

Clydesdale Housing Association Limited

Report and Financial Statements

For the year ended 31st March 2012

Registered Housing Association No.HAL93

FSA Reference No. 2237RS

Scottish Charity No. SC034228

CLYDESDALE HOUSING ASSOCIATION LIMITED

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CLYDESDALE HOUSING ASSOCIATION LIMITED

**MANAGEMENT COMMITTEE, EXECUTIVES AND ADVISERS
YEAR ENDED 31st MARCH 2012**

MANAGEMENT COMMITTEE

Pauline Sandford	Chairperson
Jean Ramage	Secretary
Don Anderson	Treasurer
Mary McNeill	Council Representative

Clive Mallins
Bobby MacDonald
Jeanette Arneill

Ricky Duncan
Patrick Ross Taylor
Margaret Lindsay
Alan Simpson
Graeme Berry
Heather Campbell

Appointed November 2011
Appointed May 2012
Resigned February 2012
Removed February 2012
Resigned October 2011

EXECUTIVE OFFICERS

Joe Gorman	Chief Executive
Jane Guthrie	Deputy Chief Executive
Eileen Wilson	Finance Manager
Stewart Williamson	Housing Manager
Vicky Rogers	Technical Services Manager

REGISTERED OFFICE

St Kentigern's Church
St Kentigern's Court
15 Hope Street
Lanark
ML11 7LZ

AUDITORS

Alexander Sloan
Chartered Accountants
38 Cadogan Street
Glasgow
G2 7HF

BANKERS

Royal Bank of Scotland
88 High Street
Lanark
ML11 7ET

SOLICITORS

Criggies
20 Broomgate
Lanark
ML11 9EE

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

CLYDESDALE HOUSING ASSOCIATION LIMITED

REPORT OF THE MANAGEMENT COMMITTEE FOR THE YEAR ENDED 31ST MARCH 2012

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

Legal Status

The Association is a registered non-profit making organisation under the Industrial and Provident Societies Act 1965 No.2237RS. The Association is constituted under its Rule Book. The Association is a registered Scottish Charity with the charity number SC034228.

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. The surplus for the year was £470,788 (2011 - £386,550). The net Designated Reserves transfer amounted to £381,332 (2011 - £191,734). Net Assets now stand at £6,750,136 (2011 - £6,279,330).

The Association has continued to apply staff resources in progressing future development opportunities this year.

REPORT OF THE MANAGEMENT COMMITTEE
FOR THE YEAR ENDED 31ST MARCH 2012

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.

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.

REPORT OF THE MANAGEMENT COMMITTEE
FOR THE YEAR ENDED 31ST MARCH 2012

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



JEAN RAMAGE
Secretary
29 August 2012

CLYDESDALE HOUSING ASSOCIATION LIMITED

REPORT BY THE AUDITORS TO THE MANAGEMENT COMMITTEE OF
CLYDESDALE 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
29 August 2012

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

We have audited the financial statements of Clydesdale Housing Association Limited for the year ended 31st March 2012 which comprise an income and expenditure account, balance sheet, cash flow statement and related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

Respective Responsibilities of 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 2012 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice: and
- have been properly prepared in accordance with the Industrial and Provident Societies Acts 1965 to 2002, the Housing (Scotland) Act 2001 and the Registered Social Landlords Accounting Requirements

Matters on which we are required to report by exception

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

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

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

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

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

We have nothing to report in respect of these matters.



ALEXANDER SLOAN
Chartered Accountants
Statutory Auditors
GLASGOW
29 August 2012

CLYDESDALE HOUSING ASSOCIATION LIMITED

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

	Notes	2012 £	Restated 2011 £
TURNOVER	2.	2,457,585	2,226,061
Operating Costs	2.	(1,853,096)	(1,687,395)
OPERATING SURPLUS	9.	604,489	538,666
Interest Receivable and Other Income		6,422	7,008
Interest Payable and Similar Charges	8.	(140,123)	(191,270)
		(133,701)	(152,116)
SURPLUS ON ORDINARY ACTIVITIES BEFORE TAXATION		470,788	386,550
Tax on surplus on ordinary activities	10.	-	-
SURPLUS ON ORDINARY ACTIVITIES AFTER TAXATION		470,788	386,550

All amounts relate to continuing activities.

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

	2012 £	Restated 2011 £
Surplus for the financial year	470,788	386,550
Prior year adjustment (as explained in Note 23)	2,382,892	-
Total gains recognised since last annual report	2,853,680	386,550

CLYDESDALE HOUSING ASSOCIATION LIMITED

BALANCE SHEET AS AT 31st MARCH 2012

	Notes	2012	Restated 2011
		£	£
TANGIBLE FIXED ASSETS			
Housing Properties - Depreciated Cost	11.(a)	40,430,822	37,653,483
Less: Social Housing Grant	11.(a)	(29,517,131)	(27,960,188)
: Other Public Grants	11.(a)	(537,619)	(537,761)
		<u>10,376,071</u>	<u>9,155,534</u>
Other fixed assets	11.(b)	44,074	48,625
		<u>10,420,145</u>	<u>9,204,159</u>
CURRENT ASSETS			
Debtors	14.	178,777	395,279
Cash at bank and in hand		2,205,607	2,782,499
		<u>2,384,384</u>	<u>3,177,778</u>
CREDITORS: Amounts falling due within one year	15.	(855,986)	(679,655)
NET CURRENT ASSETS		<u>1,528,398</u>	<u>2,498,123</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>11,948,543</u>	<u>11,702,282</u>
CREDITORS: Amounts falling due after more than one year	16.	(5,198,407)	(5,422,952)
NET ASSETS		<u>6,750,136</u>	<u>6,279,330</u>
CAPITAL AND RESERVES			
Share Capital	18.	190	172
Designated Reserves	19.(a)	3,463,619	3,082,287
Revenue Reserves	19.(b)	3,286,327	3,196,871
		<u>6,750,136</u>	<u>6,279,330</u>

The Financial Statements were approved by the Management Committee and signed on their behalf on 29 August 2012.

Chairperson

Paulford

Treasurer

Don S. H. Anderson

Secretary

J. Ramage

CLYDESDALE HOUSING ASSOCIATION LIMITED

CASH FLOW STATEMENT FOR THE YEAR ENDED
31st MARCH 2012

	Notes	2012 £	2011 £	Restated 2011 £
Net Cash Inflow from Operating Activities	17.	895,852		998,441
Returns on Investment and Servicing of Finance				
Interest Received		6,422	7,008	
Interest Paid		(138,742)	(194,238)	
Net Cash Outflow from Investment and Servicing of Finance		(132,320)		(187,230)
Capital Expenditure and Financial Investment				
Acquisition and Construction of Properties		(2,993,627)	(1,315,776)	
Purchase of Other Fixed Assets		(3,053)	(8,898)	
Social Housing Grant Received		1,837,040	150,265	
Proceeds on Disposal of Properties		46,699	41,908	
Net Cash Outflow from Capital Expenditure and Financial Investment		(1,112,940)		(1,132,501)
Net Cash Outflow before use of Liquid Resources and Financing		(349,408)		(321,290)
Financing				
Loan Principal Repayments		(185,476)	(159,898)	
Share Capital Issued	18	18	47	
Net Cash Outflow from Financing		(185,458)		(159,851)
Decrease in Cash	17.	(534,866)		(481,141)

CLYDESDALE HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2012

NOTES TO THE FINANCIAL STATEMENTS

1 PRINCIPAL ACCOUNTING POLICIES

Basis Of Accounting

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

Turnover

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

Retirement Benefits

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

Valuation Of Housing Properties

Housing Properties are stated at cost, less social housing and other public grants and less accumulated depreciation. Housing under construction and land are not depreciated. The Association depreciates housing properties by major component on a straight line basis over the estimated useful economic lives of each identified component. All components are categorised as Housing Properties within note 11. Impairment reviews are carried out if events or circumstances indicate that the carrying value of the components listed below is higher than the recoverable amount.

<i>Component</i>	<i>Useful Economic Life</i>
Kitchens	15 years
Bathrooms	30 years
Roofs	50 years
Windows	30 years
External Doors	25 years
Rewiring	40 years
Boilers	15 years
Radiators	20 years

CLYDESDALE HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2012

NOTES TO THE FINANCIAL STATEMENTS (Continued)

1 PRINCIPAL ACCOUNTING POLICIES (Continued.)

Depreciation And Impairment Of Other Fixed Assets

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

Office Premises	- 3.33%
Furniture and Fittings	- 15%
Computer Equipment	- 33.33%

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

Social Housing Grant And Other Grants In Advance/Arrears

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

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

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

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

Sales Of Housing Properties

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

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

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

CLYDESDALE HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2012

NOTES TO THE FINANCIAL STATEMENTS (Continued)

1 PRINCIPAL ACCOUNTING POLICIES (Continued.)

Leases/Leased Assets

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

Works to Existing Properties

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

Capitalisation Of Development Overheads

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

Development Interest

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

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.

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.

CLYDESDALE HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2012

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

	Notes	2012			2011- restated		
		Turnover £	Operating Costs £	Operating Surplus / (Deficit) £	Turnover £	Operating Costs £	Operating Surplus / (Deficit) £
Social Lettings	3.	2,436,840	1,852,054	584,786	2,210,026	1,686,194	523,832
Other Activities	4.	20,745	1,042	19,703	16,035	1,201	14,834
Total		2,457,585	1,853,096	604,489	2,226,061	1,687,395	538,666

3. PARTICULARS OF INCOME & EXPENDITURE FROM SOCIAL LETTINGS

	2012			Restated	
	General Needs Housing £	Supported Housing £	Shared ownership £	2012 Total £	2011 Total £
Income from Lettings					
Rent Receivable Net of Identifiable Service Charges	2,301,607	-	34,466	2,336,073	2,161,702
Service Charges Receivable	46,996	-	1,606	48,602	57,105
Gross Rents Receivable	2,348,603	-	36,072	2,384,675	2,218,807
Less: Rent losses from voids	8,036	-	188	8,224	8,781
Net Rents Receivable	2,340,567	-	35,884	2,376,451	2,210,026
Revenue Grants from Scottish Ministers	60,389	-	-	60,389	-
Total Income From Social Letting	2,400,956	-	35,884	2,436,840	2,210,026
Expenditure on Social Letting Activities					
Service Costs	43,086	-	1,151	44,237	54,703
Management and maintenance administration costs	644,458	-	16,680	661,138	645,482
Reactive Maintenance	373,698	-	-	373,698	318,567
Bad Debts - Rents and Service Charges	12,771	-	341	13,112	8,175
Planned and Cyclical Maintenance, including Major Repairs	458,069	-	-	458,069	383,369
Depreciation of Social Housing	297,060	-	4,740	301,800	275,898
Operating Costs of Social Letting	1,829,142	-	22,912	1,852,054	1,686,194
Operating Surplus on Social Letting Activities	571,814	-	12,972	584,786	523,832
2011 - restated	512,217	-	11,615		

CLYDESDALE HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2012

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

	Grants From Scottish Ministers	Other Revenue Grants	Supporting People Income	Other Income	Total Turnover	Operating Costs Bad Debts	Operating Costs Other	Operating Surplus / (Deficit) 2012	Operating Surplus / (Deficit) 2011
	£	£	£	£	£	£	£	£	£
Factoring	-	-	-	17,245	17,245	-	1,042	16,203	12,501
Other Activities	-	-	-	3,500	3,500	-	-	3,500	2,333
Total From Other Activities	-	-	-	20,745	20,745	-	1,042	19,703	14,834
2011	-	-	-	16,035	16,035	-	1,201	14,834	

CLYDESDALE HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2012

NOTES TO THE FINANCIAL STATEMENTS (Continued)

5. OFFICERS' EMOLUMENTS

	2012	2011
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>58,467</u>	<u>58,296</u>
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6. EMPLOYEE INFORMATION

	2012	2011
	No.	No.
The average monthly number of full time equivalent persons employed during the year was	<u>11</u>	<u>11</u>

Staff Costs were:

	£	£
Wages and Salaries	356,312	387,331
Social Security Costs	31,401	33,812
Other Pension Costs	61,950	45,514
	<u>449,663</u>	<u>466,657</u>

CLYDESDALE HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2012

NOTES TO THE FINANCIAL STATEMENTS (Continued)

7. GAIN ON SALE OF HOUSING STOCK

	2012	2011
	£	£
Sales Proceeds	-	88,607
Cost of Sales	-	56,461
Gain On Sale Of Housing Stock	-	32,146

8. INTEREST PAYABLE

	2012	2011
	£	£
On Bank Loans & Overdrafts	140,123	191,270
	<u>140,123</u>	<u>191,270</u>

9. SURPLUS ON ORDINARY ACTIVITIES BEFORE TAXATION

	2012	2011
	£	£
Surplus on Ordinary Activities before Taxation is stated after charging:-		
Depreciation - Tangible Owned Fixed Assets	309,404	289,451
Auditors' Remuneration - Audit Services	6,480	6,062
Operating Lease Rentals - Land & Buildings	21,000	21,000

10. TAX ON SURPLUS ON ORDINARY ACTIVITIES

The Association is a Registered Scottish Charity and is not liable to United Kingdom Corporation Tax on its charitable activities.

CLYDESDALE HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2012

NOTES TO THE FINANCIAL STATEMENTS (Continued)

11. TANGIBLE FIXED ASSETS

a) Housing Properties	Housing Properties Held for Letting £	Housing Properties In course of Construction £	Completed Shared Ownership Properties £	Total £
COST				
As at 1st April 2011- restated	37,174,557	984,025	1,315,500	39,474,082
Additions	184,690	2,975,700	-	3,160,390
Disposals	(91,690)	-	-	(91,690)
As at 31st March 2012	<u>37,267,557</u>	<u>3,959,725</u>	<u>1,315,500</u>	<u>42,542,782</u>
DEPRECIATION				
As at 1st April 2011- restated	1,771,075	-	49,524	1,820,599
Charge for Year	296,135	-	4,740	300,875
Disposals	(9,514)	-	-	(9,514)
As at 31st March 2012	<u>2,057,696</u>	<u>-</u>	<u>54,264</u>	<u>2,111,960</u>
SOCIAL HOUSING GRANT				
As at 1st April 2011- restated	26,010,384	893,064	1,056,740	27,960,188
Additions	34,913	1,603,139	-	1,638,052
Disposals	(81,109)	-	-	(81,109)
As at 31st March 2012	<u>25,964,188</u>	<u>2,496,203</u>	<u>1,056,740</u>	<u>29,517,131</u>
OTHER CAPITAL GRANTS				
As at 1st April 2011- restated	537,761	-	-	537,761
Disposals	(142)	-	-	(142)
As at 31st March 2012	<u>537,619</u>	<u>-</u>	<u>-</u>	<u>537,619</u>
NET BOOK VALUE				
As at 31st March 2012	<u>8,708,053</u>	<u>1,463,522</u>	<u>204,496</u>	<u>10,376,071</u>
As at 31st March 2011	<u>8,855,337</u>	<u>90,961</u>	<u>209,236</u>	<u>9,155,534</u>

Additions to housing properties includes capitalised development administration costs of £33,076 (2011 - £35,818) and capitalised replacement component costs to existing properties of £184,690 (2011 £274,064)

All land and housing properties are freehold.

CLYDESDALE HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2012

NOTES TO THE FINANCIAL STATEMENTS (Continued)

11. TANGIBLE FIXED ASSETS (Continued)

b) Other Tangible Assets	Office Premises £	Furniture & Equipment £	Total £
COST			
As at 1st April 2011	72,879	238,290	311,169
Additions	-	3,053	3,053
As at 31st March 2012	<u>72,879</u>	<u>241,343</u>	<u>314,222</u>
AGGREGATE DEPRECIATION			
As at 1st April 2011	28,302	234,242	262,544
Charge for year	2,427	5,177	7,604
As at 31st March 2012	<u>30,729</u>	<u>239,419</u>	<u>270,148</u>
NET BOOK VALUE			
As at 31st March 2012	<u>42,150</u>	<u>1,924</u>	<u>44,074</u>
As at 31st March 2011	<u>44,577</u>	<u>4,048</u>	<u>48,625</u>

12. CAPITAL COMMITMENTS

	2012 £	2011 £
Capital Expenditure that has been contracted for but has not been provided for in the Financial Statements	<u>549,919</u>	<u>3,767,379</u>

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

13. COMMITMENTS UNDER OPERATING LEASES

At the year end, the annual commitments under operating leases were as follows:-	2012 £	2011 £
Land and Buildings		
Expiring between two and five years	<u>21,000</u>	<u>21,000</u>

CLYDESDALE HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2012

NOTES TO THE FINANCIAL STATEMENTS (Continued)

14. DEBTORS

	2012	2011
	£	£
Arrears of Rent & Service Charges	102,446	84,192
Less: Provision for Doubtful Debts	<u>(25,062)</u>	<u>(19,488)</u>
	77,384	64,704
Social Housing Grant Receivable	37,332	236,320
Other Debtors	<u>64,061</u>	<u>94,255</u>
	<u>178,777</u>	<u>395,279</u>

15. CREDITORS: Amounts falling due within one year

	2012	2011
	£	£
Bank Overdrafts (secured)	52,140	94,166
Housing Loans	189,742	150,673
Rent in Advance	55,495	47,898
Other Taxation and Social Security	8,715	413
Other Creditors	525,769	362,560
Accruals and Deferred Income	<u>24,125</u>	<u>23,945</u>
	<u>855,986</u>	<u>679,655</u>

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

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

	2012	2011
	£	£
Housing Loans	<u>5,198,407</u>	<u>5,422,952</u>
<p>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:-</p>		
Within one year	189,742	150,673
Between one and two years	193,034	155,081
Between two and five years	598,537	484,672
In five years or more	<u>4,406,836</u>	<u>4,783,199</u>
	5,388,149	5,573,625
Less: Amount shown in Current Liabilities	<u>189,742</u>	<u>150,673</u>
	<u>5,198,407</u>	<u>5,422,952</u>

CLYDESDALE HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2012

NOTES TO THE FINANCIAL STATEMENTS (Continued)

17. CASH FLOW STATEMENT

<i>Reconciliation of operating surplus to net cash inflow from operating activities</i>	2012	2011
	£	£
Operating Surplus	604,489	538,666
Depreciation	309,404	289,451
Change in Debtors	(29,185)	220,932
Change in Creditors	11,144	(50,597)
Share Capital Written Off	-	(11)
Net Cash Inflow from Operating Activities	<u>895,852</u>	<u>998,441</u>

<i>Reconciliation of net cash flow to movement in net debt</i>	2012		2011	
	£	£	£	£
Decrease in Cash	(534,866)		(481,141)	
Cash flow from change in debt	185,476		159,898	
Movement in net debt during year		(349,390)		(321,243)
Net debt at 1st April 2011		<u>(2,885,292)</u>		<u>(2,564,292)</u>
Net debt at 31st March 2012		<u>(3,234,682)</u>		<u>(2,885,535)</u>

<i>Analysis of changes in net debt</i>	At	Cash	Other	At
	01.04.11	Flows	Changes	31.03.12
	£	£	£	£
Cash at bank and in hand	2,782,499	(576,892)		2,205,607
Bank Overdrafts	(94,166)	42,026		(52,140)
	<u>2,688,333</u>	<u>(534,866)</u>		<u>2,153,467</u>
Debt: Due within one year	(150,673)	150,673	(189,742)	(189,742)
Due after more than one year	(5,422,952)	34,803	189,742	(5,198,407)
Net Debt	<u>(2,885,292)</u>	<u>(349,390)</u>	<u>-</u>	<u>(3,234,682)</u>

CLYDESDALE HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2012

NOTES TO THE FINANCIAL STATEMENTS (Continued)

18. SHARE CAPITAL

Shares of £1 each Issued and Fully Paid	£
At 1st April 2011	172
Issued in year	18
At 31st March 2012	<u>190</u>

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

19. RESERVES

(a) Designated Reserves	Cyclical Maintenance £	Major Repairs £	Total £
At 1st April 2011	5,497	3,076,790	3,082,287
Transfer from Revenue Reserves	4,702	376,630	381,332
At 31st March 2012	<u>10,199</u>	<u>3,453,420</u>	<u>3,463,619</u>

(b) Revenue Reserves	Total £
At 1st April 2011 (as restated)	3,196,871
Surplus for the year	470,788
Transfer (to) Designated Reserves	(381,332)
At 31st March 2012	<u>3,286,327</u>

20. HOUSING STOCK

The number of units of accommodation in management at the year end was:-	2012 No.	2011 No.
General Needs - New Build	549	549
- Rehabilitation	162	162
Shared Ownership	19	19
	<u>730</u>	<u>730</u>

CLYDESDALE HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2012

NOTES TO THE FINANCIAL STATEMENTS (Continued)

21. RELATED PARTY TRANSACTIONS

Members of the 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:

7 members are tenants of the Association

1 member is a relevant local councillor

Those members that are tenants of the Association have tenancies that are on the Association's normal tenancy terms and they cannot use their positions to their advantage.

Governing Body Members cannot use their position to their advantage. Any transactions between the Association and any entity with which a Governing Body Member has a connection with is made at arm's length and is under normal commercial terms.

CLYDESDALE HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2012

NOTES TO THE FINANCIAL STATEMENTS (Continued)

22. RETIREMENT BENEFIT OBLIGATIONS

General

Clydesdale 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.

Clydesdale 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 Clydesdale Housing Association Limited paid contributions at the rate of 9.6% of pensionable salaries. Member contributions were 9.6%.

As at the balance sheet date there were 8 active members of the Scheme employed by Clydesdale Housing Association Limited. The annual pensionable payroll in respect of these members was £294,923. Clydesdale 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.

CLYDESDALE HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2012

NOTES TO THE FINANCIAL STATEMENTS (Continued)

22. RETIREMENT BENEFIT OBLIGATIONS (Continued)

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

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

Financial Assumptions

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

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

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

CLYDESDALE HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2012

NOTES TO THE FINANCIAL STATEMENTS (Continued)

22. 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.

CLYDESDALE HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2012

NOTES TO THE FINANCIAL STATEMENTS (Continued)

23. PRIOR YEAR ADJUSTMENT

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

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

	£
Increase in Net Book Value of Housing Properties	2,382,892

The effect of adopting component accounting has been to increase reserves as at 1 April 2010 by £2,235,633.

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

	Reported in 2011 Accounts £	Restated 2011 figures £
Housing Property	6,772,642	9,155,534
Revenue Reserves	<u>813,979</u>	<u>3,196,871</u>
Housing Depreciation Charge	149,093	275,898
Major Repairs Charge	<u>657,433</u>	<u>383,369</u>

The reported surplus in 2011 has been restated by £147,259 and now stands at £386,550.