

**BLOCHAIRN HOUSING ASSOCIATION LIMITED**

**FINANCIAL STATEMENTS**

**For the year ended 31 March 2012**

**Registered Housing Association No. HAC223**

**Financial Services Authority No. 2341R(S)**

**Charity No: SC040816**

**BAKER TILLY UK AUDIT LLP**  
**Chartered Accountants**

**Glasgow**

# BLOCHAIRN HOUSING ASSOCIATION LIMITED

## FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2012

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#### **Registration particulars:**

Financial Services Authority	Industrial & Provident Societies Act 1965 Registered Number: 2341R(S)
Scottish Housing Regulator	Housing (Scotland) Act 2001 Registered Number: HAC223
Scottish Charities	Charity and Trustee Investment Act (Scotland) 2005 Scottish Charity Number SC 040816

# BLOCHAIRN HOUSING ASSOCIATION LIMITED

## REPORT OF THE MANAGEMENT COMMITTEE

YEAR ENDED 31 MARCH 2012

The Management Committee present their report and audited financial statements for the year ended 31 March 2012.

### Principal activity

The principal activity of the Association is the provision of housing for let at rents affordable to the client groups for whom it intends to provide.

### Business review

The Management Committee are satisfied that the Association business during the financial year has been conducted in accordance with the agreed policies and procedures.

Blochairn made a surplus of £118,346 (2011 - surplus restated £123,118) during the year. Following the implementation of the Statement of Recommended Practice – Accounting by registered social housing providers – Update 2010 (SORP 2010), the Association has implemented component accounting. As a result of the changes brought about by the SORP 2010 and the detailed guidance of the Technical Notes, the Association has adopted a new accounting policy, which has resulted in a prior period adjustment. The 2011 comparative figures have been restated. This is further explained in Section 6 of the Operational Report of the Management Committee and in Note 22 to the financial statements.

Despite this expenditure Blochairn is in a strong financial position with over £650k deposited as cash funds. Blochairn continues to have a significant major repair investment programme over the next few years. We have also provided substantial funds over the next five years to meet our commitments under the Scottish Housing Quality Standards. Cash surpluses will continue to be made, subject to our planned major repair programme over the next few years.

Blochairn has moved to its first purpose built office which provides better facilities for residents and other customers and for staff.

### Surplus for the year and transfers

The results for the year are shown in the income and expenditure account on page 11. The surplus for the year of £118,346 (2011: surplus restated £123,118) has been dealt with as follows:

	£
Surplus for year after tax	118,346
<b>Transfers to designated reserves</b>	-
Future repairs reserve	-
<b>Transferred to revenue reserve</b>	118,346

# **BLOCHAIRN HOUSING ASSOCIATION LIMITED**

## **REPORT OF THE MANAGEMENT COMMITTEE**

**YEAR ENDED 31 MARCH 2012**

### **Members of Management Committee**

The members of the Management Committee of the Association during the year to 31 March 2012 were as follows:

Joan Reuston - Chairperson  
William Kerr - Vice Chairman  
Mary Gibb - Secretary  
Anne Gregory  
Mary Kelly  
John Murray  
Marion Reilly  
Selina Kelly  
Jean O'Neill (resigned 17 May 2011)  
John McBryde (appointed 13 September 2011)  
Kathleen McGrath (appointed 13 September 2011)  
Jean Taylor (appointed 13 September 2011)  
Antoni Zurakowski (appointed 13 September 2011)

### **Fixed assets**

Additions to fixed assets in the year are set out in note 6 to the financial statements.

### **Corporate Governance**

Blochairn has a Management Committee who are elected by the members of the Association. It is the responsibility of the Committee to undertake the strategy, setting of policy and overall direction for the Association. They also monitor the operational activities of the Association. The members of the Management Committee are unpaid.

The staff of Blochairn are responsible for achieving the strategy set, undertaking the operational activities in line with the policies set.

Our governing body is our Management Committee, which is responsible to the wider membership. Management Committee members serve in a voluntary capacity, and we recognise that this puts even more onus on us to ensure that we set and achieve high standards of professionalism in our work. We take governance very seriously, and in the last year we continued to build on work from previous years which strengthened our governance arrangements.

# **BLOCHAIRN HOUSING ASSOCIATION LIMITED**

## **REPORT OF THE MANAGEMENT COMMITTEE**

**YEAR ENDED 31 MARCH 2012**

### **Maintenance policies**

The Association seeks to maintain its properties to the highest standard. To this end, programmes of cyclical repairs are carried out in the medium term to deal with the gradual and predictable deterioration of building components. It is expected that the cost of all these repairs would be charged to the Income and Expenditure account.

In addition, the Association has a long-term programme of major repairs to cover for works which have become necessary since the original development was completed, including works required by subsequent legislative changes. This included replacement or repairs to features of the properties, which have come to the end of their economic lives. In line with the SORP 2010, replacements to building components (as identified in Note 1) are capitalised in the accounts as they occur. All other major repairs are charged to the Income and Expenditure account.

### **Treasury Management**

The Association has an active treasury management function, which operates in accordance with the Treasury Policy approved by the Management Committee. In this way the Association manages its borrowing arrangements to ensure that it is always in a position to meet its financial obligations as they fall due, whilst minimising excess cash and liquid resources held.

### **Internal Financial Control**

The Management Committee is responsible for establishing and maintaining the Association's system of internal control. Internal control systems are designed to meet the particular needs of the Association and the risks to which it is exposed, and by their nature can provide reasonable but not absolute assurance against material misstatement or loss. The key procedures which the Management Committee has established with a view to providing effective internal financial control are detailed on pages 7 and 8.

### **Quality and Integrity of Personnel**

The integrity and competence of personnel are ensured through high recruitment standards and subsequent training courses. High quality personnel are seen as an essential part of the control environment and the ethical standards expected are communicated through the Director.

### **Management Structure**

The Management Committee has overall responsibility for the Association and there is a formal schedule of matters specifically reserved for decision by the Committee.

### **Component Accounting**

Blochairn has adopted Component Accounting into its financial statements this year in compliance with the SORP 2010. Major Components (Note 1) of our buildings are identified and depreciated over specific economic life spans. Their replacement is then capitalised in the accounts as they occur. There is a resulting prior period adjustment which is shown to the relevant notes to the accounts and detailed in Note 22.

# **BLOCHAIRN HOUSING ASSOCIATION LIMITED**

## **REPORT OF THE MANAGEMENT COMMITTEE**

**YEAR ENDED 31 MARCH 2012**

### **Budgetary Process**

Each year the Management Committee approves the annual budget and rolling five-year strategic plan. Key risk areas are identified. Performance is monitored and relevant action taken throughout the year through quarterly reporting to the Committee of variances from the budget, updated forecasts for the year together with information on the key risk areas. Approval procedures are in place in respect of major areas of risk such as major contract tenders, expenditure and treasury management.

### **Rental Income**

The Association will make sure that it is financially viable and that rents are set at a level that will guarantee enough income to manage and maintain its houses, cover loan charges and to provide for future major repairs.

The Association will also make sure that its rents are comparable to other housing providers. Each year, as rents are reviewed, a survey will be carried out over a random sample of both neighbouring associations and others throughout the City. Information from this survey will be taken into account when rents are being set.

The Association recognises that many of its tenants and waiting list applicants will be on below average incomes, a characteristic common to most community owned housing associations and co-operatives. Whilst recognising that there is no one accepted definition of affordability, the Association will try to set rents at a level affordable to its traditional client group. Affordability will normally be considered using criteria recommended by the Scottish Federation of Housing Associations.

### **Employee Involvement and Health & Safety**

The Association encourages employee involvement in all major initiatives.

### **Disabled Employees**

Applications for employment by disabled persons are given full and fair consideration for all vacancies in accordance with their particular aptitudes and abilities. In the event of employees becoming disabled, every effort is made to retrain them in order that their employment with the Association may continue. It is the policy of the Association that training, career development and promotion opportunities should be available to all employees.

### **Credit Payment Policy**

The Association policy concerning the payment of its trade creditors complies with the Confederation of British Industry guidelines. The average payment period is thirty days.

# **BLOCHAIRN HOUSING ASSOCIATION LIMITED**

## **REPORT OF THE MANAGEMENT COMMITTEE**

**YEAR ENDED 31 MARCH 2012**

### **Future developments**

The Association continued its policy of improving the quality of housing within its area of operation. It is not likely that there will be further development within the next three years due to limitations in government grant and to limited opportunities within the immediate area in terms of available sites.

### **Information for auditors**

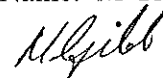
As far as the Committee members are aware there is no relevant audit information of which the auditors are unaware and the Committee members have taken all the steps they ought to have taken to make themselves aware of any relevant audit information and to ensure that the auditors are aware of any such information.

### **Auditors**

Baker Tilly UK Audit LLP has indicated its willingness to continue in office.

On behalf of the Management Committee

Name: M Gibb



Date: 25-6-12.....

# BLOCHAIRN HOUSING ASSOCIATION LIMITED

## STATEMENT OF THE MANAGEMENT COMMITTEE'S RESPONSIBILITIES

YEAR ENDED 31 MARCH 2012

Under the legislation relating to Industrial and Provident Societies we are required 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 year. In preparing those financial statements we are required to:

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

We are also responsible for:

- keeping proper accounting records;
- safeguarding the Association's assets;
- taking reasonable steps for the prevention and detection of fraud.

By order of the Management Committee

Name: M Gibb



Date: 25.6.12



## **BLOCHAIRN HOUSING ASSOCIATION LIMITED**

### **MANAGEMENT COMMITTEE'S STATEMENT ON INTERNAL FINANCIAL CONTROLS**

**YEAR ENDED 31 MARCH 2012**

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

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

It is the 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 include ensuring that:

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

**BLOCHAIRN HOUSING ASSOCIATION LIMITED**

**MANAGEMENT COMMITTEE'S STATEMENT ON INTERNAL FINANCIAL CONTROLS**

**YEAR ENDED 31 MARCH 2012**

**(continued)**

The Management Committee have reviewed the system of internal financial control in existence in the Association for the year ended 31 March 2012 and until the below date. No weaknesses were found in internal financial controls which could result in material losses, contingencies, or uncertainties which require disclosure in the financial statements or in the auditors' report on the financial statements.

By order of the Management Committee

Name: M Gibb



Date: 25-6-12

# BLOCHAIRN HOUSING ASSOCIATION LIMITED

## AUDITORS' REPORT ON CORPORATE GOVERNANCE MATTERS

### Corporate Governance

In addition to our audit of the financial statements, we have reviewed the Management Committee's statement on pages 7 and 8 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 Bulletin 2006/5 that was 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 pages 7 and 8 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.

*Baker Tilly UK Audit LLP*

Baker Tilly UK Audit LLP  
Registered Auditors  
Chartered Accountants  
Glasgow

Date: .....6/7/12:.....

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF  
BLOCHAIRN HOUSING ASSOCIATION LIMITED**

We have audited the financial statements of Blochairn Housing Association Limited for the year ended 31 March 2012 on pages 11 to 30. 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 auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Association and the Association's members as a body, for our audit work, for this report, or for the opinions we have formed.

**Respective responsibilities of the Committee and auditor**

As explained more fully in the Committee's Responsibilities Statement set out on page 6, the Committee are responsible for the preparation of the financial statements and for being satisfied that they 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 of the financial statements**

A description of the scope of an audit of financial statements is provided on the APB's website at [www.frc.org.uk/apb/scope/private.cfm](http://www.frc.org.uk/apb/scope/private.cfm).

**Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the Association's affairs as at 31 March 2012 and of its income and expenditure for the year then ended; and
- have been prepared in accordance with the requirements of the Industrial and Provident Societies Acts 1965 to 2002, Schedule 7 of 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 have nothing to report in respect of the following matters where the Industrial and Provident Societies Acts 1965 to 2002 requires us to report to you if, in our opinion:

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

*Baker Tilly UK Audit LLP*

BAKER TILLY UK AUDIT LLP  
Statutory Auditor  
Breckenridge House  
274 Sauchiehall Street  
GLASGOW  
G2 3EH

Date: .....6/7/12.....

# BLOCHAIRN HOUSING ASSOCIATION LIMITED

## INCOME AND EXPENDITURE ACCOUNT

YEAR ENDED 31 MARCH 2012

	Notes	2012 £	2011 As restated £
Turnover	2	2,291,488	616,400
Operating Costs	2	<u>(2,032,381)</u>	<u>(472,014)</u>
Operating surplus		259,107	144,386
Interest receivable		3,696	2,587
Interest payable	4	(144,457)	(26,577)
Profit on sale of fixed assets		-	2,722
Surplus on ordinary activities before tax		<u>118,346</u>	<u>123,118</u>
Corporation tax	5	-	-
Surplus for year after tax	14	<u>118,346</u>	<u>123,118</u>

There are no recognised gains and losses in 2012 and 2011 other than the surplus for the year.

None of the Association's activities were acquired or discontinued during the above two financial years.

### STATEMENT OF TOTAL RECOGNISED SURPLUSES AND DEFICITS FOR THE YEAR ENDING 31 MARCH 2012

	2012 £	2011 As restated £
Surplus for the year	<u>118,346</u>	<u>123,118</u>
Prior period adjustment (Note 22)	69,559	-
Total surpluses recognised since last reporting period	<u>187,905</u>	<u>123,118</u>

# BLOCHAIRN HOUSING ASSOCIATION LIMITED

## BALANCE SHEET

AS AT 31 MARCH 2012

	Notes	2012		2011
		£	£	As restated £
<b>Tangible Fixed Assets</b>				
Housing properties				
- Gross cost less depreciation	6		21,566,070	20,886,467
Less: Housing Association and other Grant	6		<u>(16,891,785)</u>	<u>(16,785,853)</u>
			4,674,285	4,100,614
Other Fixed Assets	6		<u>258,977</u>	<u>202,482</u>
			<u>4,933,262</u>	<u>4,303,096</u>
<b>Fixed Asset Investments</b>				
Shared Equity Loan		1,358,774		-
Shared Equity Grant		<u>(1,358,774)</u>		-
				-
<b>Current Assets</b>				
Stock	7	389,635		1,297,244
Debtors	8	64,837		368,605
Cash at bank and in hand		<u>659,248</u>		<u>659,547</u>
			1,113,720	2,325,396
<b>Creditors: Amounts falling due within one year</b>	9		<u>(706,767)</u>	<u>(1,319,021)</u>
<b>Net Current Assets</b>			<u>406,953</u>	<u>1,006,375</u>
<b>Total assets less current liabilities</b>			5,340,215	5,309,471
<b>Creditors: Amounts falling due after more than one year</b>	10		<u>(4,483,838)</u>	<u>(4,571,452)</u>
			<u>856,377</u>	<u>738,019</u>
<b>Capital and reserves</b>				
Share capital	13		187	175
Revenue reserve	14		482,440	364,094
Designated reserves	15		<u>373,750</u>	<u>373,750</u>
<b>Total Funds</b>			<u>856,377</u>	<u>738,019</u>

These financial statements were approved by the Management Committee and authorised for issue on 25/6/12 and signed on their behalf by:

Committee Member: J. Reuston

Committee Member: [Signature]

Secretary: [Signature]

# BLOCHAIRN HOUSING ASSOCIATION LIMITED

## CASH FLOW STATEMENT

YEAR ENDED 31 MARCH 2012

	Notes	2012		2011
		£	£	As restated £
<b>Net cash inflow/(outflow) from operating activities</b>	16		1,264,608	<u>(1,066,850)</u>
<b>Return on investments and servicing of finance</b>				
Interest received		3,696		2,587
Interest paid		(144,457)		(26,577)
<b>Net cash (outflow) from returns on Investments &amp; servicing of finance</b>			<u>(140,761)</u>	<u>(23,990)</u>
<b>Taxation</b>				
Corporation Tax paid			-	(1,114)
			-	<u>(1,114)</u>
<b>Capital Expenditure and Financial Investment</b>				
Payments for the purchase and development of property		(2,534,600)		(5,405,208)
HAG received		1,902,604		2,523,787
Disposal of fixed assets		41,348		9,987
Purchase of equipment		(64,262)		-
<b>Net cash (outflow) from capital expenditure and financial investment</b>			<u>(654,910)</u>	<u>(2,871,434)</u>
<b>Net cash inflow/(outflow) before financing</b>			468,937	<u>(3,963,388)</u>
<b>Financing</b>				
Loans received			-	4,041,314
Loans repaid		(469,236)		(86,811)
<b>Net cash (outflow)/inflow from financing</b>			<u>(469,236)</u>	<u>3,954,503</u>
<b>(Decrease) in cash and cash equivalents</b>	16		<u>(299)</u>	<u>(8,885)</u>

Further details are given in note 16.

# BLOCHAIRN HOUSING ASSOCIATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2012

### 1. Principal accounting policies

#### **Basis of Accounting**

The principal accounting policies of the Association are set below. The Association is incorporated under the Industrial and Provident Societies Act 1965 and is registered by The Financial Services Authority. The accounts have been prepared under the historical cost convention, and in compliance with Registered Social Landlords Accounting Requirements (Scotland) Order 2007 and The Statement of Recommended Practice (SORP), "Accounting by Registered Social Housing Providers Update 2010" and applicable accounting standards.

#### **Turnover**

Turnover relates to the income from the letting of properties at affordable rents, and the supply of feuing services, together with revenue grants from the Scottish Government, local authorities and other organisations.

#### **Housing Association Grants**

Housing Association Grants (HAG) are utilised to reduce the amount of mortgage loans in respect of an approved scheme to the amount which it is estimated can be serviced by the net annual income of the scheme. The amount of HAG is calculated on the qualifying cost of the scheme in accordance with instructions issued from time to time.

HAG is repayable under certain circumstances, primarily following the sale of property, but will normally be restricted to net proceeds of sale.

Acquisition and Development Allowances are advanced as mortgage loans. They are intended to finance certain internal administration costs relating to the acquisition of schemes. Development allowances become available in instalments according to the progress of work on the scheme. Amounts equal to these allowances are credited to development costs when they are receivable.

#### **Finance**

The financial statements have been prepared on the basis that capital expenditure will be grant aided, funded by loans, met out of reserves or from proceeds of sales.

#### **Mortgages**

Mortgage loans are advanced by private lenders under the terms of the individual mortgage deeds in respect of each property or housing scheme. Advances are available only in respect of those developments which have been given approval for HAG.

#### **Fixed assets - Housing land and buildings**

Housing properties are stated at cost less housing association grant less accumulated depreciation. The cost of such properties includes the following:

- (i) cost of acquiring land and buildings
- (ii) development expenditure including applicable overheads
- (iii) interest charged on the loans raised to finance the scheme



# BLOCHAIRN HOUSING ASSOCIATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2012

### Fixed assets - Housing land and buildings (cont)

Works to existing properties will generally be capitalised under the following circumstances:

- (i) Where a component of the housing property that has been treated separately for depreciation purposes and depreciated over its useful economic life is replaced or restored; or
- (ii) Where the subsequent expenditure provides an enhancement of the economic benefits of the tangible fixed assets in excess of the previously assessed standard of performance. Such enhancement can occur if the improvements result in an increase in rental income, a material reduction in future maintenance costs or a significant extension of the life of the property.

Works to existing properties which fail to meet the above criteria are charged to the Income and Expenditure account.

The adoption of Component Accounting during the year represents a change in accounting policy. Previously the major components of the Association's housing properties were deemed to be land and buildings. The major components are now deemed to be Land, Structure, Kitchens, Bathrooms, Central Heating and Windows. Each component has a substantially different economic life and is depreciated over this individual life. Depreciation rates are shown below. The new accounting policy is compliant with the SORP 2010.

Expenditure on schemes which are subsequently aborted is written off in the year in which it is recognised that the scheme will not be developed to completion.

### Housing, land and buildings - depreciation

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 each major component that makes up the housing property as follows:

Land	Not depreciated
Structure	Over 50 years
Kitchens	Over 15 years
Bathrooms	Over 15 years
Central Heating	Over 12 Years
Windows	Over 25 years

### Other fixed assets

Depreciation is charged by equal annual instalments at rates estimated to write off costs less any residual value over expected useful lives

Office property	- 2%
Fixtures & fittings	- 20%
Office improvements	- 5%
Office equipment	- 25%

Other fixed assets with a value greater than £10,000 are capitalised.

# **BLOCHAIRN HOUSING ASSOCIATION LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS**

**YEAR ENDED 31 MARCH 2012**

### **Impairment of fixed assets**

Reviews for impairment of housing properties are carried out on an annual basis and any impairment in an income-generating unit is recognised by a charge to the income and expenditure account. Impairment is recognised where the carrying value of an income-generating unit exceeds the higher of its net realisable value or its value in use. Value in use represents the net present value of expected future cash flows from these units. Impairment of assets would be recognised in the Income and Expenditure account.

### **Designated reserves**

Any transfer to designated reserves is calculated using future projections obtained from the Associations Life Cycle Costing Model. The Life Cycle Costing Model does not differentiate between cyclical maintenance and major repairs. The Association has therefore, consolidated its designated reserves to show a Future Repairs Reserve, which better reflects the basis on which the provision has been designated. This reserve is based on estimated future costs to be incurred by the Association, in respect of existing housing accommodation for all repairs, including improvement or replacement, with a cycle of two or more years.

### **Apportionment of management expenses**

Direct employee administration and operating costs have been apportioned to the income and expenditure account on the basis that they are directly engaged in each of the operations dealt with in those accounts.

### **Pensions**

The Association participates in the centralised Scottish Housing Associations Pension Scheme (SHAPS) which is a defined benefits scheme. 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.

### **Sale of housing properties**

Properties are disposed of under the appropriate legislation and guidance. All costs and grants relating to the share of property sold are removed from the financial statements at the date of sale. Any grants received that cannot be repaid from the proceeds of sale are abated and the grants removed from the financial statements.

### **Stock**

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

### **New Supply Shared Equity (NSSE)**

Income received from sales is included within turnover and the expenses are included as cost of sales to reflect the level of activity undertaken. During the development of NSSE properties the costs and HAG received are shown in the balance sheet as a current asset, with the cost of property and the HAG shown separately and once sold they are reported as a fixed asset investment. The current asset treatment reflects the risk to the Association until a sale is achieved.

# BLOCHAIRN HOUSING ASSOCIATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2012

### 2. Particulars of turnover, operating costs, operating surplus or deficit

	Notes	Turnover £	Operating Costs £	Operating Surplus £	Operating Surplus As restated 2011 £
Social lettings	3a	854,082	601,198	252,884	140,136
Other Activities	3b	1,437,406	1,431,183	6,223	4,250
<b>Total</b>		<u>2,291,488</u>	<u>2,032,381</u>	<u>259,107</u>	<u>144,386</u>
<b>As restated - 2011</b>		<u>616,400</u>	<u>472,014</u>	<u>144,386</u>	

# BLOCHAIRN HOUSING ASSOCIATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2012

### 3a. Particulars of income and expenditure from lettings

	General Needs Housing	Shared Ownership	Supported Housing	2012 Total	2011 As restated Total
	£	£	£	£	£
<b>Lettings</b>					
Rent receivable net of Service Charges	853,264	-	-	853,264	603,938
Service charges	-	-	-	-	-
<b>Gross Income from rents and services charges</b>	853,264	-	-	853,264	603,938
<b>Less: Voids</b>	(191)	-	-	(191)	(958)
<b>Net income from rents and service charges</b>	853,073	-	-	853,073	602,980
Revenue Grants	1,009	-	-	1,009	9,170
<b>Total turnover from social letting activities</b>	854,082	-	-	854,082	612,150
<b>Expenditure on Letting Activities</b>					
Management and maintenance administration costs	315,254	-	-	315,254	275,414
Service costs	-	-	-	-	-
Planned and cyclical maintenance including major repairs costs	48,857	-	-	48,857	33,621
Reactive maintenance	108,315	-	-	108,315	98,168
Bad debts –rents and service charges	6,095	-	-	6,095	8,305
Depreciation of social housing	122,677	-	-	122,677	56,506
<b>Operating costs for social letting activities</b>	601,198	-	-	601,198	472,014
<b>Operating surplus for social lettings</b>	252,884	-	-	252,884	140,136
<b>Previous period of account</b>	140,136	-	-	140,136	

The amount of service charges receivable on housing accommodation not eligible for Housing Benefit was £nil (2011 - £Nil).

**BLOCHAIRN HOUSING ASSOCIATION LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**YEAR ENDED 31 MARCH 2012**

**3b – Particulars of turnover, operating costs and operating surplus or deficit from other activities**

	<i>Grants from Scottish Ministers</i>	<i>Other revenue grants</i>	<i>Supporting people income</i>	<i>Other income</i>	<i>Total Turnover</i>	<i>Operating costs – bad debts</i>	<i>Other operating costs</i>	<i>Operating surplus or deficit</i>	<i>Operating surplus or deficit for previous period of account</i>
	£	£	£	£	£	£	£	£	£
Wider action/wider role	-	-	-	-	-	-	-	-	-
Care and repair of property	-	-	-	-	-	-	-	-	-
Factoring	-	-	7,213	7,213	7,213	-	990	6,223	3,500
Development and construction of property activities	-	-	-	-	-	-	-	-	-
Support activities	-	-	-	-	-	-	-	-	-
Care activities	-	-	-	-	-	-	-	-	-
Agency/management services for registered social landlords	-	-	-	-	-	-	-	-	-
Other agency/management services	-	-	-	-	-	-	-	-	-
Development for sale to registered social landlords	-	-	-	-	-	-	-	-	-
Developments and improvements for sale to non registered social landlords	-	-	1,430,193	1,430,193	1,430,193	-	1,430,193	-	750
Other activities	-	-	-	-	-	-	-	-	-
<b>Total from other activities</b>	-	-	1,437,406	1,437,406	1,437,406	-	1,431,183	6,223	4,250
<b>2011</b>	-	-	4,250	4,250	4,250	-	-	4,250	-

# BLOCHAIRN HOUSING ASSOCIATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2012

4. Interest payable and other charges	2012 £	2011 £
Total interest and other charges incurred	176,557	75,263
Interest capitalised	<u>(32,100)</u>	<u>(48,686)</u>
	<u>144,457</u>	<u>26,577</u>

### 5. Taxation

Blochairn Housing Association obtained charitable status in 2009/10 and therefore is exempt from corporation tax.

# BLOCHAIRN HOUSING ASSOCIATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2012

### 6. Tangible fixed assets

#### Housing Properties

	Housing Properties Held for Letting £	Housing Properties in Course of Construction £	Total £
<b>Cost</b>			
As at 1 April 2011	13,537,865	7,774,869	21,312,734
Prior Period Adjustment (Note 22)	9,195	-	9,195
As re-stated	13,547,060	7,774,869	21,321,929
Additions	54,757	788,871	843,628
Disposals	(43,234)	-	(43,234)
Transfers	8,563,740	(8,563,740)	-
As at 31 March 2012	22,122,323	-	22,122,323
<b>Depreciation</b>			
As at 1 April 2011	265,122	-	265,122
Prior Period Adjustment (Note 22)	170,340	-	170,340
As re-stated	435,462	-	435,462
Charge for year	122,677	-	122,677
Disposals	(1,886)	-	(1,886)
As at 31 March 2012	556,253	-	556,253
<b>Housing Association and Other Grant</b>			
As at 1 April 2011	11,925,647	5,090,910	17,016,557
Prior Period Adjustment (Note 22)	(230,704)	-	(230,704)
As re-stated	11,694,943	5,090,910	16,785,853
Additions	-	147,280	147,280
Disposals	(41,348)	-	(41,348)
Transfers	5,238,190	(5,238,190)	-
31 March 2012	16,891,785	-	16,891,785
<b>Net book value</b>			
31 March 2012	4,674,285	-	4,674,285
At 31 March 2011 as restated	1,416,655	2,683,959	4,100,614

Development administration costs capitalised amounts to £nil (2011 - £Nil) for which £nil Housing Association Grant was received (2011 - £Nil). None of the Association's land or properties is held under a lease. Total major repair costs during the year were £103,614 (2011: £89,091) of which £54,757 (2011 £55,470) was capitalised. Of the amount capitalised £54,757 (2011 £55,470) related to replacement of components and £nil (2011 £nil) related to improvements.

**BLOCHAIRN HOUSING ASSOCIATION LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**YEAR ENDED 31 MARCH 2012**

**6. Tangible fixed assets (cont'd)**  
**Other Fixed Assets**

	<b>Office Property</b>	<b>Office Improvements</b>	<b>Fixtures &amp; Fittings</b>	<b>Office Equipment</b>	<b>Total</b>
	£	£	£	£	£
<b>Cost</b>					
As at 1 April 2011	200,000	15,422	34,081	52,410	301,913
Additions	64,262	-	-	-	64,262
Disposals	-	(15,422)	(34,081)	(52,410)	(101,913)
As at 31 March 2012	<u>264,262</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>264,262</u>
<b>Depreciation</b>					
As a 1 April 2011	-	15,422	34,081	49,928	99,431
Charge for year	5,285	-	-	2,482	7,767
On disposals	-	(15,422)	(34,081)	(52,410)	(101,913)
As at 31 March 2012	<u>5,285</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,285</u>
<b>Net book value</b>					
31 March 2012	<u>258,977</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>258,977</u>
31 March 2011	<u>200,000</u>	<u>-</u>	<u>-</u>	<u>2,482</u>	<u>202,482</u>

**7. Stock – Shared Equity**

	<b>2012</b>	<b>2011</b>
	£	£
Cost of developing properties	970,075	3,457,161
Grant received to develop properties	(580,440)	(2,159,917)
	<u>389,635</u>	<u>1,297,244</u>
 Blochairn place development	<u>389,635</u>	<u>1,297,244</u>



# BLOCHAIRN HOUSING ASSOCIATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2012

8. Debtors	2012 £	2011 £
Rent arrears	61,510	40,793
Less: bad debt provision	(4,926)	(3,994)
	56,584	36,799
Prepayments and accrued income	6,191	7,082
Other debtors	2,062	4,305
Development funding receivable	-	320,419
	64,837	368,605

### 9. Creditors: Amounts falling due within one year

Bank loans and overdrafts (Note 10)	264,000	645,622
Trade creditors	9,657	14,026
Grant in advance	-	128,455
Accruals and deferred income	184,633	528,372
Rent in advance	2,288	2,288
Other Creditors	246,189	258
	706,767	1,319,021

### 10. Creditors: Outwith one year

Loans	4,483,838	4,571,452
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#### Loans secured by specific charges on the Association's properties

Loans are secured by specific charges on the Association's properties. Loans are repayable at rates of interest of 1.31% to 4.81% (2011 – 1.45 % to 4.84 %) in instalments due as follows:

In one year or less or on demand (Note 9)	264,000	645,622
Between two and five years	682,125	643,024
In five years or more	3,801,713	3,928,427
	4,747,838	5,217,074

# BLOCHAIRN HOUSING ASSOCIATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2012

11. Employees	2012 £	2011 £
Staff costs during year		
Wages and salaries	143,363	134,648
Social security costs	35,993	11,159
Pension costs	10,832	17,124
Temporary, seconded and agency staff costs	8,000	8,000
	198,188	170,931

The average full time equivalent number of persons employed by the Association during the year were as follows:

	No	No
Administration	4	4

The Directors are defined as the members of the Management Committee, the Director and any other person reporting directly to the Directors or the Management Committee whose total emoluments exceed £60,000 per year. 1 (2011: 0) Director has emoluments between £60,000 and £70,000.

Emoluments payable to Highest Paid Director (Excluding pension contributions)	61,535	52,395
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The Association's contributions to the pension scheme for the Director in the year amounted to £5,245 (2011 - £8,331).

No member of the Management Committee received any emoluments in respect of their services to the Association.

### 12. Auditors' Remuneration

The remuneration of the auditors (including expenses and excluding VAT for the year)	5,720	5,500
Remuneration of the auditors in respect of services other than those as auditors from entities related to Baker Tilly UK Audit LLP	520	-
	6,240	5,500

# BLOCHAIRN HOUSING ASSOCIATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2012

13. Share Capital	No	No
At 1 April	175	166
Shares issued	27	9
Shares cancelled	<u>(15)</u>	<u>-</u>
At 31 March	<u>187</u>	<u>175</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.

14. Revenue reserve	2012 £	2011 As Restated £
At 1 April	294,535	240,976
Prior Period Adjustment (Note 22)	69,559	-
At 1 April as restated	<u>364,094</u>	<u>240,976</u>
Surplus for year	118,346	123,118
At 31 March	<u>482,440</u>	<u>364,094</u>

### 15. Designated reserves

#### Future Repairs

At 1 April	373,750	373,750
Transfer from income & expenditure account	<u>-</u>	<u>-</u>
At 31 March	<u>373,750</u>	<u>373,750</u>

Proposed major repairs expenditure, being the Association's commitment to undertake major repairs to its properties, is set-aside in a designated reserve to the extent that it is not met from HAG. Expected spend on major repairs in the next 12 months is expected to be £374k.

**BLOCHAIRN HOUSING ASSOCIATION LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**YEAR ENDED 31 MARCH 2012**

<b>16. Cash flow statement</b>	<b>2012</b>	<b>2011</b>
		<b>As</b>
		<b>restated</b>
	<b>£</b>	<b>£</b>
<b>Reconciliation of surplus/(deficit) to net cash inflow from operating activities</b>		
Surplus/(deficit)	118,346	89,358
Interest receivable	(3,696)	(2,587)
Interest Payable	144,457	26,577
	<hr/>	<hr/>
	259,107	113,348
Depreciation charges	130,444	34,796
(Increase) in debtors	(16,655)	(211,993)
Gain on sale	-	(2,722)
Increase in creditors	(15,911)	296,956
Shares issued (cancelled)	16	9
(Increase) in stock	907,607	(1,297,244)
	<hr/>	<hr/>
Net cash inflow/(outflow) from operating activities	1,264,608	(1,066,850)
<b>Reconciliation of net cash flow to movements in net debt</b>		
(Decrease) in cash for the year	(299)	(8,885)
Loans received	-	(4,041,314)
Loan repayments	469,236	86,811
	<hr/>	<hr/>
Change in net debt	468,937	(3,963,388)
Net debt as at 31 March 2011	(4,557,527)	(594,139)
	<hr/>	<hr/>
Net debt as at 31 March 2012	(4,088,590)	(4,557,527)

**Analysis of Changes in net debt**

	<b>As at 1</b>	<b>Cash</b>	<b>Other</b>	<b>As at 31</b>
	<b>April 2011</b>	<b>Flow</b>	<b>Changes</b>	<b>March 2012</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Cash at bank and in hand	659,547	(299)	-	659,248
Debt due within one year	(645,622)	381,622	-	(264,000)
Debt due after one year	(4,571,452)	87,614	-	(4,483,838)
	<hr/>	<hr/>	<hr/>	<hr/>
	(4,557,527)	468,937	-	(4,088,590)

# BLOCHAIRN HOUSING ASSOCIATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2012

### 17. Pension Fund - General

Blochairn Housing Association Limited participates in the Scottish Housing Association (SHAPS) Pension Scheme (the "Scheme"). The Scheme is funded and is contracted out of the State Pension scheme.

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

The 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 last formal valuation of the Scheme was performed at 30 September 2009 by a professionally qualified actuary using the Projected Unit Credit method. The market value of the Scheme's assets as at the valuation date was £295 million. The valuation showed a shortfall of assets compared to liabilities of £160 million, 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 30 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%

Following a change in legislation in September 2005 there is a potential debt on the employer that could be levied by the Trustee of the Scheme. The debt is due in the event of the employer ceasing to participate in the Scheme or the Scheme winding up.

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

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

Blochairn Housing Association Limited has been notified by The Pensions Trust of the estimated employer debt on withdrawal from the SFHA Scheme based on the financial position of the Scheme as at 30 September 2010. As of this date the estimated employer debt for Blochairn Housing Association Limited was £687,257.

# BLOCHAIRN HOUSING ASSOCIATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2012

### 17. Pension Fund – General (cont.)

The Association has been notified by The Pensions Trust that the amount to be paid in additional contributions towards the past service deficit 2012/13 is £13,116 and in 2013/14 is £. It is likely that additional contributions will be required in future years, and the Association will be notified of these amounts annually.

The Scheme offers five benefit structures to employers, namely:

- Final salary with a 1/60<sup>th</sup> accrual rate.
- Career average revalued earnings with a 1/60<sup>th</sup> accrual rate.
- Career average revalued earnings with a 1/70<sup>th</sup> accrual rate.
- Career average revalued earnings with a 1/80<sup>th</sup> accrual rate.
- Career average revalued earnings with a 1/120<sup>th</sup> 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.

Blochairn Housing Association has elected to operate the final salary with a 1/60<sup>th</sup> accrual rate benefit option for active members as at 1 April 2010 and the same benefit structure for new entrants.

During the accounting period Blochairn Housing Association paid contributions at the rate of 15.4% of pensionable salaries. Member contributions were 7.7%.

As at the balance sheet date there were 3 active members of the Scheme employed by Blochairn Housing Association. The annual pensionable payroll in respect of these members was £111,642.

Blochairn Housing Association continues to offer membership of the Scheme to its employees.

The key valuation assumptions used to determine the assets and liabilities of the Scottish Housing Associations' Pension Scheme are:

<b>2009 Valuation Assumptions</b>	<b>% p.a.</b>
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
<b>Rate of pension increases</b>	
- Pension accrued pre 6 April 2005 in excess of GMP	2.9
- Pension accrued post 6 April 2005 (for leavers before 1 October 1993 pension increases are 5.0%)	2.2
Rate of price inflation	3.0

# BLOCHAIRN HOUSING ASSOCIATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2012

### 17. Pension Fund – General (cont.)

Mortality Tables	
Non-pensioners	SAPS (S1PA) All Pensioners Year of Birth Long Cohort with 1% p.a. minimum improvement
Pensioners	SAPS (S1PA) All Pensioners Year of Birth Long Cohort with 1% p.a. Minimum improvement

Contribution Rates for Future Service (payable from 1 April 2011)	% p.a.
Final salary 1/60ths	19.2
Career average revalued earnings 1/60ths	17.1
Career average revalued earnings 1/70ths	14.9
Career average revalued earnings 1/80ths	13.2
Career average revalued earnings 1/120ths	9.4
Additional rate for deficit contributions	10.4

### 18. Capital commitments

At 31 March 2012, the Association has capital commitments on the depot site of £nil (2011: £2.13m).

### 19. Housing Stock

The number of units in Management at 31 March was as follows:-

	2012	2011
	No	No
General needs housing	289	219
Shared ownership housing	-	-
Supported housing	-	-
	289	219

### 20. Related Parties

Various members of the Management Committee are tenants of the Association. The transactions with the Association are all done on standard terms, as applicable to all tenants.

# BLOCHAIRN HOUSING ASSOCIATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED 31 MARCH 2012

### 21. Contingent Liabilities

At 31 March 2012, the Association has been notified of the liability that would be payable on withdrawal from the SHAPS pension scheme disclosed in note 17 above. The Association has no plans to withdraw from this scheme.

Housing Association Grant allocated to components (as detailed in Note 1) that have subsequently been replaced by the Association is recognised in the Income and Expenditure account, with the cost of the replacement and any additional funding for this replacement being capitalised. The recycled grant recognised in the Income and Expenditure account which may become repayable when the entire property is disposed of at 31 March 2012 was £41,348 (2011: £41,819).

### 22. Prior Period Adjustment- Component Accounting

Following the implementation of the Statement of Recommended Practice – Accounting by registered social housing providers – Update 2010 (SORP 2010), the Association has implemented component accounting. As a result of the changes brought about by the SORP 2010 and the detailed guidance of the Technical Notes, the Association has adopted a new accounting policy, which has resulted in a prior period adjustment.

The principle of component accounting is to account separately for each major component of a property asset with substantially different useful economic lives, and to depreciate them over their useful economic life. This has resulted in major works expenditure written off in prior years being capitalised, and an additional depreciation charge being recognised. The effect of this change in accounting policy on the 31 March 2011 financial statements is shown below. 31 March 2011 opening reserves have increased by £35,799 of which £150,457 relates to increased depreciation, £2,629 decrease relating to major repairs previously written off to the Income and Expenditure Account now capitalised as components net of related disposals and £188,885 relates to HAG now allocated across all components.

The effect of this change on the comparative year's figures of 2011 has been to:

	£
Increase depreciation charge	(21,710)
Decrease major works charged against income	<u>55,470</u>
Increase in the surplus for the year	<u>33,760</u>
In addition the effect upon the balance sheet has been to:	
Increase fixed asset cost	9,195
Decrease fixed asset HAG	230,704
Increase fixed asset depreciation	<u>(170,340)</u>
Net movement in the balance sheet - increase	<u>69,559</u>