000 from RBS. The incentive payment is being released to the Income and Expenditure Account over the life of the loan.

MARYHILL HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2012

NOTES TO THE FINANCIAL STATEMENTS (Continued)

27. RETIREMENT BENEFIT OBLIGATIONS

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 five benefit structures to employers, namely:

- Final salary with a 1/60th accrual rate.
- Career average revalued earnings with a 1/60th accrual rate
- Career average revalued earnings with a 1/70th accrual rate
- Career average revalued earnings with a 1/80th accrual rate
- Career average revalued earnings with a 1/120th accrual rate, contracted in

An employer can elect to operate different benefit structures for their active members (as at the first day of April in any given year) and their new entrants. An employer can only operate one open benefit structure at any one time. An open benefit structure is one which new entrants are able to join.

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 Trustee commissions an actuarial valuation of the Scheme every three years. The main purpose of the valuation is to determine the financial position of the Scheme in order to determine the level of future contributions required, so that the Scheme can meet its pension obligations as they fall due.

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

During the accounting period Maryhill Housing Association Limited paid contributions at the rate of 9.6% and 6.6% of pensionable salaries. Member contributions were 9.6% and 6.6%.

As at the balance sheet date there were 26 active members of the Scheme employed by Maryhill Housing Association Limited. The annual pensionable payroll in respect of these members was £882,426. 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 2012

NOTES TO THE FINANCIAL STATEMENTS (Continued)

27. RETIREMENT BENEFIT OBLIGATIONS (Continued)

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

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

Financial Assumptions

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

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

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

MARYHILL HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2012

NOTES TO THE FINANCIAL STATEMENTS (Continued)

27. RETIREMENT BENEFIT OBLIGATIONS (Continued)

Valuation Results

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

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

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

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

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

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

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

MARYHILL HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2012

NOTES TO THE FINANCIAL STATEMENTS (Continued)

28. RETIREMENT BENEFIT OBLIGATIONS (Continued)

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 20 active members of the scheme employed by the Association. Total pension contributions made by the Association for the year were £76,000. This includes £nil of outstanding contributions at the balance sheet date. Gross pensionable salaries for the year were £406,758.

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

| Financial Assumptions for the period ended | 31-Mar-12 | 27-Jun-11 |
|--|-----------|-----------|
| | %p.a. | %p.a. |
| Pension increase rate | 2.5 | 2.8 |
| Salary increase rate | 4.8 | 5.1 |
| Expected return on assets | 5.8 | 6.9 |
| Discount rate | 4.8 | 5.4 |

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 | 31-Mar-12 | 27-Jun-11 # |
|-------------|-----------|-------------|
| | %p.a. | %p.a. |
| Equities | 6.3 | 7.5 |
| Bonds | 3.9 | 5.0 |
| Property | 4.4 | 5.5 |
| Cash | 3.5 | 4.6 |

Mortality Rates

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

| | Males | Females |
|--------------------|---------|---------|
| | (Years) | (Years) |
| Current Pensioners | 21.0 | 23.4 |
| Future Pensioners | 23.3 | 25.3 |

MARYHILL HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2012

NOTES TO THE FINANCIAL STATEMENTS (Continued)

28. RETIREMENT BENEFIT OBLIGATIONS (Continued)

| Fair value of scheme assets by category | 31-Mar-12 £(000) | 27-Jun-11 £(000) |
|---|---------------------|---------------------|
| Equities | 589 | 503 |
| Bonds | 84 | 66 |
| Property | 54 | 46 |
| Cash | 38 | 35 |
| | <u>765</u> | <u>650</u> |

| Balance Sheet | 31-Mar-12 £'000 | 27-Jun-11 £'000 |
|---------------------------------------|--------------------|--------------------|
| Fair value of employer's assets | 765 | 650 |
| Present value of funded liabilities | (821) | (692) |
| Present value of unfunded liabilities | - | - |
| Net Pension Liability | <u>(56)</u> | <u>(42)</u> |

| Movement in year | 31-Mar-12 £'000 |
|--|--------------------|
| Net liabilities assumed in business combination* | (42) |
| Current service cost | (62) |
| Employer contributions | 76 |
| Past service (cost)/gain | - |
| Net return on assets | 18 |
| Actuarial (losses)/gains | (46) |
| Pension scheme surplus at end of year | <u>(56)</u> |

*Please refer to Note 29 - Second Stage Transfer

| Analysis of projected amount to be charged to the Income & Expenditure Account | 31-Mar-12 £'000 | % of pay |
|--|--------------------|--------------|
| Charged to operating costs: | | |
| Current service cost | <u>62</u> | <u>17.8</u> |
| Expected return on plan assets | (48) | (13.8) |
| Interest cost | 30 | 8.6 |
| | <u>(18)</u> | <u>(5.2)</u> |
| Net charge to Income and Expenditure Account | <u>44</u> | <u>12.6</u> |
| Actual Return on Plan Assets | <u>19</u> | |

MARYHILL HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2012

NOTES TO THE FINANCIAL STATEMENTS (Continued)

28. RETIREMENT BENEFIT OBLIGATIONS (Continued)

Amounts for the current and previous accounting periods:

| | 31-Mar-12 |
|--|------------------|
| | £'000 |
| Fair value of employer assets | 765 |
| Present value of defined benefit obligations | (821) |
| (Deficit) / Surplus | (56) |
| Experience (losses) / Gains on assets | (30) |
| Experience gains / (losses) on liabilities | - |

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

| | 31-Mar-12 |
|--|------------------|
| | £'000 |
| Actuarial gain / (loss) recognised in year | (46) |
| Cumulative actuarial gains | (46) |

Employer membership statistics

| | 2012 |
|------------|-------------|
| Actives | 20 |
| Deferreds | - |
| Pensioners | - |

Analysis of projected amount to be charged to the Income & Expenditure Account for the year ended 31 March 2013

| | £'000 | % of pay* |
|---|--------------|------------------|
| Projected current service cost | 98 | 19.0 |
| Interest on obligation | 42 | 8.2 |
| Expected return on plan assets | (48) | (9.3) |
| Past service costs | - | - |
| Losses / (Gain) on curtailments and settlements | - | - |
| | <u>92</u> | <u>17.9</u> |

The employer's contributions for the year to 31 March 2013 are estimated to be approximately £108,000.

MARYHILL HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2012

NOTES TO THE FINANCIAL STATEMENTS (Continued)

29. SECOND STAGE TRANSFER

On 27 June 2011, the Association acquired housing assets and the related rent arrears from Glasgow Housing Association Limited as part of a Second Stage Transfer. The Association acquired 2,032 housing units that were managed by Maryhill LHO. The identifiable assets and liabilities have been incorporated in the balance sheet of the Association at their fair value on acquisition.

Analysis of Acquisition

| | Book Value £ | Adjustment to Fair Value £ | Fair Value £ |
|---|--------------------|----------------------------------|--------------------|
| Housing Properties | - a) | 13,140,000 | 13,140,000 |
| Rent Arrears | 349,260 b) c) | (152,407) | 196,853 |
| Rent Prepaid | (73,949) d) | | (73,949) |
| Pension Liability | (42,000) e) | - | (42,000) |
| | <u>233,311</u> | <u>12,987,593</u> | <u>13,220,904</u> |
| Consideration received from GHA - at fair value | | | (7,653,620) |
| Acquisition costs | | (468,339) | |
| Less: Grant Received | | <u>129,320</u> | (339,019) |
| Negative Goodwill Arising on Acquisition | | | <u>20,535,505</u> |

Adjustments

- a) Housing Property has been recognised at its fair value, being its value using the EUV-SH basis at acquisition. The valuation was carried out by DTZ.
- b) The rent arrears acquired have been re-assessed and fair value adjustments made where appropriate.
- c) The Bad Debt Provision is based on the GHA calculations at the point of transfer.
- d) The rent prepayments acquired have been re-assessed and fair value adjustments made where appropriate.
- e) The Pension Liability has been calculated by a qualified actuary at the date of acquisition.

MARYHILL HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2012

NOTES TO THE FINANCIAL STATEMENTS (Continued)

30. PRIOR YEAR ADJUSTMENT

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

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

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

| | Reported in 2011 Accounts £ | Restated 2011 figures £ | Value of Restatement £ |
|-----------------------------|-----------------------------------|-------------------------------|------------------------------|
| Housing Property | 7,805,564 | 10,888,289 | 3,082,725 |
| Revenue Reserves | <u>1,053,622</u> | <u>4,136,347</u> | <u>3,082,725</u> |
| Housing Depreciation Charge | 191,441 | 367,948 | 176,507 |
| Major Repairs Charge | <u>519,751</u> | <u>221,058</u> | <u>(298,693)</u> |

The reported deficit in 2011 has been reduced by £122,186 and now stands at £1,096,552.