



**Home in Scotland Limited**

**Annual Report and Financial Statements  
For the year ended 31 March 2012**

Registered Industrial and Provident Society No: 1935R (S)

Scottish Housing Regulator Registered No: HAL90

Scottish Charity No: SC005247

Part of the Home Group

<b>CONTENTS</b>	<b>PAGE</b>
Chair's report	3 - 4
The Board, the Director and the Association's advisers	5
Report of the Board	6 - 9
Independent auditors' report	10
Financial statements	11 - 28

**Registered Office and Head Office**

Home in Scotland Limited  
Unit 3 Q Court  
Quality Street  
Davidson's Mains  
Edinburgh  
EH4 5BP

Registered Industrial and Provident Society No: 1935R (S)  
Scottish Housing Regulator Registered No: HAL90  
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Part of Home Group

## HOME IN SCOTLAND LIMITED CHAIR'S REPORT

This year has been one of significant change and of laying the foundations for further changes to come.

Nationally, Home Group Limited (HGL) decided to introduce an improved repairs and maintenance service, working with five contractors to deliver a better and more efficient customer service. In Scotland, the contractor appointed is Seddon Property Services Limited, who will start delivery in summer 2012. In preparation for this change, repairs call handling moved to our national Customer Service Centre in February 2012, enabling us to deliver a consistent and enhanced service to all our Scottish customers. The Board has naturally taken an active interest in this process and will be reviewing customer satisfaction to ensure that the intended benefits for our customers are delivered.

### **New build and regeneration**

We were delighted to be awarded grant offers totalling £10.7m from the Innovation and Investment Fund (IIF), which allows us to develop 245 new units across four sites in Scotland: Mill O' Mains Phase 2 in Dundee, Kirkliston and Burdiehouse in Edinburgh and Cathcart in Glasgow. This award is one of the largest in Scotland and we are working closely with colleagues in both the Scottish Government and local authorities to ensure that these strategically important development opportunities are in line with IIF requirements. We are now on site at both Kirkliston and Cathcart.

Earlier in the year we completed successful projects in Dundee at Dura Street (27 units) and Mill O' Mains Phase 1 (65 units). The Minister for Housing and Transport, Keith Brown, visited Mill O' Mains in February to celebrate the completion of the first phase of the regeneration. The Mill O' Mains Neighbourhood Management Initiative was also launched on that day with a stakeholder and partner event in the Mill O' Mains Pavilion and a community event in the Sheltered Housing Lounge. These events were very well attended and feedback on the new homes and the work of the Neighbourhood Management Team was very positive.

In Glasgow we handed over 25 new properties in East Balornock Phase 2 and we completed 23 units at Cumming Drive for Glasgow Housing Association. We will develop a further 34 properties at Cumming Drive during 2012/13.

### **Community involvement**

The Board was pleased to welcome Marjorie Cuthbert, Community Member representing the Glasgow Area Committee, back onto the Board in June. This brought local representation up to full strength.

Area Committees in all four areas have continued to work hard to engage with local neighbourhoods and find out what customers and community members want. During the year we set up a working group to review the Area Committee role. This work continues as we want to ensure that our governance arrangements are fit for purpose. I am extremely grateful to all the people who give their time in a voluntary capacity to support the work of the Board in this way.

Our former Housing Officers are now called Customer Service Partners, each with about 200 customers to support and, in partnership with the Customer Service Centre, are focused on delivering excellent customer service in their area. Colleagues are being equipped with the relevant technology to support this move to a more flexible and mobile workforce. As ever, our customer service team works closely with Care and Support colleagues to provide a portfolio of care for our more vulnerable customers and clients.

We are proud to have launched our HGL apprenticeship scheme, creating over 200 opportunities for customers, clients and people living in our communities. Working with our new repairs and maintenance contractors we will offer a range of apprenticeships, work placements and employability training opportunities throughout Scotland and England.

### **Future change**

As a housing association at the forefront of new development and growth, we can foresee further changes ahead that will affect the areas in which we work. Policy developments and legislative measures will have an impact on Home Scotland customers and clients and we need to be ready for those changes.

We recently announced the new Home Group strategy, Housing with Care, which outlines how we will work to deliver our customer and client promises over the next five years, while creating a financially stronger organisation through challenging times ahead. Housing with Care sets out the next stages on our journey to furthering our mission, ensuring that we 'help our customers and clients to open doors to new opportunities and healthy lives'.

I would like to take this opportunity to thank all our colleagues, both personally and on behalf of the Board, for the sustained quality of their work and unwavering enthusiasm through a period of extensive change.

**HOME IN SCOTLAND LIMITED  
CHAIR'S REPORT**

And finally I would also like to warmly thank Board and Area Committee members for their whole hearted support in developing a strategy for the organisation which aims to ensure that Home Scotland is strongly positioned and can move forward with confidence in the year ahead.

On behalf of the Board



*David Bolger*  
Chair, Home in Scotland Limited

19 July 2012



**HOME IN SCOTLAND LIMITED**  
**THE BOARD, THE DIRECTOR AND THE ASSOCIATION'S ADVISERS**

**Board**

David Bolger (Chair)  
Marjorie Cuthbert, MSc, MPhil - Appointed 22 June 2011  
Roger Eggins, MRICS, BSc (Hons)  
Andy Jack, BSc, MBA, DBA, RD, CEng  
Lesley McCourt, LLB (Hons), LLM, MCIQB  
Ray Macfarlane, MA, LLB, MBA  
Desmond O'Brien, ACMA  
Vicky Peterkin, MA, FCIH  
Rosemary Du Rose (Parent Association representative) - Co-opted 29 May 2012  
Mike Rowney, MBE, FILM, MCMI  
Chris Stone (Tenant Member)  
Colin Strachan, FCIOB  
Jonathan Turner, ACA, BA (Hons) - Vice Chair from 10 May 2011

Resignations:

Alan Park, CA, BA (Hons) (Parent Association representative) - (Co-opted, until 23 March 2012)

**Director (Home Scotland) and Company Secretary**

Nicola Jane Donaldson, MBA, MCMI, Cert CIH

**Advisers**

**Independent Auditors**

KPMG LLP  
Quayside House  
110 Quayside  
Newcastle upon Tyne  
NE1 3DX

**Bankers**

Bank of Scotland plc  
Business Banking Centre  
2 West Marketgait  
Dundee  
DD1 1QN

**Solicitors**

T C Young  
7 West George Street  
Glasgow  
G2 1BA

**Miller Hendry**

3 Ward Road  
Dundee  
DD1 1LU

**HOME IN SCOTLAND LIMITED  
REPORT OF THE BOARD  
FOR THE YEAR ENDED 31 MARCH 2012**

The Board presents its report and the audited financial statements for the year ended 31 March 2012.

**Registration of the Association**

Home in Scotland Limited (the Association) is registered with the Scottish Federation of Housing Associations' Federal Model Rules H1166 under the Industrial and Provident Societies Act 1965 - registered number 1935R(S) - and with The Scottish Housing Regulator under the Housing (Scotland) Act 2001 - registered number HAL90.

**Parent Association**

Home Group Limited (HGL) is registered with the Financial Services Authority under the Industrial and Provident Societies Act 1965 - registered number 22981R - and with The Homes and Communities Agency - registered number L3076.

**Principal Activity**

The principal activity of the Association is the provision of rented accommodation for those in housing need and the development of low cost home ownership schemes.

**Results**

The Association has made a surplus of £1,781,000 in the year to 31st March 2012. This is compared with £1,395,000 in the previous year, as restated. Annual surpluses are required to cover long term maintenance obligations, repayment of loans and future risks.

**Review of Business**

A brief review of the business is given on pages 3 and 4 in the Chair's report. Further information is available in the Association's Annual Review, available on request from the registered office.

**Statement of Board's Responsibilities**

The Board is responsible for preparing the Board Report and the financial statements in accordance with applicable law and regulations.

Industrial and Provident Society law requires the Board to prepare financial statements for each financial year. Under that law the Board have elected to prepare the financial statements in accordance with UK Accounting Standards.

The financial statements are required by law to give a true and fair view of the state of affairs of the Association and of the surplus or deficit for that period.

In preparing these financial statements, the Board is required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards and the Statement of Recommended Practice have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Association will continue in business.

The Board is responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Association and enable them to ensure that its financial statements comply 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. The Board has general responsibility for taking such steps as are reasonably open to it to safeguard the assets of the Association and to prevent and detect fraud and other irregularities.

The Board is responsible for the maintenance and integrity of the corporate and financial information included on the Association's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

**Disclosure of Information to Auditors**

The Board members and Director who held office at the date of approval of this Board report confirm that, so far as they are each aware, there is no relevant audit information of which the Association's auditors are unaware; and each Board member and Director has taken all the steps that he/she ought to have taken as a Board member or Director to make himself/herself aware of any relevant audit information and to establish that the Association's auditors are aware of that information.



**HOME IN SCOTLAND LIMITED  
REPORT OF THE BOARD  
FOR THE YEAR ENDED 31 MARCH 2012**

**Treasury Policy**

Treasury management is operated within a framework of clearly defined Board approved policies and procedures that serve to control the use of financial instruments. The overall aim is to ensure sufficient liquidity is available to meet foreseeable needs, surplus cash is invested prudently and financial risk is minimised. The Board receives regular reports on relevant treasury matters.

The Association finances its operations through a mixture of retained earnings, grants, long term loans and short term facilities. Borrowings are in sterling at both fixed and floating rates of interest and no derivatives are used.

A 364 day £10m intercompany loan with HGL expired in March 2012 and has been renewed for a further year. As at 31 March 2012, The Association had £23.8 million committed and undrawn facilities, all of which were immediately available for drawing.

**Creditor Payment Policy**

The Association's current policy concerning the payment of its trade creditors is to:

- Settle the terms of payment with those suppliers when agreeing the terms of each transaction;
- Ensure that the suppliers are made aware of the terms of payment by inclusion of the relevant terms in contracts; and
- Pay in accordance with its contractual and other legal obligations.

Payments are made by HGL and recharged via inter-company account to the Association; therefore the 36.8 day (2011–32.1 day) average payment period is as recorded by HGL. At year end there are no trade creditors reported in the Association's financial statements, as reflected in the Balance Sheet.

**Statement on Internal Control**

In accordance with the Scottish Federation of Housing Associations (SFHA) "Raising Standards in Housing" guidance, the Board of Home Scotland acknowledges its responsibility for the systems of internal control of Home Scotland. In addition, the Home Board, which is the parent Board in the Home Group, acknowledges its responsibility for the system of internal control throughout Home.

It should be recognised that such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives and can provide only reasonable and not absolute assurance against material misstatement or loss.

The following key policies, procedures and practices have been established by both the Home Board and the Board of Home Scotland to provide effective internal control.

Control Environment / Governance / Control Procedures

The relationship between Home Group as parent and Home Scotland as subsidiary is set out in a Joint Arrangement Deed (JAD) dated 28<sup>th</sup> July 2010. The JAD sets out the respective roles of the parent and the subsidiary.

As part of Home Group, Home Scotland is required to work within Home's Governance Framework and standards and in addition has its own Operational Manual, which sets out matters reserved specifically to the Home Scotland Board, delegated authorities and provisions relating to conduct and probity.

There is a single Audit Committee for Home Group with a group-wide role extending to financial reporting, external audit arrangements, internal control arrangements, the internal audit arrangements and programme of review and the risk management framework. Two members of the Home Scotland Board have been appointed to the Audit Committee

Monitoring Information

There is a comprehensive set of financial and operational performance reports established in Home Scotland including key performance indicators (KPIs).

- Monthly packs of financial results are produced and monitored.
- Key performance indicators are reported and monitored.
- A traffic light system of reporting is used to help highlight significant variances and to spot trends.
- Cash flow reports, balance sheet reports and treasury reports are produced and monitored.
- Regular reporting on health and safety and risk management highlight the importance of these areas.

The Board of Home Scotland receives performance reports and management accounts at every meeting. Such reports are prepared every month and issued to management for detailed monitoring purposes.



**HOME IN SCOTLAND LIMITED  
REPORT OF THE BOARD  
FOR THE YEAR ENDED 31 MARCH 2012**

**Statement on Internal Control (continued)**

Internal Control - Assurance

All Home's Executive carry out a review on the effectiveness of internal control operating within their business area, which include the system of internal control for Home Scotland, and provide a declaration to the Chief Executive on the adequacy of the internal control.

The Chief Executive provides an annual report on the effectiveness of internal control within Home, which include Home Scotland, to the Audit Committee.

Business Assurance Services provides reports to the Audit Committee and the Board of Home Scotland that monitor the effectiveness and adequacy of the system of internal control.

External Audit provides assurance that the statement of internal control has been prepared in accordance with the guidance from the SFHA's "Raising Standards in Housing".

Risk Management

The Home Scotland Board recognises that risk management is one of the principal elements of corporate governance and a key contributor to ensuring a sound internal control environment. Home Scotland is committed to risk management and has adopted Home Group's risk management policy and strategy. Home Scotland's systems and controls are designed to ensure that exposure to significant risk is properly managed.

The management of risks is a continuous process that is linked to Home Scotland's annual business planning cycle and is designed to identify and prioritise the risks to the achievement of Home Scotland's policies, aims and objectives.

Each business unit within Home Scotland is responsible for managing its risk on a daily basis and the overall framework and processes within Home Group is overseen by a Risk Steering Group, which includes a senior management representative from Home Scotland.

The Home Scotland Board assesses the effectiveness of risk management within Home Scotland from reports received from the Management Team during the year. In addition, the Audit Committee, which includes two members of the Home Scotland Board, ensures that Home's approach to risk management is adequate and assesses the significant changes to the risk map from reports received from the Executive.

Fraud

It is inherently recognised that Home Scotland does not tolerate fraud and action is taken to reduce the risk of fraud through control systems. A Fraud and Bribery Prevention, Detection and Response Policy and Response Plan are incorporated in Home's Governance Standards. There were no instances of fraud relating to Home Scotland during the year to 31 March 2012.

Overall Assurance

The above procedures and policies are designed to identify, evaluate and manage the significant risks faced by Home Scotland. They are ongoing and have been in place for the year under review and up to the date of the approval of the financial statements.

The Board of Home Scotland has received the Director – Home Scotland annual report on internal controls assurance and has conducted its review of the effectiveness of the system of internal control for managing the significant risks. During the year there were no significant failings or weaknesses identified in internal controls, which resulted in material losses, contingencies or uncertainties that require disclosure in the financial statements or in the report of the auditors.



**HOME IN SCOTLAND LIMITED**  
**REPORT OF THE BOARD**  
**FOR THE YEAR ENDED 31 MARCH 2012**

**FINANCIAL REVIEW**

**Changes in Accounting Policies**

The principal accounting policies are set out in Note 1 to the financial statements on pages 13 to 16.

During the year, the Association adopted the requirements of the Statement of Recommended Practice: Accounting by registered social housing providers Update 2010 (the SORP 2010). The SORP 2010 is mandatory for registered providers of social housing for financial periods commencing on or after 1 April 2011. The main changes arising from the introduction of the SORP 2010 which affect Home Scotland materially relate to component accounting and the recognition of negative goodwill arising as part of business combinations.

Under component accounting a housing property is divided into those major components that have substantially different useful economic lives, with each component being depreciated over its useful life. This allows the cost of using the asset to be more precisely reflected in the income and expenditure account.

The SORP 2010 recommends that when a registered provider acquires a business through a non-exchange transaction, the fair value of the recognised assets and liabilities should be recognised as a gain or loss in the income and expenditure account in the year of acquisition rather than held as negative goodwill.

The introduction of component accounting and revised treatment of negative goodwill represent changes in accounting policy, and as such a prior year adjustment has been undertaken to reflect the changes in the application of the accounting policy on prior year results. This prior year adjustment is disclosed in Note 19.

The accounting policy changes have given rise to a significant restatement of the Association's opening Capital and reserves and surplus for the year ended 31 March 2011 as follows:

	£000
Capital and reserves as at 1 April 2011 – as previously reported	17,201
Prior year adjustment	<u>(4,354)</u>
Capital and reserves as at 1 April 2011 – as restated	<u>12,847</u>
	£000
Surplus for the year ended 31 March 2011 – as previously reported	932
Prior year adjustment – component accounting	484
Prior year adjustment – negative goodwill	<u>(21)</u>
Surplus for the year end 31 March 2011 – as restated	<u>1,395</u>

**Employees**

Home Group's policy is to discuss and consult with employees through the forum of the Home Group Staff Council, local staff committees and other representative bodies, all matters likely to affect employees' interests. Information on matters of concern to employees is given through bulletins, newsletters and briefings, which seek to achieve a common awareness on the part of all employees of the financial and economic factors affecting Home Group's and Home Scotland's performance. Home Scotland's approach to Equality and Diversity is centred on the benefits a diverse workforce can bring to an organisation and encompass gender, transgender, race, disability, religious belief, sexual orientation and age.

**Going Concern**

The Board has a reasonable expectation that the Association has adequate resources to continue in operation for the foreseeable future. For this reason they continue to adopt the going concern basis in preparing the financial statements.

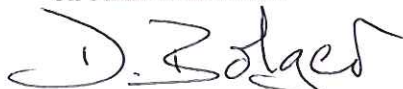
**Post Balance Sheet Events**

The Board consider that there have been no events since the year-end that have had a significant effect on the Association's financial position.

**Independent Auditors**

A resolution to reappoint KPMG LLP as auditor to the company will be proposed at the Annual General Meeting on 11 September 2012.

On behalf of the Board



David Bolger, Chair, Home in Scotland Limited  
19 July 2012

**HOME IN SCOTLAND LIMITED  
REPORT OF THE INDEPENDENT AUDITORS  
TO THE MEMBERS OF HOME IN SCOTLAND LIMITED**

We have audited the financial statements of Home in Scotland Limited for the year ended 31 March 2012 set out on pages 11 to 28 which comprise the Income and Expenditure Account, the Statement of Total Recognised Surpluses and Deficits, the Balance Sheet and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

This report is made solely to the Association's members, as a body, in accordance with Schedule 7 paragraphs 13 and 14 to the Housing (Scotland) Act 2001 and section 9 of the Friendly and Industrial and Provident Societies Act 1968. Our audit work has been undertaken so that we might state to the Association's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Association and the Association's members, as a body, for our audit work, for this report, or for the opinions we have formed.

**Respective responsibilities of the Board and auditor**

As explained more fully in the Statement of Board's Responsibilities set out on page 6, the Association's Board is responsible for the preparation of financial statements which give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

**Scope of the audit of the financial statements**

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

**Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of affairs of the Association as at 31 March 2012 and of its surplus for the year then ended; 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 Landlord Accounting Requirements (Scotland) Order 2007.

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

We have nothing to report in respect of the following matters where the Industrial and Provident Societies Acts 1965 to 2002 require us to report to you if, in our opinion:

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

*M. R. Thompson*

**M R Thompson (Senior Statutory auditor)  
for and on behalf of KPMG LLP, Statutory Auditor**

*Chartered Accountants*  
Quayside House  
110 Quayside  
Newcastle upon Tyne  
NE1 3DX

19 July 2012



**HOME IN SCOTLAND LIMITED**  
**INCOME AND EXPENDITURE ACCOUNT AND**  
**STATEMENT OF TOTAL RECOGNISED SURPLUSES AND DEFICITS**  
**FOR THE YEAR ENDED 31 MARCH 2012**

**INCOME AND EXPENDITURE ACCOUNT**

	Notes	2012 £000	2011 (as restated) £000
<b>Turnover</b>	2(a)	12,679	12,016
Cost of Sales	2(a)	(312)	(209)
Operating costs	2(a)	<u>(9,484)</u>	<u>(9,782)</u>
<b>Operating surplus</b>	2(a)	2,883	2,025
Surplus on sale of housing properties	6	14	103
Interest payable and similar charges	7	(1,116)	(733)
<b>Surplus for the year</b>	8,17	<u>1,781</u>	<u>1,395</u>

**STATEMENT OF TOTAL RECOGNISED SURPLUSES AND DEFICITS**

	2012 £000	2011 (as restated) £000
Surplus for the year	<u>1,781</u>	<u>1,395</u>
Total recognised surpluses for the year	1,781	<u>1,395</u>
Prior year adjustment (Note 19)	<u>(4,354)</u>	
Total recognised surpluses and deficits since last annual report	<u>(2,573)</u>	

All activities of the Association are classed as continuing.

There is no material difference between the surpluses as stated above and their historical cost equivalents.



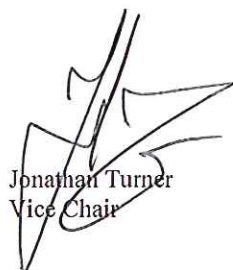
**HOME IN SCOTLAND LIMITED**  
**BALANCE SHEET AT 31 MARCH 2012**

	Notes	2012	2011
		£000	(as restated) £000
<b>Tangible fixed assets</b>			
Housing properties:-			
Cost		170,681	156,031
Less: depreciation and impairment		<u>(10,999)</u>	<u>(9,699)</u>
Net depreciated cost		159,682	146,332
Less: Housing Association Grant		(84,860)	(74,366)
Other grants		<u>(4,573)</u>	<u>(4,585)</u>
	9	70,249	67,381
Other fixed assets	10	<u>385</u>	<u>414</u>
		<u>70,634</u>	<u>67,795</u>
<b>Current assets</b>			
Debtors	11	1,138	1,014
Stocks – work in progress		1,594	-
Cash at bank and in hand		<u>75</u>	<u>90</u>
		2,807	1,104
<b>Creditors: amounts falling due within one year</b>	12	<u>(11,600)</u>	<u>(4,357)</u>
<b>Net current liabilities</b>		(8,793)	(3,253)
<b>Total assets less current liabilities</b>		61,841	64,542
<b>Creditors: amounts falling due after more than one year</b>	13	(47,213)	(51,695)
<b>Net assets</b>		<u>14,628</u>	<u>12,847</u>
<b>Capital and reserves</b>			
Called-up share capital	14	-	-
Designated reserve	15	181	188
Negative goodwill	16	-	-
Revenue reserve	17	14,447	12,659
<b>Total capital and reserves</b>	18	<u>14,628</u>	<u>12,847</u>

The financial statements on pages 11 to 28 were approved by the board on 19 July 2012 and were signed on its behalf by:



David Bolger  
Chair



Jonathan Turner  
Vice Chair



Nicola Jane Donaldson  
Company Secretary

**HOME IN SCOTLAND LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2012**

**1. PRINCIPAL ACCOUNTING POLICIES**

The financial statements have been prepared in accordance with applicable Accounting Standards in the United Kingdom, the Industrial and Provident Societies Acts, 1965 to 2002, the Housing (Scotland) Act 2001, the Registered Social Landlords Accounting Requirements (Scotland) Order 2007 and the Statement of Recommended Practice - Accounting by registered social housing providers Update 2010 (SORP 2010), published in 2010.

The requirements of the SORP 2010 were adopted by the Association during the year. The comparatives have been restated and the prior year adjustments made to the financial statements as a result of adopting SORP 2010 are disclosed in Note 19.

Compliance with the SORP 2010 requires departure from the requirements of Financial Reporting Standard ('FRS') 10, 'Goodwill and intangible assets', in relation to negative goodwill and an explanation of the result of the departure is given in the 'Negative goodwill' policy below.

Whilst the balance sheet shows net current liabilities, the Association has in place external loan agreements as detailed at Note 13 which allow the Association sufficient funding to pay its liabilities as they fall due. The parent undertaking, HGL, acts as guarantor for some of these loans, as well as providing a £10 million intercompany facility.

A summary of the principal accounting policies is set out below.

**Basis of accounting**

The financial statements are prepared on the historical cost basis of accounting.

**Cash flow statement**

The company is a wholly owned subsidiary company of Home Group Limited, and is included in the consolidated financial statements of that company, which are publicly available. Consequently, the company has taken advantage of the exemption within FRS 1 (revised 1996) 'Cash flow statements' from preparing a cash flow statement.

**Turnover**

Turnover represents rental income receivable, income from support services, management fees receivable from the parent company and other fees receivable from third parties and all revenue grants receivable from local authorities and other agencies.

**Supporting People income**

Supporting People (SP) contract income received from Administering Authorities is accounted for as SP income in turnover in Note 2(b) to the financial statements. The related support costs are matched against this income.

**Other tangible fixed assets and depreciation**

Other tangible fixed assets are stated at cost less accumulated depreciation. Depreciation is charged on a straight line basis to write off the cost less any estimated residual value over the expected useful economic lives of the assets.

Estimated useful lives:	Years
Freehold offices – short lease	over the life of the lease
Freehold offices – long lease	over their useful economic life or life of the lease if shorter
Fixtures, furniture and equipment	8
Computer equipment	3
Leased equipment and software	over the life of the lease

**Housing properties**

Housing properties are stated at cost less depreciation and social housing and other grants.

Housing properties in the course of construction are stated at cost less social housing and other grants and are transferred into housing properties when completed.

The cost of a property comprises its purchase price and any costs directly attributable to bringing it into working condition for its intended use. Directly attributable costs include the employment costs of development staff, in-house architects, legal staff and surveyors arising directly from the construction or acquisition of the property, together with other incremental costs which would have been avoided only if the property had not been constructed or acquired.



**HOME IN SCOTLAND LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2012**

**1. PRINCIPAL ACCOUNTING POLICIES (continued)**

**Housing properties (continued)**

As a result of adopting the SORP 2010, the accounting treatment of housing properties has changed. Previously housing properties were split between their land and structure costs only, with depreciation charged over expected useful economic lives ranging from 50 to 100 years. The adoption of the SORP 2010 represents a change in accounting policy and a prior year adjustment has been made to reflect the change and this is disclosed in Note 19.

Under the SORP 2010, component accounting has been adopted and as a result housing properties have been split between their land, structure costs and a specific set of major components which require periodic replacement. The original cost and the cost replacement of such components is capitalised and depreciated on a straight line basis over the estimated useful economic life of components as follows:

<u>Component</u>	<u>Years</u>
Estimated useful economic life	100
Property structure	40
Roof	30
Windows	20
Doors	15
Boiler	15
Kitchen	30
Bathroom	30
Heating distribution	30
Electrics	30

Freehold land is not depreciated.

**Housing Association Grant**

Where developments have been financed wholly or partly by Housing Association Grant, the cost of those developments has been reduced by the amount of the grant received.

Housing Association Grant is repayable under certain circumstances, primarily following the sale of property, but such repayment will normally be restricted to the net proceeds of sale.

**Other grants**

Where developments have been financed wholly or partly by other grants, the cost of those developments has been reduced by the amount of grant received. Other grants of a revenue nature are credited to the income and expenditure account when receivable.

**Capitalisation of interest**

Interest incurred on financing a development is capitalised up to the date of practical completion of the scheme. The capitalisation rate is the weighted average of the rates applicable to general borrowings that are outstanding during the period.

**Impairment**

Reviews for impairment of housing properties are carried out on an annual basis and any impairment in an income-generating unit is recognised by a charge in the income and expenditure account. Impairment is recognised where the carrying value of an income generating unit exceeds the higher of its net realisable value or value in use.

**Provisions for liabilities and charges**

The Association recognises in the accounts provisions to meet liabilities arising from past events, which are likely or certain to be incurred, but for which the amount or timing cannot be determined accurately.



**HOME IN SCOTLAND LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2012**

**1. PRINCIPAL ACCOUNTING POLICIES (continued)**

**Disposal of housing properties**

Where properties built for sale are disposed of during the year, the disposal proceeds are included in turnover and the attributable costs included in cost of sales.

The surplus or deficit on disposal of housing properties held as fixed assets, including second or subsequent tranches of shared ownership properties, is accounted for on the face of the income and expenditure account.

Where a component is replaced or restored, the old component is written off to the income and expenditure account, to avoid double counting, and the new component is capitalised. Charges arising from the early replacement of a component are reflected as part of the overall depreciation charge.

Where any Housing Association Grant (HAG) to be repaid is less than the HAG relating to the disposal, the difference is treated as abated HAG and included as a component of the surplus or deficit on disposal.

**Shared ownership**

The costs of shared ownership properties are split between current and fixed assets on the basis of the first tranche portion.

The first tranche portion is accounted for as a current asset and on disposal the first tranche sale proceeds shown in turnover. The remaining element of the shared ownership property is accounted for as a fixed asset. Any grant attributable to shared ownership assets is wholly attributed to the fixed asset. Subsequent tranches sold ('stair casing') are accounted for as disposals of housing properties, as noted above.

**Stocks - Homestake**

Stocks and work in progress are stated at the lower of cost and net realisable value.

Grants are received from the Scottish Ministers for the construction of properties under the Homestake scheme. The costs net of grants up to the point of sale are reflected as stock within current assets. Upon sale of the Homestake properties to eligible beneficiaries the cost and grants relating to such properties are accounted for in the income and expenditure account as other activities; within turnover and operating costs respectively. 100% of the property is sold between the Owner and the Government.

**Mixed tenure developments**

Where a development comprises a number of different tenures, the cross subsidy which may exist is explicitly recognised in accounting for the development by restricting the surplus generated on certain tenures to the overall scheme surplus. This is achieved through the apportionment of costs to each element of the scheme.

**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.

**Pension costs**

The Association participates in three group operated defined benefit pension schemes for the benefit of some of its employees, the assets of which are held separately from those of the company in independently administered funds. As the Association is unable to identify its share of the assets and liabilities of the group scheme, it accounts for contributions as if they were to a defined contribution pension scheme. Contributions are charged to the income and expenditure account in the year to which they relate.

The Association also operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the Association in an independently administered fund. The pension cost charge disclosed in Note 5 represents contributions payable by the Association to the fund.

**Cyclical and major repairs**

The costs of cyclical and major repairs are charged to the income and expenditure account in the year in which they are incurred.

**HOME IN SCOTLAND LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2012**

**1. PRINCIPAL ACCOUNTING POLICIES (continued)**

**Improvements to property**

The Association capitalises expenditure on housing properties which is either capable of generating increased future rents, extends its useful life, or significantly reduces future maintenance costs. All other expenditure incurred in respect of general repairs to its housing stock is charged to the income and expenditure account in the year in which it is incurred.

**Designated reserve: Service equipment replacement**

The Association is under obligation to replace service equipment, such as warden call systems, special adaptations and part furnishings, in accordance with a planned programme of works paid for by tenants through service charges. Where any monies have been collected for an asset, which has not yet been replaced, the funds are transferred to a designated reserve.

**Negative goodwill**

Negative goodwill arising on the acquisition of subsidiaries and on transfers of engagements represents the excess of the fair value of identifiable assets over the fair value of consideration given. Where negative goodwill arises in the acquisition of a business as a part of a commercial transaction it is classified as a negative asset and amortised over the life of the asset acquired. Where negative goodwill arises through an acquisition which is in substance a gift of a business (a non exchange transaction) the fair value of the gifted recognised assets and liabilities is recognised as a gain or loss in the income and expenditure reserve in the year of the transaction.

The accounting policy outlined above is that required under the SORP 2010, which has resulted in a change in accounting policy. Prior to this change negative goodwill was taken directly to reserves and released to the income and expenditure account over the periods in which the fair values of the non-monetary assets purchased in the same acquisition are recovered.

The change in accounting policy has been reflected in the financial statements by a prior period adjustment which is detailed in Note 19.

The outlined treatment is in accordance with the SORP 2010 but not in accordance with FRS 10 which requires that negative goodwill is shown as a negative asset on the balance sheet. The Board is of the opinion that the treatment required by FRS 10 would not present a true and fair view of the Home Scotland's net assets because the substance of each transaction is a transfer of a business for no consideration rather than a purchase in the conventional manner. If the negative goodwill had been treated as a negative asset as required by FRS 10 then the Home Scotland's net assets would have been reduced by £2,330,000 (2011: £2,351,000).



**HOME IN SCOTLAND LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2012**

**2(a). TURNOVER, OPERATING COSTS AND OPERATING SURPLUS/(DEFICIT)**

	Turnover	Cost of sales	Operating costs	Operating surplus	Operating surplus/(deficit) for previous period of account (as restated) £000
	£000	£000	£000	£000	£000
Social lettings (2c)	11,459	-	(8,718)	2,741	2,294
Other activities (2b)	1,220	(312)	(766)	142	(269)
<b>Total</b>	<u>12,679</u>	<u>(312)</u>	<u>(9,484)</u>	<u>2,883</u>	<u>2,025</u>
Total for previous period of account (as restated)	<u>12,016</u>	<u>(209)</u>	<u>(9,782)</u>	<u>2,025</u>	

**2(b). TURNOVER, OPERATING COSTS AND OPERATING SURPLUS FROM OTHER ACTIVITIES**

	Supporting people income	Other income	Total turnover	Cost of sales and operating costs	Operating surplus / (deficit)	Operating (deficit) /surplus for previous period of account
	£000	£000	£000	£000	£000	£000
Development and construction of property-activities and costs not capitalised	-	312	312	(287)	25	(433)
Support activities	554	-	554	(547)	7	29
Agency / management services for registered social landlords	12	342	354	(244)	110	135
<b>Total from other activities</b>	<u>566</u>	<u>654</u>	<u>1,220</u>	<u>(1,078)</u>	<u>142</u>	<u>(269)</u>
Total from other activities for the previous period of account	<u>572</u>	<u>626</u>	<u>1,198</u>	<u>(1,467)</u>	<u>(269)</u>	



**HOME IN SCOTLAND LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2012**

**2(c). TURNOVER, OPERATING COSTS AND SURPLUS FROM SOCIAL LETTINGS ACTIVITIES**

	General Needs Housing	Supported Housing	Shared Ownership	Total	Total for prior year (as restated)
	£000	£000	£000		£000
Rents receivable net of service charges	10,684	289	81	11,054	10,423
Service charges	<u>130</u>	<u>198</u>	<u>-</u>	<u>328</u>	<u>306</u>
<b>Gross income from rent and service charge</b>	<b>10,814</b>	<b>487</b>	<b>81</b>	<b>11,382</b>	<b>10,729</b>
Less voids	<u>(111)</u>	<u>(8)</u>	<u>-</u>	<u>(119)</u>	<u>(83)</u>
<b>Net income from rents and service charges</b>	<b>10,703</b>	<b>479</b>	<b>81</b>	<b>11,263</b>	<b>10,646</b>
Grants from the Scottish Ministers	139	22	-	161	172
Other government grants	<u>35</u>	<u>-</u>	<u>-</u>	<u>35</u>	<u>-</u>
<b>Total income</b>	<b><u>10,877</u></b>	<b><u>501</u></b>	<b><u>81</u></b>	<b><u>11,459</u></b>	<b><u>10,818</u></b>
Management and maintenance administration costs	3,473	73	-	3,546	3,651
Service costs	239	126	-	365	348
Planned and cyclical maintenance including major repairs	1,986	59	-	2,045	1,890
Reactive maintenance costs	1,054	47	-	1,101	1,109
Bad debts	139	1	-	140	131
Depreciation of social housing	1,479	39	3	1,521	1,266
Impairment of social housing	-	-	-	-	129
<b>Operating costs for social housing activities</b>	<b><u>8,370</u></b>	<b><u>345</u></b>	<b><u>3</u></b>	<b><u>8,718</u></b>	<b><u>8,524</u></b>
<b>Operating surplus for social lettings</b>	<b><u>2,507</u></b>	<b><u>156</u></b>	<b><u>78</u></b>	<b><u>2,741</u></b>	<b><u>2,294</u></b>
Operating surplus from social lettings for previous period of account (as restated)	<u>2,004</u>	<u>215</u>	<u>75</u>	<u>2,294</u>	

The amount of service charges on housing accommodation not eligible for housing benefit was £48,000 (2011: £45,000).

**3. HOUSING STOCK**

	2012 Number	2011 Number
Number of units of housing accommodation in management at the year end:		
Owned by the Association and rented		
General needs	3,052	2,995
Supported housing accommodation	122	122
Shared ownership	<u>34</u>	<u>34</u>
<b>Total owned and rented by the Association</b>	<b>3,208</b>	<b>3,151</b>
Managed by the Association and rented	56	56
Leased to the Association and rented	<u>12</u>	<u>12</u>
<b>Total in management at year end</b>	<b><u>3,276</u></b>	<b><u>3,219</u></b>

**HOME IN SCOTLAND LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2012**

**4. DIRECTORS' EMOLUMENTS**

The directors are defined for the purpose of this note as the members of the board and the Director, who is not a member of the board but has a significant decision making role. The disclosure relating to Officers' remuneration includes the Director.

	2012	2011
	£	£
<b>Directors' expenses</b>		
Expenses reimbursed to the directors not chargeable to United Kingdom income tax. None of the Board Members received any payment other than expenses.	<u>5,670</u>	<u>5,095</u>

	2012	2011
	£000	£000
<b>Remuneration paid to the directors:</b>		
Other emoluments (including pension contributions and benefits in kind)	<u>69</u>	<u>79</u>

	2012	2011
<b>Highest paid director</b>		
Emoluments (excluding pension contributions and benefits in kind)	<u>61</u>	<u>71</u>

	2012	2012	2012	2011
	Salary	Benefits	Total	Total
	£000	£000	£000	£000
<b>Analysis of directors' emoluments</b>				
Highest paid director	61	5	66	75
Pension contributions			<u>3</u>	<u>4</u>
			<u>69</u>	<u>79</u>

	2012	2011
	Number	Number
<b>Officers' remuneration (excluding employer's pension contribution)</b>		
£70,000 to £79,999	-	1
£60,000 to £69,999	<u>2</u>	<u>1</u>

**5. EMPLOYEE INFORMATION**

The average monthly number of persons (including the Director), expressed as full time equivalents, employed during the year was:

	2012	2011
	Number	Number
Office staff	68	72
Wardens, caretakers and cleaners	6	6
Clerk of works	<u>1</u>	<u>1</u>
	<u>75</u>	<u>79</u>

<b>Average number of all posts ("Headcount" basis)</b>	<u>84</u>	<u>87</u>
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	2012	2011
	£000	£000
<b>Staff costs (for the above persons):</b>		
Wages and salaries	2,173	2,322
Social security costs	188	213
Other pension costs (Note 24)	<u>142</u>	<u>142</u>
	<u>2,503</u>	<u>2,677</u>

**HOME IN SCOTLAND LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2012**

<b>6. SURPLUS ON SALE OF HOUSING PROPERTIES</b>	<b>2012</b>	<b>2011</b>
		(as restated)
	£000	£000
Sales proceeds – social housing properties	48	185
Cost of sales – social housing properties	<u>(34)</u>	<u>(82)</u>
	<u>14</u>	<u>103</u>
<b>7. INTEREST PAYABLE AND SIMILAR CHARGES</b>	<b>2012</b>	<b>2011</b>
		£000
	£000	£000
On bank loans and overdrafts	1,296	745
On other loans	-	88
	<u>1,296</u>	<u>833</u>
Less: interest capitalised	<u>(180)</u>	<u>(100)</u>
	<u>1,116</u>	<u>733</u>
<b>8. SURPLUS FOR THE YEAR</b>	<b>2012</b>	<b>2011</b>
		(as restated)
	£000	£000
Surplus for the year is stated after charging :		
Depreciation:		
- Housing properties	1,521	1,266
- Tangible owned other fixed assets	35	43
Impairment of housing properties	-	129
Auditors' remuneration for audit services	9	7
Operating lease rentals – land & buildings	93	93
Operating lease rentals – housing properties	15	14
Operating lease rentals – other	18	24



**HOME IN SCOTLAND LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2012**

**9. TANGIBLE FIXED ASSETS – HOUSING PROPERTIES**

	Completed housing properties	Housing properties under construction	Completed shared ownership housing properties	Total
	£000	£000	£000	£000
<b>Cost</b>				
At 1 April 2011 (as restated)	110,781	43,855	1,395	156,031
Additions	-	13,643	-	13,643
Capitalised works	1,273	-	-	1,273
Disposals	<u>(266)</u>	<u>-</u>	<u>-</u>	<u>(266)</u>
<b>At 31 March 2012</b>	<b><u>111,788</u></b>	<b><u>57,498</u></b>	<b><u>1,395</u></b>	<b><u>170,681</u></b>
<b>Depreciation and impairment</b>				
At 1 April 2011 (as restated)	9,531	129	39	9,699
Charge for year	1,518	-	3	1,521
Disposals	<u>(221)</u>	<u>-</u>	<u>-</u>	<u>(221)</u>
<b>At 31 March 2012</b>	<b><u>10,828</u></b>	<b><u>129</u></b>	<b><u>42</u></b>	<b><u>10,999</u></b>
<b>Net depreciated cost at 31 March 2012</b>	<b><u>100,960</u></b>	<b><u>57,369</u></b>	<b><u>1,353</u></b>	<b><u>159,682</u></b>
Net depreciated cost at 31 March 2011 (as restated)	<u>101,250</u>	<u>43,726</u>	<u>1,356</u>	<u>146,332</u>
<b>Housing Association Grant (HAG)</b>				
At 1 April 2011 (as restated)	48,972	24,408	986	74,366
Received during year	-	10,494	-	10,494
<b>At 31 March 2012</b>	<b><u>48,972</u></b>	<b><u>34,902</u></b>	<b><u>986</u></b>	<b><u>84,860</u></b>
<b>Other Grants – New Housing Partnership (Local authorities) &amp; Home Housing Trust</b>				
At 1 April 2011	4,585	-	-	4,585
Disposals	<u>(12)</u>	<u>-</u>	<u>-</u>	<u>(12)</u>
<b>At 31 March 2012</b>	<b><u>4,573</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>4,573</u></b>
<b>Net book value at 31 March 2012</b>	<b><u>47,415</u></b>	<b><u>22,467</u></b>	<b><u>367</u></b>	<b><u>70,249</u></b>
Net book value at 31 March 2011 (as restated)	<u>47,693</u>	<u>19,318</u>	<u>370</u>	<u>67,381</u>

Additions to housing properties in the course of construction during the year included development administration costs of £264,977 (2011: £294,000).

There were assets under charge included in the above net book value amount of £58,433,000 as at 31 March 2012 (2011: £57,057,000) as restated.

**Total Housing Association Grant (HAG) received or receivable at the balance sheet date:**

	2012	2011 (as restated)
	£000	£000
HAG in respect of housing properties shown at cost	84,860	74,366
HAG in respect of housing properties shown at fair values	8,043	8,043
Cumulative amount credited to income and expenditure account	<u>2,227</u>	<u>2,227</u>
Total HAG received or receivable at		

**HOME IN SCOTLAND LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2012**

**10. TANGIBLE FIXED ASSETS – OTHER FIXED ASSETS**

	Freehold offices £000	Fixtures, furniture & equipment £000	Computer equipment & software £000	Total  £000
<b>Cost</b>				
At 1 April 2011	605	203	40	848
Additions	-	-	9	9
Transfer to group company	-	-	(2)	(2)
Disposals	-	(5)	(1)	(6)
<b>At 31 March 2012</b>	<u>605</u>	<u>198</u>	<u>46</u>	<u>849</u>
<b>Depreciation</b>				
At 1 April 2011	247	161	26	434
Charge for year	12	16	7	35
Disposals	-	(4)	(1)	(5)
<b>At 31 March 2012</b>	<u>259</u>	<u>173</u>	<u>32</u>	<u>464</u>
<b>Net book value at 31 March 2012</b>	<u>346</u>	<u>25</u>	<u>14</u>	<u>385</u>
Net book value at 31 March 2011	<u>358</u>	<u>42</u>	<u>14</u>	<u>414</u>

The cost of fixtures, furniture and equipment above has been reduced by an amount of £23,000, being grants received for the purchase of equipment and fittings (2011: £23,000).

**11. DEBTORS**

	2012 £000	2011 £000
Rental debtors – housing accommodation	631	512
Rental debtors – shared ownership	2	2
Less: Provision for bad debts	<u>(205)</u>	<u>(196)</u>
	428	318
Housing Association Grant receivable	306	267
Other grants receivable	59	-
Support grant receivable	36	9
Prepayments and accrued income	36	111
Amounts due from group undertakings	-	82
Other debtors – due within 1 year	<u>273</u>	<u>227</u>
	<u>1,138</u>	<u>1,014</u>



**HOME IN SCOTLAND LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2012**

**12. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	2012	2011
	£000	£000
Housing loans from third parties	1,200	1,201
Rental creditors – housing accommodation	345	341
Rental creditors – shared ownership	3	3
Accruals and deferred income	3,572	2,624
Amounts due to group undertakings	6,253	43
Other creditors	<u>227</u>	<u>145</u>
	<b><u>11,600</u></b>	<b><u>4,357</u></b>

The processing of supplier payments has been centralised within HGL and payments are recharged via an intercompany account to Home in Scotland. As a result of this there are no trade creditors reported in the Balance Sheet.

Whilst the balance sheet shows net current liabilities, the Association has in place external loan agreements as detailed at Note 13 which allow the Association sufficient funding to pay its liabilities as they fall due. The parent undertaking, HGL, acts as guarantor for some of these loans, as well as providing a £10 million intercompany facility. As at 31 March 2012, Home Scotland had £23.8 million committed and undrawn facilities, all of which were immediately available for drawing.

**13. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR**

	2012	2011
	£000	£000
Housing loans	<u>47,213</u>	<u>51,695</u>

Housing loans are secured by specific charges on the Association's housing properties. They are repayable at varying rates of interest, from 0.71% to 3.96%, due as follows:

	2012	2011
	£000	£000
In instalments:		
In one year or less	1,200	1,201
Between one and two years	1,200	1,201
Between two and five years	3,600	6,004
In five years or more	<u>42,413</u>	<u>44,490</u>
	<b><u>48,413</u></b>	<b><u>52,896</u></b>

**14. CALLED UP SHARE CAPITAL**

Each national member of the Association holds one voting share (nominal value £1). Each community member of the Association holds one non-voting share (nominal value £1). All shares are surrendered on the cessation of membership. Shares carry no rights to dividend or repayment of capital.

<b>National Member shares</b>		£
<b>Allotted, issued and fully paid:</b>		
As at 1 April 2011 and 31 March 2012		<u>2</u>
<b>Allotted, not called up:</b>		
As at 1 April 2011 and 31 March 2012		<u>6</u>
<b>Community Member Shares</b>		
<b>Allotted, not yet paid:</b>		
As at 1 April 2011 and 31 March 2012		<u>119</u>
<b>Allotted, issued and fully paid:</b>		
As at 1 April 2011		330
Issued during the year		<u>10</u>
As at 31 March 2012		

**HOME IN SCOTLAND LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2012**

340

**15. DESIGNATED RESERVE**

	£000
Reserve for the replacement of equipment in service schemes	
As at 1 April 2011	188
Transfer to revenue reserve	<u>(7)</u>
<b>At 31 March 2012</b>	<b><u>181</u></b>

**16. NEGATIVE GOODWILL**

	£000
As at 1 April 2011 – as previously reported	2,351
Prior year adjustment (Note 19)	<u>(2,351)</u>
As at April 2011 – as restated and 31 March 2012	<u>-</u>

**17. REVENUE RESERVE**

	£000
As at 1 April 2011 – as previously reported	14,662
Prior year adjustment (Note 19)	<u>(2,003)</u>
As at April 2011 – as restated	12,659
Surplus for the year	1,781
Transfer from designated reserve	<u>7</u>
<b>As at 31 March 2012</b>	<b><u>14,447</u></b>

**18. RECONCILIATION OF MOVEMENTS IN CAPITAL AND RESERVES**

	2012	2011
	£000	£000
Opening capital and reserves – as previously reported	17,201	16,290
Prior year adjustment (Note 19) - adjustment as at 1 April 2010	(4,838)	(4,838)
- adjustment for the year ended 31 March 2011	<u>484</u>	<u>-</u>
Opening capital and reserves – as restated	12,847	11,452
Surplus for the year	<u>1,781</u>	<u>1,395</u>
<b>Closing capital and reserves</b>	<b><u>14,628</u></b>	<b><u>12,847</u></b>

**19. PRIOR YEAR ADJUSTMENT**

During the year, the Association adopted the requirements of the Statement of Recommended Practice: Accounting by registered social providers Update 2010 (the SORP 2010). The SORP 2010 is mandatory for registered providers of social housing for financial periods commencing on or after 1 April 2011. The main changes arising from the introduction of the SORP 2010 which affect Home Scotland materially relate to:

- (a) component accounting
- (b) the recognition of negative goodwill arising as part of a business combination

The following tables outline the impact of the prior year adjustment that has been made to reflect the change in accounting policy:

<b>Accounting under SORP 2010:</b>	£000
<b>Income and Expenditure account for the year ended 31 March 2011</b>	
Operating costs – major repairs	1,186
Operating costs – depreciation	(706)
Operating costs – amortisation of negative goodwill	(21)
Surplus on disposal of housing properties	<u>4</u>
	<b><u>463</u></b>



**HOME IN SCOTLAND LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2012**

**19. PRIOR YEAR ADJUSTMENT (continued)**

	Cumulative prior year adjustment to 31 March 2010 £000	Prior year adjustment for year ended 31 March 2011 £000	Cumulative prior year adjustment to 31 March 2011 £000
<b>Capital and reserves</b>			
As previously reported	16,290		17,201
Prior year adjustment	<u>(4,838)</u>	484	<u>(4,354)</u>
As restated	<u><b>11,452</b></u>		<u><b>12,847</b></u>
<b>Negative goodwill reserve</b>			
As previously reported	2,372		2,351
Prior year adjustment	<u>(2,372)</u>	21	<u>(2,351)</u>
As restated	<u><b>-</b></u>		<u><b>-</b></u>
<b>Revenue reserves</b>			
As previously reported	13,720		14,662
Prior year adjustment	<u>(2,466)</u>	463	<u>(2,003)</u>
As restated	<u><b>11,254</b></u>		<u><b>12,659</b></u>
<b>Housing properties</b>			
As previously reported	63,881		71,735
Prior year adjustment	<u>(4,838)</u>	484	<u>(4,354)</u>
As restated	<u><b>59,043</b></u>		<u><b>67,381</b></u>

**(a) component accounting**

Under component accounting, a housing property is divided into those major components that have substantially different useful economic lives, with each component being depreciated over its useful economic life. This allows the cost of using the asset to be more precisely reflected in the income and expenditure account. Further details on the change in accounting policy have been given in the housing properties accounting policy in Note 1.

As a result of the adoption of component accounting the following adjustments for the year ended 31 March 2011 have arisen:

	Revenue reserves £000
Capitalisation of components	1,186
Additional depreciation	(706)
Revised surplus on disposal of housing properties	<u>4</u>
Total component accounting adjustment	<u><b>484</b></u>

**(b) the recognition of negative goodwill as part of business combinations.**

The SORP 2010 recommends that when a registered provider acquires a business through a non-exchange transaction the fair value of the gifted assets and liabilities should be recognised as a gain or loss in the income and expenditure account in the year of acquisition rather than held as negative goodwill. Further details on the change in accounting policy have been given in the negative goodwill accounting policy in Note 1.

As a result of the adoption of the SORP 2010 the following adjustment for the year ended 31 March 2011 has arisen

	Negative goodwill £000	Revenue reserves £000
Removal of amortisation	21	(21)
Transfer of negative goodwill to income and expenditure reserve	<u>(2,372)</u>	<u>2,372</u>
Total negative goodwill adjustment	<u><b>(2,351)</b></u>	<u><b>2,351</b></u>

**HOME IN SCOTLAND LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2012**

<b>20. CAPITAL COMMITMENTS</b>	<b>2012</b>	<b>2011</b>
	<b>£000</b>	<b>£000</b>
Capital expenditure that has been contracted for but not provided for in the financial statements.	<u>19,891</u>	<u>10,236</u>
Capital expenditure that has been authorised by the Board but has not yet been contracted for.	<u>11,727</u>	<u>4,853</u>

The amounts contracted for at 31st March 2012 will be HAG funded, loan financed from within agreed facilities and funded from the Association's reserves.

<b>21. FINANCIAL COMMITMENTS</b>	<b>2012</b>	<b>2011</b>
	<b>£000</b>	<b>£000</b>
Annual commitments under operating leases were as follows:		
<b>Housing properties</b>		
Expiring over five years	<u>15</u>	<u>14</u>
<b>Land and buildings</b>		
Expiring within one year	66	66
Expiring between two and five years	<u>27</u>	<u>27</u>
	<u>93</u>	<u>93</u>
<b>Other</b>		
Expiring within one year	9	18
Expiring between two and five years inclusive	<u>9</u>	<u>10</u>
	<u>18</u>	<u>28</u>

The Association uses certain assets acquired under operating leases entered into by the parent association, Home Group Limited. The relevant lease charges are included in the income and expenditure account, and the commitments under these leases have been included in the above note.

**22. TRANSACTIONS WITH RELATED PARTIES**

**Home Group Limited**

The company has taken advantage of the exemption under paragraph 3 (c) from the provisions of FRS8, "Related Party Disclosures", on the grounds that it is a wholly owned subsidiary of a group headed by Home Group Limited, whose accounts are publicly available.

**Tenant Members**

One member of the Board, Mr C Stone, is a tenant of the Association. His tenancy is on the same basis as all other tenants and does not receive any special benefit. The Board has procedures to protect the Association against any conflict of interest.

**23. PARENT ASSOCIATION**

The Board regards Home Group Limited (HGL) as the ultimate parent company and the ultimate controlling party. Copies of the consolidated financial statements of HGL can be obtained from the Secretary, Home Group Limited, 2 Gosforth Park Way, Gosforth Business Park, Newcastle upon Tyne, NE12 8ET.



**HOME IN SCOTLAND LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2012**

**24. PENSION OBLIGATIONS**

**The Home Group Pension and Life Assurance Scheme (HGPLAS)**

The Association is a member of the final salary pension scheme operated by HGL. This scheme was closed to new entrants with effect from 1 April 2001.

Defined benefit accounting under the provision of FRS 17 has not been used, as the Association is unable to identify its share of the underlying assets and liabilities in the scheme on a consistent and reasonable basis. Consequently, the contributions paid by the Association are accounted for as if the scheme were a defined contribution scheme. The cost of contributions to the scheme amount to £44,270 (2011: £46,258) being 14.9% of pensionable salary.

An actuarial valuation of the scheme was undertaken on 31 March 2011 and revealed a deficit of £25.5m. It has been agreed that with effect from June 2012, the contribution rate will be 14.7% of pensionable salaries plus a fixed sum of £2.33m per annum increasing at a compound rate of 4.7% p.a. The Association will contribute at 14.7% for active members and will bear a proportion of the fixed sum based upon the number of members in the scheme historically. Full disclosure of the actuarial valuation is provided within consolidated HGL financial statements.

**The Scottish Housing Association Pension Scheme (SHAPS)**

The Association participates in the SHAPS Pension Scheme. The SHAPS Pension Scheme is a multi-employer defined benefit scheme. The Scheme is funded and is contracted out of the state scheme.

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.

It is not possible in the normal course of events to identify the share of underlying assets and liabilities belonging to individual participating employers. Accordingly, due to the nature of the scheme, the accounting charge for the period under FRS 17 represents the employer contribution payable.

A professionally qualified actuary using the "projected unit credit" method performed the last formal valuation of the scheme as at 30 September 2009. The market value of the scheme's assets at the valuation date was £295 million. The valuation revealed a shortfall of assets compared with the value of liabilities of £160 million (equivalent to a past service funding level of 64.8%).

The scheme Actuary has prepared an actuarial report that provides an approximate update on the funding position of the scheme as at 30 September 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%.

The financial assumptions underlying the valuation as at 30 September 2009 were as follows:	% per annum
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 06 April 2005	2.9
-Pension accrued from 06 April 2005	2.2
(For leavers before 1 October 1993 pension increases are 5.0%)	
Rate of price inflation	3.0

The employers' ongoing future service contribution rate, after allowing for changes in benefits, was assessed as 11.5% of pensionable salaries, plus a fixed sum of £27,360 per annum to cover past service deficit.



**HOME IN SCOTLAND LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2012**

**24. PENSION OBLIGATIONS (continued)**

Following consideration of the results of the actuarial valuation it was agreed that, with effect from 1 April 2012:

- The standard employer contribution rate will be decreased from 18.9% pensionable salaries.
- Member contributions would be increased from 7.7% of pensionable salaries.

A small number of employers, including Home in Scotland Limited, that have closed the scheme to new entrants are required to pay an additional employer contribution loading of 3.5% to reflect the higher costs of a closed arrangement.

If the valuation assumptions are borne out in practice this pattern of contributions should be sufficient to eliminate the past service deficit, on an on-going funding basis, by 30 September 2015.

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

The debt for the scheme as a whole is calculated by comparing the liabilities for the scheme (calculated on a 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, and 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.

Contributions made in year amounted to £27,620 (2011: £21,532).

**The Strathclyde Pension Scheme**

The Association contributes to this multi-employer defined benefit scheme for the benefit of one employee. The Scheme is funded and is contracted out of the state scheme. Contributions made in year amounted to £4,565 (2011: £5,372).

**Hone Group Pensions and Life Assurance Scheme Defined Contribution scheme**

With effect from 1 April 2001, new entrants are able to join the money purchase section of the HGL Pension and Life Assurance Scheme. The charge to the income and expenditure account for this scheme is the contribution payable, which amounted to £65,702 (2011: £63,511).