

Glasgow West Housing Association Limited

Report and Financial Statements

For the year ended 31st March 2012

Registered Housing Association No.HEP 126

FSA Reference No. 1955R(S)

Scottish Charity No. SC001667

GLASGOW WEST HOUSING ASSOCIATION LIMITED

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GLASGOW WEST HOUSING ASSOCIATION LIMITED

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

COMMITTEE OF MANAGEMENT

| | |
|------------------|----------------------|
| George MacDonald | Chairperson |
| Walter Halley | Vice Chairperson |
| Joseph Gowran | Treasurer |
| James Michael | Secretary |
| Moira Wadsworth | |
| Hanif Mirza | |
| Yushin Toda | |
| John Banks | |
| Joginder Makar | |
| Jim Anderson | |
| George Fraser | Elected June 2011 |
| Dave Sim | Resigned August 2011 |
| Christine McLean | Resigned August 2011 |

EXECUTIVE OFFICERS

| | |
|----------------|-----------------------|
| Linda Reid | Chief Executive |
| Elaine Travers | Services Director |
| Anne Allan | Corporate Director |
| Ruth Brogan | New Business Director |

REGISTERED OFFICE

5 ROYAL CRESCENT
GLASGOW
G3 7SL

AUDITORS

ALEXANDER SLOAN
CHARTERED ACCOUNTANTS
38 CADOGAN STREET
GLASGOW
G2 7HF

BANKERS

CLYDESDALE BANK
326 BYRES ROAD
GLASGOW
G12 8AN

SOLICITORS

T.C. YOUNG
7 WEST GEORGE STREET
GLASGOW
G2 1BA

GLASGOW WEST HOUSING ASSOCIATION LIMITED

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

The Committee of Management 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.1955R(S). The Association is constituted under its Rule Book. The Association is a registered Scottish Charity with the charity number SC001667.

Principal Activities

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

Review of Business and Future Developments

Members of the Management Committee are satisfied with the continued steady performance and state of affairs. Performance for the year was consistent with forecasts. The surplus for the year after transfer to designated and pension reserves amounted to £536,732.

GWHA's arduous journey through the process known as second stage transfer (the first stage was the transfer of housing stock from Glasgow City Council (GCC) to Glasgow Housing Association (GHA)) began over 10 years ago and concluded on 27 June 2011, with the Argyle transfer of 614 properties, in Anderston and the West End. This considerable growth increased GWHA's stock to 1501 units at 31 March 2012 and builds on GWHA's successful consolidation of 127 flats in Hyndland (which transferred from GHA on 27 July 2009); delivering another significant milestone towards GWHA's 2020 vision.

Revenue growth has been a crucial element of strategies for enhancing customer services, particularly the funding of the Major Repairs Strategy with investment in the housing stock of £6m, over the past 12 years; ensuring consistent strong performance in excess of 90% against the SHQS, since its introduction in 2004. As expected, performance dipped to 68% this year, as a result in some slippage in the delivery of the planned programme and more significantly the impact of the Argyle transfer; particularly the inherited lift replacement programme. GWHA is confident of recovering peak performance through substantial programmed investment of £4m and plans in place to achieve 98% compliance in 2012/13; ensuring good quality, well-maintained properties that will surpass the Scottish minimum standard, in advance of the 2015 government target.

With an investment of £8.4m, the Brechin Street development (part of the former Woodside Secondary School site and a joint procurement initiative, with two other RSLs) completed in October 2010, delivering 60 homes, 7 of which are shared equity. Despite intensive marketing, 2 of these shared equity units remain unsold, although GCC is now indicating a willingness to consider GWHA proposals for these units and this is being actively progressed. Opportunities for other new build projects in Anderston are also being progressed, through Glasgow City Council instigated Compulsory Purchase Orders.

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

Review of Business and Future Developments (Contd.)

It is anticipated that a new set of Rules will be approved by the membership in the coming year. This is necessary to ensure an appropriate and modern governance framework and compliance with charitable and housing regulation. Another challenging and successful year is attributed to embedded stakeholder engagement, the broad range of skills and experience of Committee members and the well-led, highly competent and enthusiastic staff. This is a sound platform for delivering GWA's vision and mission through sustainable corporate strategies supporting and delivering Service Enhancement through Robust Governance and Optimum Performance.

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

Committee of Management and Executive Officers

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

Each member of the Committee of Management 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 Committee of Management.

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

Statement of Committee of Management's Responsibilities

The Industrial and Provident Societies Acts 1965 to 2002 require the Committee of Management 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 Committee of Management 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 Committee of Management 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 Committee of Management 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 Committee of Management 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 Committee of Management 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 COMMITTEE OF MANAGEMENT
FOR THE YEAR ENDED 31ST MARCH 2012

Statement on Internal Financial Control

The Committee of Management 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 Committee of Management'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 Committee of Management 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 Committee of Management;
- the Committee of Management 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.

Donations

Charitable donations are made from a charitable fund which is raised by staff through activities.

By order of the Committee of Management



JAMES MICHAEL

Secretary

12 June 2012

GLASGOW WEST HOUSING ASSOCIATION LIMITED

REPORT BY THE AUDITORS TO THE COMMITTEE OF MANAGEMENT OF
GLASGOW WEST 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
12 June 2012

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF GLASGOW WEST HOUSING ASSOCIATION LIMITED

We have audited the financial statements of Glasgow West 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 Committee of Management and Auditors

As explained more fully in the Statement of Committee of Management's Responsibilities the Association's Committee of Management, 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 income and expenditure for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice: and
- have been properly prepared in accordance with the Industrial and Provident Societies Acts 1965 to 2002, the Housing (Scotland) Act 2001 and the Registered Social Landlords Accounting Requirements (Scotland) Order 2007.

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

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
GLASGOW WEST 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
12 June 2012

GLASGOW WEST HOUSING ASSOCIATION LIMITED

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

| | Notes | 2012 £ | Restated 2011 £ |
|---|-------|------------------|-----------------------|
| TURNOVER | 2. | 5,070,314 | 3,452,323 |
| Operating Costs | 2. | (3,757,369) | (2,754,910) |
| OPERATING SURPLUS | 9. | 1,312,945 | 697,413 |
| Gain On Sale Of Housing Stock | 7. | 72,188 | 91,134 |
| Release of Negative Goodwill | 23. | 8,394,693 | 8,099 |
| Interest Receivable and Other Income | | 132,207 | 12,524 |
| Interest Payable and Similar Charges | 8. | (57,334) | (53,986) |
| Defined Benefit Pension Scheme - Other Finance Gain | 26. | 14,000 | 27,000 |
| | | <u>8,555,754</u> | <u>84,771</u> |
| SURPLUS ON ORDINARY ACTIVITIES | | <u>9,868,699</u> | <u>782,184</u> |

All amounts relate to continuing activities.

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

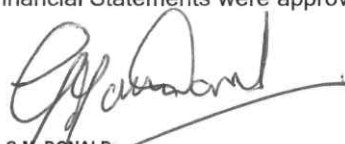
| | | 2012 £ | Restated 2011 £ |
|--|-----|-------------------|-----------------------|
| Surplus for the financial year | | 9,868,699 | 782,184 |
| Prior year adjustment | 27. | 1,878,198 | 341,027 |
| Actuarial (Losses)/Gains on Defined Benefit pension scheme | 26. | (94,000) | 25,000 |
| Total gains recognised since last annual report | | <u>11,652,897</u> | <u>1,148,211</u> |

GLASGOW WEST HOUSING ASSOCIATION LIMITED

BALANCE SHEET AS AT 31st MARCH 2012

| | Notes | £ | 2012 £ | £ | Restated 2011 £ |
|--|------------|-------------|-------------------|------------------|-----------------------|
| TANGIBLE FIXED ASSETS | | | | | |
| Housing Properties - Depreciated Cost | 11.(a) | | 54,419,262 | | 54,448,896 |
| Less: Social Housing Grant | 11.(a) | | (44,858,389) | | (44,856,873) |
| | | | <u>9,560,873</u> | | <u>9,592,023</u> |
| Other fixed assets | 11.(b) | | 307,271 | | 325,007 |
| | | | <u>9,868,144</u> | | <u>9,917,030</u> |
| Negative Goodwill | 23. | | (390,510) | | (399,809) |
| FIXED ASSET INVESTMENTS | | | | | |
| Investment in subsidiaries | 21. | | 1 | | 1 |
| Shared Equity Cost | 21. | 419,819 | | 341,682 | |
| Shared Equity Grant | 21. | (419,819) | | (341,682) | |
| | | | <u>-</u> | <u>-</u> | <u>-</u> |
| CURRENT ASSETS | | | | | |
| Debtors | 13. | 496,709 | | 503,969 | |
| Development Cost of Housing Property | 22. | 114,225 | | 273,145 | |
| Investments | 24. | 8,000,000 | | 1,019,281 | |
| Cash at bank and in hand | | 4,942,703 | | 1,810,867 | |
| | | | <u>13,553,637</u> | <u>3,607,262</u> | |
| CREDITORS: Amounts falling due within one year | 14. | (1,316,518) | | (1,031,641) | |
| NET CURRENT ASSETS | | | <u>12,237,119</u> | | <u>2,575,621</u> |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | | <u>21,714,754</u> | | <u>12,092,843</u> |
| CREDITORS: Amounts falling due after more than one year | 15. | (3,686,147) | | (3,925,946) | |
| NET ASSETS EXCLUDING PENSION LIABILITY | | | <u>18,028,607</u> | | <u>8,166,897</u> |
| Pension (Liability)/ Asset | 29. | (32,000) | | 55,000 | |
| | | | <u>(32,000)</u> | | <u>55,000</u> |
| NET ASSETS | | | <u>17,996,607</u> | | <u>8,221,897</u> |
| CAPITAL AND RESERVES | | | | | |
| Share Capital | 17. | | 903 | | 892 |
| Designated Reserves | 18.(a) | | 14,356,566 | | 5,031,599 |
| Revenue Reserves | 18.(b) | | 3,671,138 | | 3,134,406 |
| Pension Reserve | 18.(c) 23. | | (32,000) | | 55,000 |
| | | | <u>17,996,607</u> | | <u>8,221,897</u> |

The Financial Statements were approved by the Committee of Management and signed on their behalf on 12 June 2012.


G. McDONALD
Chairperson


W. HALLEY
Vice Chairperson


J. MICHAEL
Secretary

GLASGOW WEST HOUSING ASSOCIATION LIMITED

CASH FLOW STATEMENT FOR THE YEAR ENDED

31st MARCH 2012

| | Notes | 2012 £ | Restated 2011 £ |
|--|-------|------------------|-----------------------|
| Net Cash Inflow from Operating Activities | 16. | 2,231,646 | 1,581,041 |
| Returns on Investment and Servicing of Finance | | | |
| Interest Received | | 51,854 | 12,141 |
| Interest Paid | | (85,441) | (79,523) |
| Net Cash Outflow from Investment and Servicing of Finance | | (33,587) | (67,382) |
| Capital Expenditure and Financial Investment | | | |
| Acquisition and Construction of Properties | | (270,073) | (2,257,563) |
| Purchase of Other Fixed Assets | | (12,798) | (2,396) |
| Social Housing Grant Received | | - | 1,538,127 |
| Proceeds on Disposal of Properties | | 81,449 | 93,922 |
| Negative Goodwill Cash Received | | 8,352,729 | 326,967 |
| Net Cash Inflow / (Outflow) from Capital Expenditure and Financial Investment | | 8,151,307 | (300,943) |
| Net Cash Inflow before use of Liquid Resources and Financing | | 10,349,366 | 1,212,716 |
| Management of Liquid Resources | | | |
| Change in short term deposits with banks | | (6,980,719) | (1,000,017) |
| Financing | | | |
| Loan Advances Received | | - | 1,500,000 |
| Loan Redemption Payments | | - | (24,462) |
| Loan Principal Repayments | | (236,822) | (147,150) |
| Share Capital Issued | | 11 | 18 |
| Net Cash (Outflow) / Inflow from Financing | | (236,811) | 1,328,406 |
| Increase in Cash | 16. | <u>3,131,836</u> | <u>1,541,105</u> |

GLASGOW WEST 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.

Basis Of Consolidation

The Association has obtained exemption from the Financial Services Authority from producing Consolidated Financial Statements as provided by Section 14(2A) of the Friendly and Industrial and Provident Societies Act 1968. The Financial Statements for Glasgow West Housing Association Limited present information about it as an individual undertaking and not about its Group.

Turnover

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

Valuation Of Housing Properties

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

| <i>Component</i> | <i>Useful Economic Life</i> |
|------------------------|-----------------------------|
| Structure | 50years |
| Roof | 50years |
| Kitchen | 15years |
| Bathroom | 25years |
| Windows | 25years |
| Boiler | 15years |
| Central Heating System | 30years |
| Rewiring | 30years |
| Doors | 30years |
| Lift | 40years |
| Cladding | 40years |

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 | - 4% |
| Furniture and Fittings | - 20% |
| Computer Equipment | - 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.

GLASGOW WEST HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2012

NOTES TO THE FINANCIAL STATEMENTS (Continued)

1 PRINCIPAL ACCOUNTING POLICIES (Continued.)

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 or 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.

Retirement Benefits

Scottish Housing Association Pension Scheme

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

Strathclyde Pension Scheme

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

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

The Association has fully adopted accounting standard FRS17 'Retirement Benefits' during the year. The impact of this standard has been reflected throughout the financial statements. Prior year comparatives have been restated where appropriate.

The difference between the fair value of the assets held in the Association's defined benefit pension scheme and the scheme's liabilities measured on an actuarial basis using the projected unit method as recognised in the Association's balance sheet as a pension scheme liability as appropriate.

GLASGOW WEST 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

All development administration costs incurred on financing a development are charged to the Income and Expenditure Account in the year in which the costs are incurred.

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.

Negative Goodwill

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

GLASGOW WEST 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. | 4,673,335 | 3,331,262 | 1,342,073 | 2,851,233 | 2,200,741 | 650,492 |
| Other Activities | 4. | 396,979 | 426,107 | (29,128) | 601,090 | 554,169 | 46,921 |
| Total | | 5,070,314 | 3,757,369 | 1,312,945 | 3,452,323 | 2,754,910 | 697,413 |

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

| | Turnover £ | Operating Costs £ | Operating Surplus £ |
|-------------|---------------|-------------------------|---------------------------|
| Acquisition | 1,601,052 | 873,505 | 727,547 |

3. PARTICULARS OF INCOME & EXPENDITURE FROM SOCIAL LETTINGS

| | General Needs Housing £ | Supported Housing £ | Shared ownership £ | 2012 Total £ | Restated 2011 Total £ |
|---|----------------------------------|---------------------------|--------------------------|--------------------|--------------------------------|
| Income from Lettings | | | | | |
| Rent Receivable Net of Identifiable Service Charges | 4,477,494 | - | 12,159 | 4,489,653 | 2,694,586 |
| Service Charges Receivable | 225,343 | - | - | 225,343 | 183,907 |
| Gross Rents Receivable | 4,702,837 | - | 12,159 | 4,714,996 | 2,878,493 |
| Less: Rent losses from voids | 41,661 | - | - | 41,661 | 27,260 |
| Net Rents Receivable | 4,661,176 | - | 12,159 | 4,673,335 | 2,851,233 |
| Revenue Grants from Scottish Ministers | - | - | - | - | - |
| Revenue Grants From Local Authorities and Other Agencies | - | - | - | - | - |
| Total Income From Social Letting | 4,661,176 | - | 12,159 | 4,673,335 | 2,851,233 |
| Expenditure on Social Letting Activities | | | | | |
| Service Costs | 372,608 | - | - | 372,608 | 137,561 |
| Management and maintenance administration costs | 1,629,038 | - | - | 1,629,038 | 1,004,039 |
| Reactive Maintenance | 643,808 | - | - | 643,808 | 402,009 |
| Bad Debts - Rents and Service Charges | 47,465 | - | - | 47,465 | 45,570 |
| Planned and Cyclical Maintenance, including Major Repairs | 311,038 | - | - | 311,038 | 292,194 |
| Depreciation of Social Housing | 322,798 | - | 4,507 | 327,305 | 319,368 |
| Operating Costs of Social Letting | 3,326,755 | - | 4,507 | 3,331,262 | 2,200,741 |
| Operating Surplus on Social Letting Activities | 1,334,421 | - | 7,652 | 1,342,073 | 650,492 |
| 2011 (as restated) | 641,898 | - | 8,594 | | |

GLASGOW WEST HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2012

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

| | Grants From Scottish Ministers | Other Revenue Grants | Supporting People Income | Other Income | Total Turnover | Operating Costs Bad Debts | Operating Costs Other | Operating Surplus / (Deficit) 2012 | Operating Surplus / (Deficit) 2011 |
|---|--------------------------------|----------------------|--------------------------|----------------|----------------|------------------------------|--------------------------|------------------------------------|------------------------------------|
| | £ | £ | £ | £ | £ | £ | £ | £ | £ |
| Wider Role Activities | 18,000 | - | - | 5,698 | 23,698 | - | 29,120 | (5,422) | (19,027) |
| Care and Repair of Property | - | - | - | - | - | - | - | - | - |
| Factoring | - | - | - | 123,877 | 123,877 | 11,372 | 120,672 | (8,167) | 9,717 |
| Development and construction of property activities | 1,295 | - | - | - | 1,295 | - | 10,556 | (9,261) | (16,223) |
| Agency / Management services for other RSLs | 11,362 | - | - | 8,473 | 19,835 | - | 44,769 | (24,934) | 68,728 |
| Development of Property for sale | - | - | - | 161,536 | 161,536 | - | 161,536 | - | - |
| Other Income | - | - | - | 15,158 | 15,158 | - | - | 15,158 | - |
| GWEN - SLA | - | - | - | 32,901 | 32,901 | - | 32,901 | - | - |
| Commercial Units | - | - | - | 18,679 | 18,679 | - | 15,181 | 3,498 | 3,726 |
| Total From Other Activities | 30,657 | - | - | 366,322 | 396,979 | 11,372 | 414,735 | (29,128) | 46,921 |
| 2011 | 129,981 | - | - | 471,109 | 601,090 | 10,816 | 543,353 | 46,921 | 46,921 |

GLASGOW WEST HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2012

NOTES TO THE FINANCIAL STATEMENTS (Continued)

5. OFFICERS' EMOLUMENTS

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

| | 2012 | 2011 |
|---|---------------|---------------|
| | £ | £ |
| Aggregate Emoluments payable to Officers with Emoluments greater than £60,000 (excluding Pension Contributions) | <u>64,496</u> | <u>65,337</u> |
| Pension contributions made on behalf on Officers with emoluments greater than £60,000 | <u>5,914</u> | <u>9,211</u> |
| Emoluments payable to Chief Executive (excluding pension contributions) | <u>64,496</u> | <u>65,337</u> |

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

| | Number | Number |
|--------------------|--------|--------|
| £60,001 to £70,000 | 1 | 1 |
| £70,001 to £80,000 | - | - |
| £80,001 to £90,000 | - | - |

6. EMPLOYEE INFORMATION

| | 2012 | 2011 |
|---|------------------|----------------|
| | No. | No. |
| The average monthly number of full time equivalent persons employed during the year was | <u>43</u> | <u>23</u> |
| Staff Costs were: | £ | £ |
| Wages and Salaries | 1,125,413 | 690,939 |
| Social Security Costs | 86,416 | 48,800 |
| Other Pension Costs | 147,921 | 82,578 |
| Temporary, Agency and Seconded Staff | 80,713 | 28,072 |
| | <u>1,440,463</u> | <u>850,389</u> |

GLASGOW WEST 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 | 81,449 | 93,922 |
| Cost of Sales | <u>9,261</u> | <u>2,788</u> |
| Gain On Sale Of Housing Stock | <u>72,188</u> | <u>91,134</u> |

8. INTEREST PAYABLE

| | 2012 | 2011 |
|----------------------------|---------------|---------------|
| | £ | £ |
| On Bank Loans & Overdrafts | <u>92,830</u> | <u>78,801</u> |
| | 92,830 | 78,801 |
| Less: Interest Capitalised | <u>35,496</u> | <u>24,815</u> |
| | <u>57,334</u> | <u>53,986</u> |

Interest incurred in the development period of housing properties which has been written off to the income and expenditure account amounted to £0 (2011 £0)

Interest capitalised was incurred at 1.7%.

9. SURPLUS ON ORDINARY ACTIVITIES BEFORE TAXATION

| | 2012 | 2011 |
|--|--------------|----------|
| | £ | £ |
| Surplus on Ordinary Activities before Taxation is stated after charging: | | |
| Depreciation - Tangible Owned Fixed Assets | 358,605 | 186,987 |
| Auditors' Remuneration - Audit Services | 10,710 | 10,200 |
| - Other Services | <u>1,800</u> | <u>-</u> |

10. TAX ON SURPLUS ON ORDINARY ACTIVITIES

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

GLASGOW WEST 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 | 55,764,238 | 353,043 | 379,902 | 56,497,183 |
| Additions | 305,309 | - | 4,448 | 309,757 |
| Acquired at Fair Value | - | - | - | - |
| Disposals | (12,086) | - | - | (12,086) |
| Schemes Completed | (4,646) | 4,646 | - | - |
| As at 31st March 2012 | <u>56,052,815</u> | <u>357,689</u> | <u>384,350</u> | <u>56,794,854</u> |
| DEPRECIATION | | | | |
| As at 1st April 2011- restated | 2,035,794 | - | 12,493 | 2,048,287 |
| Charge for Year | 323,564 | - | 4,507 | 328,071 |
| Disposals | (766) | - | - | (766) |
| As at 31st March 2012 | <u>2,358,592</u> | <u>-</u> | <u>17,000</u> | <u>2,375,592</u> |
| SOCIAL HOUSING GRANT | | | | |
| As at 1st April 2011- restated | 44,502,500 | 144,706 | 209,667 | 44,856,873 |
| Additions | 2,916 | - | - | 2,916 |
| Disposals | (1,400) | - | - | (1,400) |
| Schemes Completed | - | - | - | - |
| As at 31st March 2012 | <u>44,504,016</u> | <u>144,706</u> | <u>209,667</u> | <u>44,858,389</u> |
| NET BOOK VALUE | | | | |
| As at 31st March 2012 | <u>9,190,207</u> | <u>212,983</u> | <u>157,683</u> | <u>9,560,873</u> |
| As at 31st March 2011 | <u>9,225,944</u> | <u>208,337</u> | <u>157,742</u> | <u>9,592,023</u> |

Additions to housing properties includes capitalised development administration costs of £nil (2011 - £nil) and capitalised major repair costs to existing properties of £250,380 (2011 £566,713)

All land and housing properties are freehold.

GLASGOW WEST 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 | Commercial Premises £ | Office Premises £ | Furniture & Equipment £ | Total £ |
|---|-----------------------------|-------------------------|-------------------------------|----------------|
| COST | | | | |
| As at 1st April 2011 | 195,158 | 512,423 | 93,745 | 801,326 |
| Additions | - | - | 12,798 | 12,798 |
| As at 31st March 2012 | <u>195,158</u> | <u>512,423</u> | <u>106,543</u> | <u>814,124</u> |
| GRANTS RECEIVED | | | | |
| As at 1st April 2011 and 31 March 2012 | - | 98,358 | - | 98,358 |
| AGGREGATE DEPRECIATION | | | | |
| As at 1st April 2011 | 106,525 | 182,799 | 88,637 | 377,961 |
| Charge for year | 7,806 | 16,563 | 6,165 | 30,534 |
| Eliminated on disposal | - | - | - | - |
| As at 31st March 2012 | <u>114,331</u> | <u>199,362</u> | <u>94,802</u> | <u>408,495</u> |
| NET BOOK VALUE | | | | |
| As at 31st March 2012 | <u>80,827</u> | <u>214,703</u> | <u>11,741</u> | <u>307,271</u> |
| As at 31st March 2011 | <u>88,633</u> | <u>231,266</u> | <u>5,108</u> | <u>325,007</u> |

12. CAPITAL COMMITMENTS

| | 2012 £ | 2011 £ |
|--|-----------|-----------|
| Capital Expenditure that has been contracted for but has not been provided for in the Financial Statements | - | 506,599 |

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

GLASGOW WEST HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2012

NOTES TO THE FINANCIAL STATEMENTS (Continued)

13. DEBTORS

| | 2012 £ | 2011 £ |
|-------------------------------------|----------------|----------------|
| Arrears of Rent & Service Charges | 211,141 | 85,788 |
| Less: Provision for Doubtful Debts | (119,455) | (53,123) |
| | <u>91,686</u> | <u>32,665</u> |
| Other Debtors | 336,333 | 461,182 |
| Amounts Due from Group Undertakings | 68,690 | 10,122 |
| | <u>496,709</u> | <u>503,969</u> |

14. CREDITORS: Amounts falling due within one year

| | 2012 £ | 2011 £ |
|------------------------------------|------------------|------------------|
| Housing Loans | 221,879 | 219,165 |
| Trade Creditors | 499,856 | 351,066 |
| Rent in Advance | 330,200 | 257,318 |
| Other Taxation and Social Security | 35,295 | 40,269 |
| Other Creditors | 121,729 | 113,277 |
| Accruals and Deferred Income | 107,559 | 50,546 |
| | <u>1,316,518</u> | <u>1,031,641</u> |

At the balance sheet date there were pension contributions outstanding of £18559 (2011 £19,125)

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

| | 2012 £ | 2011 £ |
|---|------------------|------------------|
| Housing Loans | 3,686,147 | 3,925,946 |
| Housing Loans are secured by specific charges on the Association's housing properties and are repayable at varying rates of interest in instalments, due as follows:- | | |
| Within one year | 223,165 | 219,165 |
| Between one and two years | 226,766 | 223,719 |
| Between two and five years | 697,306 | 662,984 |
| In five years or more | 2,760,789 | 3,039,243 |
| | <u>3,908,026</u> | <u>4,145,111</u> |
| Less: Amount shown in Current Liabilities | 221,879 | 219,165 |
| | <u>3,686,147</u> | <u>3,925,946</u> |

GLASGOW WEST HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2012

NOTES TO THE FINANCIAL STATEMENTS (Continued)

16. CASH FLOW STATEMENT

| | 2012 | Restated | |
|---|--------------------|--------------------|------------------|
| | £ | 2011 | |
| | | £ | |
| <i>Reconciliation of operating surplus to net cash inflow from operating activities</i> | | | |
| Operating Surplus | 1,312,945 | 697,413 | |
| Depreciation | 358,605 | 353,285 | |
| Change in properties developed for resale | 158,920 | 60,377 | |
| Change in Debtors | 142,590 | 352,808 | |
| Change in Creditors | 270,586 | 117,158 | |
| Contributions payable to Defined Benefit Scheme (Strathclyde) | (46,000) | (5,000) | |
| Service Cost on Defined Benefit Scheme (Strathclyde) | 34,000 | 5,000 | |
| | <u>2,231,646</u> | <u>1,581,041</u> | |
| Net Cash Inflow from Operating Activities | | | |
| <i>Reconciliation of net cash flow to movement in net debt</i> | | | |
| | 2012 | 2011 | |
| | £ | £ | |
| | £ | £ | |
| Increase in Cash | 3,131,836 | 1,541,105 | |
| Cash flow from management of liquid resources | 6,980,719 | 1,000,017 | |
| Cash flow from change in debt | 237,085 | (1,328,388) | |
| | <u>10,349,640</u> | <u>1,212,734</u> | |
| Movement in net debt during year | | | |
| Net debt at 1st April 2011 | (1,314,963) | (2,527,697) | |
| Net debt at 31st March 2012 | <u>9,034,677</u> | <u>(1,314,963)</u> | |
| <i>Analysis of changes in net debt</i> | | | |
| | At | Cash | At |
| | 01.04.11 | Flows | 31.03.12 |
| | £ | £ | £ |
| Cash at bank and in hand | 1,810,867 | 3,131,836 | 4,942,703 |
| | <u>1,810,867</u> | <u>3,131,836</u> | <u>4,942,703</u> |
| Liquid Resources | 1,019,281 | 6,980,719 | 8,000,000 |
| Debt: Due within one year | (219,165) | (2,714) | (221,879) |
| Due after more than one year | (3,925,946) | 239,799 | (3,686,147) |
| | <u>(1,314,963)</u> | <u>10,349,640</u> | <u>9,034,677</u> |
| Net Debt | | | |

GLASGOW WEST HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2012

NOTES TO THE FINANCIAL STATEMENTS (Continued)

20. RELATED PARTY TRANSACTIONS

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

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

5 members are tenants of the Association

1 member is a factored owner

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.

No transactions other than payment of rent from the tenant committee members took place during the year between the Association and its related parties.

21. FIXED ASSET INVESTMENT

| | 2012 £ | 2011 £ |
|--|-----------|-----------|
| Shared Equity Properties | | |
| Development Cost of Shared Equity Property | 419,819 | 341,682 |
| Less: Grants Receivable | 419,819 | 341,682 |
| | <u>-</u> | <u>-</u> |
| Investments in Subsidiaries | | |
| As at 31st March 2012 & 31st March 2011 | <u>1</u> | <u>1</u> |

The Association has a 100% owned subsidiary Glasgow West Enterprises Ltd. The relationship between the Association and its subsidiary is set out in an independence agreement between both parties.

The following transactions took place between the entities during the year: Glasgow West Housing Association (GWHA) paid £22,504 of expenses on behalf of Glasgow West Enterprises Ltd (GWEN) in the year, rent arrears of £3,154 were transferred to GWEN and GWHA received a management fees of £32,901 from GWEN. At the year end, £68,690 was due from GWEN.

The aggregate amount of capital and reserves and the results of Glasgow West Enterprises Ltd for the year ended 31st March 2012 were as follows:

| | 2012 £ | 2011 £ |
|---------------------|-----------------|-----------------|
| Capital & Reserves | <u>(10,019)</u> | <u>(10,120)</u> |
| Profit for the year | <u>101</u> | <u>(10,121)</u> |

GLASGOW WEST HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2012

NOTES TO THE FINANCIAL STATEMENTS (Continued)

22. DEVELOPMENT COST OF HOUSING PROPERTY

| | 2012 £ | 2011 £ |
|---|------------------|------------------|
| Shared Equity Properties | | |
| Completed Properties Unsold | <u>238,553</u> | <u>475,610</u> |
| | 238,553 | 475,610 |
| Less: Grants Received from Scottish Ministers | <u>(124,328)</u> | <u>(202,465)</u> |
| | <u>114,225</u> | <u>273,145</u> |

23. NEGATIVE GOODWILL

| | Note | 2012 £ |
|------------------------------|------|--------------------|
| Balance as at 1st April 2011 | | 399,809 |
| Acquisition in Year | 28. | 8,385,394 |
| Release during the year | | <u>(8,394,693)</u> |
| As at 31st March 2012 | | <u>390,510</u> |

24. CURRENT ASSET INVESTMENTS

| | 2012 £ | 2011 £ |
|---------------------|------------------|------------------|
| Short Term Deposits | <u>8,000,000</u> | <u>1,019,281</u> |

GLASGOW WEST HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2012

NOTES TO THE FINANCIAL STATEMENTS (Continued)

25. RETIREMENT BENEFIT OBLIGATIONS

General

Glasgow West 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.

Glasgow West 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 Glasgow West 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 16 active members of the Scheme employed by Glasgow West Housing Association Limited. The annual pensionable payroll in respect of these members was £533,739. Glasgow West 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.

GLASGOW WEST HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2012

NOTES TO THE FINANCIAL STATEMENTS (Continued)

25. RETIREMENT BENEFIT OBLIGATIONS (Continued)

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

The Scheme Actuary has prepared an Actuarial Report that provides an approximate update on the funding position of the Scheme as at 30th September 2010. Such a report is required by legislation for years in which a full actuarial valuation is not carried out. The funding update revealed a increase in the assets of the Scheme to £335 million and indicated an increase in the shortfall of assets compared to liabilities to approximately £162 million, equivalent to a past service funding level of 67.4%.

Financial Assumptions

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

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

The valuation was carried out using the SAPS (S1PA) All pensioners Year of Birth Long Cohort with 1% p.a. minimum improvement for non-pensioners and pensioners. The table below illustrates the assumed life expectancy in years for pension scheme members at age 65 using these mortality assumptions:

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

GLASGOW WEST HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2012

NOTES TO THE FINANCIAL STATEMENTS (Continued)

25. RETIREMENT BENEFIT OBLIGATIONS (Continued)

Valuation Results

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

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

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

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

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

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

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

GLASGOW WEST HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2012

NOTES TO THE FINANCIAL STATEMENTS (Continued)

26. RETIREMENT BENEFIT OBLIGATIONS

Defined Benefit Scheme

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

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

At the balance sheet date, there were 11 active members of the scheme employed by the Association and 2 retired members. Total pension contributions made by the Association for the year were £46,000. This includes £6331 of outstanding contributions at the balance sheet date. Gross pensionable salaries for the year were £268287.

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

Principal Actuarial Assumptions

Financial Assumptions

| Assumptions as at | 2012 %p.a. | 2011 %p.a. | 2010 %p.a. |
|---------------------------|---------------|---------------|---------------|
| Pension increase rate | 2.5 | 2.8 | 3.8 |
| Salary increase rate | 4.8 | 5.1 | 5.3 |
| Expected return on assets | 5.8 | 6.9 | 7.2 |
| Discount rate | 4.8 | 5.5 | 5.5 |

Asset Class

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

| | 2012 % p.a. | 2011 % p.a. |
|--------------|----------------|----------------|
| Equities | 6.3 | 7.5 |
| Bonds | 3.9 | 4.9 |
| Property | 4.4 | 5.5 |
| Cash | 3.5 | 4.6 |
| Total | - | - |

Mortality Rates

Life expectancy is based on the PFA92 and PMA92 tables, with mortality improvements

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

GLASGOW WEST HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2012

NOTES TO THE FINANCIAL STATEMENTS (Continued)

26. RETIREMENT BENEFIT OBLIGATIONS

| Fair value of scheme assets by category | 2012 | 2011 | 2010 |
|--|-------------|------------|------------|
| | £'000 | £'000 | £'000 |
| Equities | 733 | 207 | 187 |
| Bonds | 104 | 35 | 32 |
| Property | 66 | 16 | 17 |
| Cash | 47 | 11 | 7 |
| | <u>950</u> | <u>269</u> | <u>243</u> |
| | | | |
| Net Pension (Liability)/Asset | 2012 | 2011 | 2010 |
| | £'000 | £'000 | £'001 |
| Fair value of employer's assets | 950 | 269 | 243 |
| Present value of scheme liabilities | (982) | (214) | (240) |
| Present value of unfunded liabilities | - | - | - |
| | <u>(32)</u> | <u>55</u> | <u>3</u> |
| | | | |
| Movement in year | 2012 | 2011 | 2010 |
| | £'000 | £'000 | £'001 |
| Pension scheme surplus at beginning of year | 55 | 3 | (38) |
| Current service cost | (34) | (5) | (7) |
| Employer contributions | 46 | 5 | 44 |
| Past service (cost)/gain | - | 21 | - |
| Net return on assets | 14 | 6 | (1) |
| Actuarial (losses)/gains | (94) | 25 | 5 |
| Net liabilities assumed in business combination* | (19) | - | - |
| | <u>(32)</u> | <u>55</u> | <u>3</u> |

*Please refer to Note 28 - Second Stage Transfer

GLASGOW WEST HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2012

NOTES TO THE FINANCIAL STATEMENTS (Continued)

26. RETIREMENT BENEFIT OBLIGATIONS

Analysis of amount charged to the Income and Expenditure Account

| | 2012 £'000 | 2011 £'000 |
|---|---------------|---------------|
| Charged to operating costs: | | |
| Service cost | 34 | 5 |
| Past service cost | | (21) |
| | <u>34</u> | <u>(16)</u> |
| Charged to FRS 17 Valuation Other Finance Costs / (Income): | | |
| Past service gain | - | - |
| Expected Return on employer assets | (55) | (18) |
| Interest on pension scheme liabilities | 41 | 12 |
| | <u>(14)</u> | <u>(6)</u> |
| Net Charge to the Income and Expenditure Account | <u>20</u> | <u>(22)</u> |
| Actual Return on Plan Assets | <u>33</u> | <u>19</u> |

| | 2012 £'000 | 2011 £'000 | 2010 £'000 |
|--|---------------|---------------|---------------|
| Fair value of employer assets | 950 | 269 | 243 |
| Present value of defined benefit obligations | (982) | (214) | (240) |
| Deficit | (32) | 55 | 3 |
| Experience (losses) on assets | (91) | 2 | 31 |
| Experience (losses) on Liabilities | 41 | - | (26) |

GLASGOW WEST HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2012

NOTES TO THE FINANCIAL STATEMENTS (Continued)

26. RETIREMENT BENEFIT OBLIGATIONS

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

| | 2012 £'000 | 2011 £'000 | 2010 £'000 |
|---------------------------------------|---------------|---------------|---------------|
| Actuarial (losses) recognised in year | (94) | 25 | 5 |
| Cumulative actuarial (losses) | (64) | 30 | 5 |

Employment Data

| | 2012 (Number) | 2011 (Number) | 2010 (Number) |
|------------|------------------|------------------|------------------|
| Actives | 11 | - | 2 |
| Deferreds | - | - | - |
| Pensioners | 2 | 2 | - |

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

| | £'000 | % of pay* |
|---|-----------|-------------|
| Projected current service cost | 50 | 20.2 |
| Interest on obligation | 48 | 19.4 |
| Expected return on plan assets | (57) | (23.0) |
| Past service costs | - | - |
| Losses / (Gain) on curtailments and settlements | - | - |
| | <u>41</u> | <u>16.6</u> |

GLASGOW WEST HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2012

NOTES TO THE FINANCIAL STATEMENTS (Continued)

27. PRIOR YEAR ADJUSTMENT

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

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

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

| | Reported in 2011 Accounts £ | Restated 2011 figures £ | Value of Restatement |
|---------------------------------------|-----------------------------------|-------------------------------|-------------------------|
| Balance Sheet | | | |
| Housing Property - Net Book Value | 7,713,825 | 9,592,023 | 1,878,198 |
| Revenue Reserves | <u>1,256,208</u> | <u>3,134,406</u> | <u>1,878,198</u> |
| Income and Expenditure Account | | | |
| Housing Depreciation Charge | 153,070 | 319,368 | 166,298 |
| Major Repairs Charge | <u>127,553</u> | <u>292,194</u> | <u>164,641</u> |
| | | | <u>330,939</u> |

The reported surplus in 2011 has been restated by £330939 and now stands at £782184

GLASGOW WEST HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2012

NOTES TO THE FINANCIAL STATEMENTS (Continued)

28. SECOND STAGE TRANSFER

On 27 June 2011 the Association acquired housing assets and the related rent arrears from Glasgow Housing Association Limited as part of two Second Stage Transfers. The Association acquired 614 housing units that were managed by Argyle. The identifiable assets and liabilities have been incorporated in the balance sheet of the Association at their fair value on acquisition.

Analysis of Acquisition

| | Book Value £ | Adjustment to Fair Value £ | Fair Value £ |
|---|--------------------|----------------------------------|--------------------|
| Housing Properties | - a) | - | - |
| Rent Arrears | 99,830 b) | (29,953) c) | 69,877 |
| Rent Prepayments | (18,212) d) | - | (18,212) |
| Pension Liability | (19,000) e) | - | (19,000) |
| | <u>62,618</u> | <u>(29,953)</u> | <u>32,665</u> |
| Consideration received from GHA - at fair value | | | 8,352,729 |
| Negative Goodwill Arising on Acquisition | | | <u>8,385,394</u> |

Adjustments

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