

**Blairtummock Housing Association Limited**

**Report and Financial Statements**

**For the year ended 31st March 2011**

**Registered Housing Association No.HCB216**

**FSA Reference No. 2354R (S)**

**Scottish Charity No. SC036997**

# BLAIRTUMMOCK HOUSING ASSOCIATION LIMITED

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**MANAGEMENT COMMITTEE, EXECUTIVES AND ADVISERS  
YEAR ENDED 31st MARCH 2011**

**MANAGEMENT COMMITTEE**

Catherine Black	Chairperson
Mary Catherine Mulligan	Vice Chairperson
Margaret Pirrie	Secretary
John Wilkie	Treasurer
Pat Aitken	
Helen Casey	
Maureen Loughran	
Betty McGill	
William Ross	
Jerry Haraburda	Co-opted 13th January 2011
Cllr. C. McMaster	
Cllr G Thoms	

**EXECUTIVE OFFICERS**

Susan Crookston	Director
Jacqui O'Rourke	Deputy Director

**REGISTERED OFFICE**

45 Boyndie Street  
Glasgow  
G34 9JQ

**AUDITORS**

Alexander Sloan  
Chartered Accountants  
38 Cadogan Street  
Glasgow  
G2 7HF

**BANKERS**

Clydesdale Bank Plc  
47 Main Street  
Ballieston  
Glasgow  
G69 6SQ

**SOLICITORS**

T.C Young  
7 West George Street  
Glasgow  
G2 1BA

## **BLAIRTUMMOCK HOUSING ASSOCIATION LIMITED**

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### **REPORT OF THE MANAGEMENT COMMITTEE FOR THE YEAR ENDED 31ST MARCH 2011**

The Management Committee presents its report and the Financial Statements for the year ended 31st March 2011.

#### **Legal Status**

The Association is a registered non-profit making organisation under the Industrial and Provident Societies Act 1965 No.2354R (S). The Association is constituted under its Rule Book. The Association is a registered Scottish Charity with the charity number SC036997.

#### **Principal Activities**

The principal activities of the Association are the provision and management of affordable rented accommodation.

#### **Review of Business and Future Developments**

The members of the Management Committee are of the opinion that the state of affairs of the Association is satisfactory. 177 tenants transferred from Glasgow Housing Association on 28th June 2010. A further 259 tenants were successfully balloted in May 2011 and transferred on 27th June 2011.

The Association has an extensive investment programme scheduled over the next four years and a demolition programme for 120 low demand properties, inherited from GHA, over the next 10 years.

The increase in stock numbers has no significant impact on the organisational structure since the Association has been managing the houses on behalf of Glasgow Housing Association for 8 years.

The Association will continue to invest in stock but has no immediate plans for increasing their stock.

#### **Management Committee and Executive Officers**

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

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

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

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**REPORT OF THE MANAGEMENT COMMITTEE  
FOR THE YEAR ENDED 31ST MARCH 2011**

**Statement of Management Committee's Responsibilities**

The Industrial and Provident Societies Acts 1965 to 2002 require the Management Committee to prepare Financial Statements for each financial year which give a true and fair view of the state of affairs of the Association and of the surplus or deficit of the Association for that period. In preparing those Financial Statements, the Management Committee is required to:-

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

The Management Committee is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Association and to enable 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 Management Committee must in determining how amounts are presented within items in the income and expenditure account and balance sheet, have regard to the substance of the reported transaction or arrangement, in accordance with generally accepted accounting practices.

In so far as the Management Committee are aware:

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

## **BLAIRTUMMOCK HOUSING ASSOCIATION LIMITED**

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### **REPORT OF THE MANAGEMENT COMMITTEE FOR THE YEAR ENDED 31ST MARCH 2011**

#### **Statement on Internal Financial Control**

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

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

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

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

#### **Auditors**

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

#### **By order of the Management Committee**

**MARAGARET PIRRIE**

Secretary

04 August 2011

**BLAIRTUMMOCK HOUSING ASSOCIATION LIMITED**

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

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

**Basis of Opinion**

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

**Opinion**

In our opinion the Statement on Internal Financial Control on page 4 has provided the disclosures required by the section on Internal Financial Control within SFHA's publication "Raising Standards in Housing" and is consistent with the information which came to our attention as a result of our audit work on the Financial Statements.

Through enquiry of certain members of the Management Committee and Officers of the Association, and examination of relevant documents, we have satisfied ourselves that the Management Committee's Statement on Internal Financial Control appropriately reflects the Association's compliance with the information required by the section on Internal Financial Control within SFHA's "Raising Standards in Housing".

**ALEXANDER SLOAN**  
Chartered Accountants

GLASGOW  
04 August 2011

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

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We have audited the financial statements of Blairtummock Housing Association Limited for the year ended 31st March 2011 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 Management Committee and Auditors**

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

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

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

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

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

In our opinion the Financial Statements:

- give a true and fair view of the state of the Association's affairs as at 31st March 2011 and of its income and expenditure for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been 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

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

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**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF  
BLAIRTUMMOCK HOUSING ASSOCIATION LIMITED (contd.)**

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**Matters on which we are required to report by exception**

We are required to report to you under the Industrial and Provident Societies Acts 1965 to 2002 if, in our opinion:

- 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  
04 August 2011

**BLAIRTUMMOCK HOUSING ASSOCIATION LIMITED**

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**INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED 31st MARCH 2011**

	Notes	£	2011 £	£	2010 £
<b>TURNOVER</b>	2.		2,100,351		1,655,673
Operating Costs	2.		(1,520,297)		(1,275,406)
			<hr/>		<hr/>
<b>OPERATING SURPLUS</b>	8.		580,054		380,267
Release of Negative Goodwill	21.	15,420		-	
Interest Receivable and Other Income		12,524		9,303	
Interest Payable and Similar Charges	7.	(216,353)		(152,121)	
			(188,409)		(142,818)
			<hr/>		<hr/>
<b>SURPLUS ON ORDINARY ACTIVITIES BEFORE TAXATION</b>			391,645		237,449
			<hr/>		<hr/>

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.

# BLAIRTUMMOCK HOUSING ASSOCIATION LIMITED

## BALANCE SHEET AS AT 31st MARCH 2011

	Notes	£	2011 £	£	2010 £
<b>TANGIBLE FIXED ASSETS</b>					
Housing Properties - Depreciated Cost	10.(a)		31,466,600		28,694,146
<b>Less:</b> Social Housing Grant	10.(a)		(23,941,077)		(23,912,739)
: Other Public Grants	10.(a)		(107,200)		(107,200)
			<u>7,418,323</u>		<u>4,674,207</u>
Other fixed assets	10.(b)		943,432		953,219
			<u>8,361,755</u>		<u>5,627,426</u>
<b>CURRENT ASSETS</b>					
Debtors	12.	143,829		103,709	
Investments	22.	755,803		1,052,773	
Cash at bank and in hand		943,438		337,130	
			<u>1,843,070</u>	<u>1,493,612</u>	
<b>CREDITORS:</b> Amounts falling due within one year	13.	(389,513)		(311,486)	
<b>NET CURRENT ASSETS</b>			<u>1,453,557</u>		<u>1,182,126</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			<u>9,815,312</u>		<u>6,809,552</u>
<b>CREDITORS:</b> Amounts falling due after more than one year	14.	(6,402,042)		(4,690,122)	
<b>NET ASSETS</b>			<u><u>3,413,270</u></u>		<u><u>2,119,431</u></u>
<b>CAPITAL AND RESERVES</b>					
Share Capital	16.		137		128
Designated Reserves	17.(a)		1,018,121		1,016,445
Revenue Reserves	17.(b)		1,492,827		1,102,858
Negative Goodwill	21.		902,185		-
			<u>3,413,270</u>		<u>2,119,431</u>

The Financial Statements were approved by the Management Committee and signed on their behalf on 04 August 2011.

CATHERINE BLACK  
*Chairperson*

JOHN WILKIE  
*Treasurer*

MARGARET PIRRIE  
*Secretary*

**BLAIRTUMMOCK HOUSING ASSOCIATION LIMITED**

**CASH FLOW STATEMENT FOR THE YEAR ENDED  
31st MARCH 2011**

	Notes	2011 £	2010 £
<b>Net Cash Inflow from Operating Activities</b>	15.	802,288	532,985
<b>Returns on Investment and Servicing of Finance</b>			
Interest Received		12,466	7,940
Interest Paid		(216,353)	(152,121)
<b>Net Cash Outflow from Investment and Servicing of Finance</b>		(203,887)	(144,181)
<b>Capital Expenditure and Financial Investment</b>			
Acquisition and Construction of Properties		(2,908,577)	(79,558)
Negative Goodwill on Acquisition		917,605	
Purchase of Other Fixed Assets		(21,927)	(2,389)
Social Housing Grant Received		6,299	57,176
Social Housing Grant Repaid		-	-
Other Grants Received		(14,729)	-
<b>Net Cash Outflow from Capital Expenditure and Financial Investment</b>		(2,021,329)	(24,771)
<b>Net Cash (Outflow) / Inflow before use of Liquid Resources and Financing</b>		(1,422,928)	364,033
<b>Management of Liquid Resources</b>			
Change in short term deposits with banks		296,970	(2,773)
<b>Financing</b>			
Loan Advances Received		1,922,000	-
Loan Principal Repayments		(189,743)	(160,183)
Share Capital Issued		9	2
<b>Net Cash Inflow / (Outflow) from Financing</b>		1,732,266	(160,181)
<b>Increase in Cash</b>	15.	<u>606,308</u>	<u>201,079</u>

# BLAIRTUMMOCK HOUSING ASSOCIATION LIMITED

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## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2011

### 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 2008, 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. Depreciation is charged on a straight line basis over the expected economic useful lives of the properties at an annual rate of 2%. Land is not depreciated. Housing Properties are reviewed for impairment if events or circumstances indicate that the carrying value is higher than the recoverable amount.

##### **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:-

Community Hall	2%
Furniture and Fittings	10%
Computer Equipment	33%
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 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.

# BLAIRTUMMOCK HOUSING ASSOCIATION LIMITED

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## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2011

### NOTES TO THE FINANCIAL STATEMENTS (Continued)

#### 1 PRINCIPAL ACCOUNTING POLICIES (Continued.)

##### **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.

##### **Designated Reserves**

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

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

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

##### **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.

# BLAIRTUMMOCK HOUSING ASSOCIATION LIMITED

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## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2011

### NOTES TO THE FINANCIAL STATEMENTS (Continued)

#### 1 PRINCIPAL ACCOUNTING POLICIES (Continued.)

##### **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.

# BLAIRTUMMOCK HOUSING ASSOCIATION LIMITED

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2011

### NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

	Notes	2011			2010		
		Turnover £	Operating Costs £	Operating Surplus / (Deficit) £	Turnover £	Operating Costs £	Operating Surplus / (Deficit) £
<b>Social Lettings</b>	3.	1,659,123	954,670	704,453	1,228,898	694,524	534,374
<b>Other Activities</b>	4.	441,228	565,627	(124,399)	426,775	580,882	(154,107)
<b>Total</b>		<u>2,100,351</u>	<u>1,520,297</u>	<u>580,054</u>	<u>1,655,673</u>	<u>1,275,406</u>	<u>380,267</u>

The following element of the above relates to acquisitions within the year:

	Turnover £	Operating Costs £	Operating Surplus £
<b>Acquisition</b>	<u>415,076</u>	<u>291,664</u>	<u>123,412</u>

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

	General Needs Housing £	Supported Housing £	Shared ownership £	2011 Total £	2010 Total £
<b>Income from Lettings</b>					
Rent Receivable Net of Identifiable Service Charges	1,497,880	50,810	37,830	1,586,520	1,217,411
Service Charges Receivable	76,858	2,962	161	79,981	21,851
<b>Gross Rents Receivable</b>	<u>1,574,738</u>	<u>53,772</u>	<u>37,991</u>	<u>1,666,501</u>	<u>1,239,262</u>
<b>Less:</b> Rent losses from voids	7,378	-	-	7,378	10,364
<b>Net Rents Receivable</b>	<u>1,567,360</u>	<u>53,772</u>	<u>37,991</u>	<u>1,659,123</u>	<u>1,228,898</u>
<b>Total Income From Social Letting</b>	<u>1,567,360</u>	<u>53,772</u>	<u>37,991</u>	<u>1,659,123</u>	<u>1,228,898</u>
<b>Expenditure on Social Letting Activities</b>					
Service Costs	79,456	2,962	161	82,579	29,171
Management and maintenance administration costs	380,646	10,631	-	391,277	334,425
Reactive Maintenance	192,718	-	-	192,718	148,294
Bad Debts - Rents and Service Charges	20,379	-	-	20,379	29,165
Planned and Cyclical Maintenance, including Major Repairs	131,594	-	-	131,594	66,161
Depreciation of Social Housing	131,751	-	4,372	136,123	87,308
<b>Operating Costs of Social Letting</b>	<u>936,544</u>	<u>13,593</u>	<u>4,533</u>	<u>954,670</u>	<u>694,524</u>
<b>Operating Surplus on Social Letting Activities</b>	<u>630,816</u>	<u>40,179</u>	<u>33,458</u>	<u>704,453</u>	<u>534,374</u>
<b>2010</b>	<u>482,314</u>	<u>20,120</u>	<u>31,940</u>		

# BLAIRTUMMOCK HOUSING ASSOCIATION LIMITED

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2011

### 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) 2011 £	Operating Surplus / (Deficit) 2010 £
Wider Role Activities	165,423	1,817	-	-	167,240	-	215,525	(48,285)	(22,444)
Factoring	-	-	-	5,503	5,503	-	5,925	(422)	(631)
Development and construction of property activities	-	-	-	-	-	-	-	-	(54,112)
Agency / Management services for other RSLs	-	-	-	144,628	144,628	-	205,299	(60,671)	(58,817)
Creche	-	-	-	11,913	11,913	-	2,614	9,299	9,941
Other Income	-	-	-	998	998	-	91	907	7,096
SST Seedcorn	110,946	-	-	-	110,946	-	136,173	(25,227)	(33,054)
Gala Day	-	-	-	-	-	-	-	-	(2,086)
<b>Total From Other Activities</b>	<u>276,369</u>	<u>1,817</u>	<u>-</u>	<u>163,042</u>	<u>441,228</u>	<u>-</u>	<u>565,627</u>	<u>(124,399)</u>	<u>(154,107)</u>
<b>2010</b>	<u>22,253</u>	<u>163,550</u>	<u>-</u>	<u>240,972</u>	<u>426,775</u>	<u>-</u>	<u>580,882</u>	<u>(154,107)</u>	

# BLAIRTUMMOCK HOUSING ASSOCIATION LIMITED

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2011

### NOTES TO THE FINANCIAL STATEMENTS (Continued)

#### 5. OFFICERS' EMOLUMENTS

	2011	2010
The Officers are defined in s74 of the Industrial and Provident Societies Act 1965 as the members of the Management Committee, managers or servants of the Association.	£	£

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

Emoluments payable to Chief Executive (excluding pension contributions)	<u>55,313</u>	<u>57,505</u>
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#### 6. EMPLOYEE INFORMATION

	2011	2010
	No.	No.
The average monthly number of full time equivalent persons employed during the year was	<u>16</u>	<u>16</u>

Staff Costs were:

	£	£
Wages and Salaries	449,776	428,762
Social Security Costs	34,300	32,942
Other Pension Costs	62,709	66,163
Temporary, Agency and Seconded Staff	988	39,735
	<u>547,773</u>	<u>567,602</u>

# BLAIRTUMMOCK HOUSING ASSOCIATION LIMITED

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2011

### NOTES TO THE FINANCIAL STATEMENTS (Continued)

#### 7. INTEREST PAYABLE

	2011	2010
	£	£
On Bank Loans & Overdrafts	<u>216,353</u>	<u>152,121</u>
Interest incurred in the development period of housing properties which has been written off to the income and expenditure account amounted to £nil (2010 £nil).		

#### 8. SURPLUS ON ORDINARY ACTIVITIES BEFORE TAXATION

	2011	2010
	£	£
Surplus on Ordinary Activities before Taxation is stated after charging:-		
Depreciation - Tangible Owned Fixed Assets	167,745	121,894
Auditors' Remuneration - Audit Services	6,863	6,511
- Other Services	836	961
Loss on sale of fixed assets	<u>92</u>	<u>68</u>

#### 9. 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.

# BLAIRTUMMOCK HOUSING ASSOCIATION LIMITED

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2011

### NOTES TO THE FINANCIAL STATEMENTS (Continued)

#### 10. TANGIBLE FIXED ASSETS

a) Housing Properties	Housing Properties Held for Letting £	Completed Shared Ownership Properties £	Total £
<b>COST</b>			
As at 1st April 2010	28,333,881	1,032,963	29,366,844
Additions	2,908,577	-	2,908,577
Disposals	-	-	-
Schemes Completed	-	-	-
As at 31st March 2011	<u>31,242,458</u>	<u>1,032,963</u>	<u>32,275,421</u>
<b>DEPRECIATION</b>			
As at 1st April 2010	635,475	37,223	672,698
Charge for Year	131,751	4,372	136,123
Disposals	-	-	-
As at 31st March 2011	<u>767,226</u>	<u>41,595</u>	<u>808,821</u>
<b>SOCIAL HOUSING GRANT</b>			
As at 1st April 2010	23,150,395	762,344	23,912,739
Additions	28,338	-	28,338
Disposals	-	-	-
Schemes Completed	-	-	-
As at 31st March 2011	<u>23,178,733</u>	<u>762,344</u>	<u>23,941,077</u>
<b>OTHER CAPITAL GRANTS</b>			
As at 1st April 2010	107,200	-	107,200
Additions	-	-	-
Disposals	-	-	-
Schemes Completed	-	-	-
As at 31st March 2011	<u>107,200</u>	<u>-</u>	<u>107,200</u>
<b>NET BOOK VALUE</b>			
As at 31st March 2011	<u>7,189,299</u>	<u>229,024</u>	<u>7,418,323</u>
As at 31st March 2010	<u>4,440,811</u>	<u>233,396</u>	<u>4,674,207</u>

Additions to housing properties includes capitalised development administration costs of £6,937 (2010 - £4,524) and capitalised major repair costs to existing properties of £nil (2010 £nil)

All land and housing properties are freehold.

**BLAIRTUMMOCK HOUSING ASSOCIATION LIMITED****FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2011****NOTES TO THE FINANCIAL STATEMENTS (Continued)****11. TANGIBLE FIXED ASSETS (Continued)****b) Other Tangible Assets**

	<b>Community Facility £</b>	<b>Furniture &amp; Equipment £</b>	<b>Total £</b>
<b>COST</b>			
As at 1st April 2010	1,448,001	98,156	1,546,157
Additions	-	21,927	21,927
Eliminated on Disposals	-	(15,493)	(15,493)
As at 31st March 2011	<u>1,448,001</u>	<u>104,590</u>	<u>1,552,591</u>
<b>GRANTS RECEIVED</b>			
As at 1st April 2010	<u>410,315</u>	-	<u>410,315</u>
As at 31st March 2011	<u>410,315</u>	-	<u>410,315</u>
<b>AGGREGATE DEPRECIATION</b>			
As at 1st April 2010	103,402	79,221	182,623
Charge for year	20,754	10,868	31,622
Eliminated on disposal	-	(15,401)	(15,401)
As at 31st March 2011	<u>124,156</u>	<u>74,688</u>	<u>198,844</u>
<b>NET BOOK VALUE</b>			
As at 31st March 2011	<u>913,530</u>	<u>29,902</u>	<u>943,432</u>
As at 31st March 2010	<u>934,284</u>	<u>18,935</u>	<u>953,219</u>

# BLAIRTUMMOCK HOUSING ASSOCIATION LIMITED

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2011

### NOTES TO THE FINANCIAL STATEMENTS (Continued)

#### 12. DEBTORS

	2011	2010
	£	£
Arrears of Rent & Service Charges	93,386	29,086
<b>Less:</b> Provision for Doubtful Debts	(28,162)	(14,304)
	<u>65,224</u>	<u>14,782</u>
Other Debtors	78,605	88,927
	<u>143,829</u>	<u>103,709</u>

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

	2011	2010
	£	£
Housing Loans	203,014	182,677
Trade Creditors	78,484	46,804
Rent in Advance	39,462	13,322
Social Housing Grant in Advance	-	6,086
Other Taxation and Social Security	11,621	20,935
Amounts Due to Group Undertakings	9,220	8,329
Other Creditors	5,565	8,443
Accruals and Deferred Income	42,147	24,890
	<u>389,513</u>	<u>311,486</u>

At the balance sheet date there were pension contributions outstanding of £7,841 (2010 £8,231)

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

	2011	2010
	£	£
Housing Loans	<u>6,402,042</u>	<u>4,690,122</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	203,014	182,677
Between one and two years	209,504	186,418
Between two and five years	669,674	583,737
In five years or more	<u>5,522,864</u>	<u>3,919,966</u>
	6,605,056	4,872,799
Less: Amount shown in Current Liabilities	203,014	182,677
	<u>6,402,042</u>	<u>4,690,122</u>

# BLAIRTUMMOCK HOUSING ASSOCIATION LIMITED

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2011

### NOTES TO THE FINANCIAL STATEMENTS (Continued)

#### 15. CASH FLOW STATEMENT

<i>Reconciliation of operating surplus to net cash inflow from operating activities</i>	2011 £	2010 £
Operating Surplus	580,054	380,267
Depreciation	167,745	121,894
Change in Debtors	(9,380)	341
Change in Creditors	63,777	(23,697)
Loss on sale of fixed assets	92	68
Development Costs written off	-	54,112
Net Cash Inflow from Operating Activities	<u>802,288</u>	<u>532,985</u>

<i>Reconciliation of net cash flow to movement in net debt</i>	2011 £	£	2010 £	£
Increase in Cash	606,308		201,079	
Cash flow from management of liquid resources	(296,970)		2,773	
Cash flow from change in debt	<u>(1,732,257)</u>		<u>160,183</u>	
Movement in net debt during year		(1,422,919)		364,035
Net debt at 1st April 2010		<u>(3,482,896)</u>		<u>(3,846,931)</u>
Net debt at 31st March 2011		<u>(4,905,815)</u>		<u>(3,482,896)</u>

<i>Analysis of changes in net debt</i>	At 01.04.10 £	Cash Flows £	At 31.03.11 £
Cash at bank and in hand	337,130	606,308	943,438
Liquid Resources	1,052,773	296,970	755,803
Debt: Due within one year	(182,677)	(20,337)	(203,014)
Due after more than one year	<u>(4,690,122)</u>	<u>(1,711,920)</u>	<u>(6,402,042)</u>
Net Debt	<u>(3,482,896)</u>	<u>(828,979)</u>	<u>(4,905,815)</u>

# BLAIRTUMMOCK HOUSING ASSOCIATION LIMITED

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2011

### NOTES TO THE FINANCIAL STATEMENTS (Continued)

#### 16. SHARE CAPITAL

Shares of £1 each Issued and Fully Paid	£
At 1st April 2010	128
Issued in year	9
Cancelled in year	-
At 31st March 2011	<u>137</u>

Each member of the Association holds one share of £1 in the Association. These shares carry no rights to dividend or distributions on a winding up. When a shareholder ceases to be a member, that person's share is cancelled and the amount paid thereon becomes the property of the Association. Each member has a right to vote at members' meetings.

#### 17. RESERVES

(a) Designated Reserves	Road Adoption £	Furniture Sinking £	Cyclical Maintenance £	Major Repairs £	Total £
At 1st April 2010	82,510	42,919	108,304	782,712	1,016,445
Transfer from Revenue Reserves	-	1,676	-	-	1,676
At 31st March 2011	<u>82,510</u>	<u>44,595</u>	<u>108,304</u>	<u>782,712</u>	<u>1,018,121</u>

(b) Revenue Reserves	Total £
At 1st April 2010	1,102,858
Surplus for the year	391,645
Transfer (to) / from Designated Reserves	(1,676)
At 31st March 2011	<u>1,492,827</u>

#### 18. HOUSING STOCK

The number of units of accommodation in management at the year end was:-	2011 No.	2010 No.
General Needs - New Build	468	290
- Rehabilitation	109	109
Shared Ownership	25	23
	<u>602</u>	<u>422</u>

# BLAIRTUMMOCK HOUSING ASSOCIATION LIMITED

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## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2011

### NOTES TO THE FINANCIAL STATEMENTS (Continued)

#### 19. RELATED PARTY TRANSACTIONS

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

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

6 members are tenants of the Association

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.

#### 20. SUBSIDIARY UNDERTAKING

The Association has a subsidiary Blairtummock Community Hall, a Company limited by guarantee.

At 31 March 2011, Blairtummock Community Hall was owed £9,220 (2010 - £8,329) by Blairtummock Housing Association Ltd.

The aggregate amount of capital and reserves and the results of Blairtummock Community Hall for the year ended 31st March 2011 were as follows:

	<b>2011</b>	<b>2010</b>
	<b>£</b>	<b>£</b>
Capital & Reserves	<u>10,883</u>	<u>7,361</u>
Surplus for the year	<u>2,432</u>	<u>3,015</u>

# BLAIRTUMMOCK HOUSING ASSOCIATION LIMITED

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## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2011

### NOTES TO THE FINANCIAL STATEMENTS (Continued)

#### 21. NEGATIVE GOODWILL

	2011 £
At 1st April 2010	-
Purchased in year	917,605
Release during the year	<u>(15,420)</u>
At 31st March 2011	<u>902,185</u>

#### 22. CURRENT ASSET INVESTMENTS

	2011 £	2010 £
Short Term Deposits	<u>755,803</u>	<u>1,052,773</u>

#### 23. POST BALANCE SHEET EVENT

The Association has successfully transferred 275 units of stock from Glasgow Housing Association in June 2011. The Association will receive a dowry of £2,434,503 given the condition of the stock and work required to bring the stock up to quality standards.

## BLAIRTUMMOCK HOUSING ASSOCIATION LIMITED

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### FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2011

#### NOTES TO THE FINANCIAL STATEMENTS (Continued)

#### 24. SECOND STAGE TRANSFER

On 27 June 2010 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 177 housing units that were managed by Blairtummock. The identifiable assets and liabilities have been incorporated in the balance sheet of the Association at their fair value on acquisition.

##### Analysis of Acquisition

	<b>Book Value</b>	<b>Adjustment to Fair Value</b>	<b>Fair Value</b>
	£	£	£
Housing Properties	2,821,000 a)	-	2,821,000
Debtors - Rent Arrears	<u>24,784 b)</u>	<u>-</u>	<u>24,784</u>
	<u>2,845,784</u>	<u>-</u>	<u>2,845,784</u>
Consideration - at fair value			<u>1,928,179</u>
<b>Negative Goodwill Arising on Acquisition</b>			<u><u>917,605</u></u>

##### Adjustments

- a) Housing Property has been recognised at its fair value, being its value using the EUV-SH basis at acquisition.
- b) The rent arrears acquired have been re-assessed and fair value adjustments made where appropriate.

# BLAIRTUMMOCK HOUSING ASSOCIATION LIMITED

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## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2011

### NOTES TO THE FINANCIAL STATEMENTS (Continued)

#### 25. RETIREMENT BENEFIT OBLIGATIONS

##### General

Blairtummock 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.

Blairtummock 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 2008 and the final salary with a 1/60th accrual rate benefit structure for new entrants from 1st April 2008.

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 Blairtummock Housing Association Limited paid contributions at the rate of 15.4% to of pensionable salaries. Member contributions were 7.7%.

As at the balance sheet date there were 13 active members of the Scheme employed by Blairtummock Housing Association Limited. The annual pensionable payroll in respect of these members was £443,519. Blairtummock 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.

# BLAIRTUMMOCK HOUSING ASSOCIATION LIMITED

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2011

### NOTES TO THE FINANCIAL STATEMENTS (Continued)

#### 25. 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 2010. 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 £335 million and indicated an increase in the shortfall of assets compared to liabilities to approximately £162 million, equivalent to a past service funding level of 67.4%.

#### 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. The table below illustrates the assumed life expectancy in years for pension scheme members at age 65 using these mortality assumptions:

	<i>Males</i>	<i>Females</i>
	<i>Assumed life expectancy in years at age 65</i>	<i>Assumed life expectancy in years at age 65</i>
Non-pensioners	18.1	20.6
Pensioners	18.1	20.6

# BLAIRTUMMOCK HOUSING ASSOCIATION LIMITED

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2011

### NOTES TO THE FINANCIAL STATEMENTS (Continued)

#### 25. 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.