



Home in Scotland Limited

**Annual Report and Financial Statements
For the year ended 31 March 2013**

Registered Industrial and Provident Society No: 1935R (S)
Scottish Housing Regulator Registered No: HAL90
Scottish Charity No: SC005247

Part of the Home Group

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Registered Office and Head Office

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

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Part of Home Group

HOME IN SCOTLAND LIMITED CHAIR'S REPORT

It has been a busy and eventful year for Home in Scotland. Our development programme has continued to flourish in spite of a downward trend in the economy and we have introduced service improvements across the country. However, we are very aware how hard the Welfare Reform changes will impact on our customers and Home's Welfare Reform Team has been established to ensure that the board is kept fully informed of developments. Customer Service Partners have visited all their customers to ensure that there is a heightened awareness of the changes in welfare reform and its impact on those affected.

Customer service

Customer Service – Property has been re-structured during the year and is now wholly subsumed within Customer Service, enabling a more cohesive approach to procedures and processes involving property maintenance, both planned and responsive, and improving the flow of communication to and from customers. This will be further reviewed over the summer months. The new contract with Novus Property Solutions (formerly known as Seddon) has resulted in customer satisfaction levels being maintained and we will continue to build on this good start. Four apprentices in Scotland have benefited from the new apprenticeship scheme that Novus has put in place.

Colleagues are working hard, liaising with lawyers, to ensure that we comply with the Property Factors (Scotland) Act 2011, the Code of Conduct for which was introduced in October. This requires us to have increased contact with owners and provide them with a Written Statement of Service in line with their title deeds.

Care & Support has set out an ambitious growth strategy for Scotland and is restructuring its leadership in order to enable this to be implemented.

New build and regeneration

All 65 units were handed over at the start of the year completing Phase 1 of Mill O'Mains in Dundee with very positive responses from residents, partners and funders. Funding and approval for Phase 2 was secured during the year and the project is now on site.

In Edinburgh the final handovers in Kirkliston Phase 1 took place in June 2013. Approval has been given for Phase 2, a further 81 units on an adjacent site, on which work has commenced.

In Glasgow we handed over all 34 properties at Cumming Drive during the summer.

All 25 units in East Balornock Phase 2 were handed over in advance of the anticipated completion date and work is now well under way on Phase 3. We hosted a visit from the Development Advisory Panel to East Balornock and a workshop in the Lighthouse, Glasgow. As well as other participants, Architecture and Design Scotland and Urban Realm magazine attended this event, and all were impressed with the public consultation process and the input by residents to all aspects of project planning and delivery.

Site progress in Cathcart Road, Glasgow, is excellent and there is strong interest from local prospective tenants in the 66 units for both social and mid market rent. 16 of the properties are units being developed for Cathcart & District Housing Association, who are extremely impressed with the quality of the properties and our development processes.

Proposals are being worked up in partnership with Glasgow City Council and CityLink developments for the construction of 60 MMR properties (20 houses and 40 flats) at Linthouse Point, Glasgow. Another proposed development is also being discussed for a nearby site at Benburb Juniors ground, off Shieldhall Road.

Community involvement

During the year Home in Scotland's former Chair, David Bolger, had discussions with the Area Committees in all four areas - Dumfries, Dundee, Edinburgh and Glasgow - about our governance arrangements to ensure they are fit for purpose. We are keen to involve customers more closely in our governance arrangements at all levels and as we continue to review our structure, customers will be directly involved in consultations.

Colleagues

I would like to thank colleagues, board and Area Committee members warmly for their whole hearted support in working with the Business Leader Team Scotland to ensure that the organisation is in a strong position from which to meet its strategic aspirations.

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

I also want to pay tribute to David Bolger, outgoing Chair, for his hard work and commitment to Home in Scotland which he leaves in a strong position. Warm thanks are also due to Jon Turner, Vice Chair, Desmond O'Brien, for his financial expertise, Lesley McCourt, Lt Col Mike Rowney MBE and Chris Stone, all of whom stood down during the year. At our May 2013 meeting, we appointed Mark Henderson, Chief Executive, and Jenny Makin, Chief Financial Officer, to the board as national shareholding members.

By order of the board.



Ray Macfarlane MA LLB MBA
Chair

8th July 2013

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

Board

Ray Macfarlane, MA, LLB, MBA (Chair)	- Chair from 22 May 2013
Marjorie Cuthbert, MSc, MPhil	
Rosie Du Rose	- Co-opted 29 May 2012
Roger Eggins, MRICS, BSc (Hons)	
Mark Henderson, BSc (Hons)	- Appointed 22 May 2013
Andy Jack, BSc, MBA, DBA, RD, CEng	
Jennifer Makin, BSc (Hons), ACA	- Appointed 22 May 2013
Vicky Peterkin, MA, FCIH	
Colin Strachan, FCIQB	

Resignations:

David Bolger, Chair	- Resigned 22 May 2013
Lesley McCourt, LLB (Hons), LLM, MCIQB	- Resigned 11 Sept 2012
Desmond O'Brien, ACMA	- Resigned 11 Sept 2012
Mike R Rowney, MBE, FILM, MCMI	- Resigned 1 Nov 2012
Jonathan Turner, ACA, BA (Hons)	- Resigned 20 Nov 2012
Chris Stone (Tenant Member)	- Resigned 19 March 2013

Director (Home in 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 2013

The Board presents its report and the audited financial statements for the year ended 31 March 2013.

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 2010 - 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 £3,136,000 in the year to 31st March 2013. This is compared with £1,781,000 in the previous year. 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 2010 and the Registered Social Landlords Determination of Accounting Requirements 2012. 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 2013

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 Home Group Ltd (HGL) expired in March 2013 and has been renewed for a further year. As at 31 March 2013, the Association had £18 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 42.1 day (2012 – 36.8 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 Housing Regulator's Regulatory Standards of Governance and Financial Management, the Board of Home in Scotland acknowledges its responsibility for the systems of internal control of Home in 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 in Scotland to provide effective internal control.

Control Environment/Governance/Control Procedures

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

As part of Home Group, Home in Scotland is required to work within Home's Governance Framework and standards and in addition has its own Operating Manual, which sets out matters reserved specifically to the Home in 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.

Monitoring Information

There is a comprehensive set of financial and operational performance reports established in Home in Scotland including Key Performance Indicator's.

- 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.

**HOME IN SCOTLAND LIMITED
REPORT OF THE BOARD
FOR THE YEAR ENDED 31 MARCH 2013**

Statement on Internal Control (continued)

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

Internal Control – Assurance

All Home's Executive carry out a review on the effectiveness of internal control operating within their business area, which will include the system of internal control for Home in 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 will include Home in Scotland, to the Audit Committee.

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

External Audit provides assurance that the statement on internal control has been prepared in accordance with good governance practice.

Risk Management

Home in Scotland 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 in Scotland is committed to risk management and has adopted Home Group's risk management policy and strategy. Home in 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 in Scotland's annual business planning cycle and is designed to identify and prioritise the risks to the achievement of Home in Scotland's policies, aims and objectives.

Home in Scotland manages 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 in Scotland.

The Home in Scotland Board assesses the effectiveness of risk management within Home in Scotland from reports received from the Management Team during the year. In addition, the Audit Committee 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 in 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 in Scotland during the year to 31 March 2013.

Overall Assurance

The above procedures and policies are designed to identify, evaluate and manage the significant risks faced by Home in Scotland. They are on-going 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 in Scotland has received the Director (Scotland)'s 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.

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 in Scotland's performance. Home in 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.

**HOME IN SCOTLAND LIMITED
REPORT OF THE BOARD
FOR THE YEAR ENDED 31 MARCH 2013**

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 10 September 2013.

On behalf of the Board



Ray Macfarlane, MA, LLB, MBA, Chair, Home in Scotland Limited
8th July 2013

**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 2013 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 section 69 to the Housing (Scotland) Act 2010 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 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/auditscopeukprivate.

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 2013 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 2003, the Housing (Scotland) Act 2010 and the Registered Social Landlord Determination of Accounting Requirements 2012.

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 2003 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

8th July 2013

HOME IN SCOTLAND LIMITED
INCOME AND EXPENDITURE ACCOUNT AND
FOR THE YEAR ENDED 31 MARCH 2013

INCOME AND EXPENDITURE ACCOUNT

	Notes	2013	2012
		£000	£000
Turnover	2(a)	13,719	12,679
Cost of Sales	2(a)	(283)	(312)
Operating costs	2(a)	<u>(9,095)</u>	<u>(9,484)</u>
Operating surplus	2(a)	4,341	2,883
Surplus on sale of housing properties	6	23	14
Interest payable and similar charges	7	(1,228)	(1,116)
Surplus for the year	8, 16	<u>3,136</u>	<u>1,781</u>

STATEMENT OF TOTAL RECOGNISED SURPLUSES AND DEFICITS

	2013	2012
	£000	£000
Surplus for the year	<u>3,136</u>	<u>1,781</u>
Total recognised surpluses for the year	<u>3,136</u>	<u>1,781</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 2013

	Notes	2013	2012
		£000	£000
Tangible fixed assets			
Housing properties:-			
Cost		185,231	170,681
Less: depreciation and impairment		<u>(12,416)</u>	<u>(10,999)</u>
Net depreciated cost		172,815	159,682
Less: Housing Association Grant		<u>(88,859)</u>	<u>(84,860)</u>
Other grants		<u>(4,573)</u>	<u>(4,573)</u>
	9	79,383	70,249
Other fixed assets	10	<u>358</u>	<u>385</u>
		<u>79,741</u>	<u>70,634</u>
Current assets			
Debtors	11	1,423	1,138
Stocks – work in progress		1,273	1,594
Cash at bank and in hand		<u>292</u>	<u>75</u>
		2,988	2,807
Creditors: amounts falling due within one year	12	<u>(7,734)</u>	<u>(11,600)</u>
Net current liabilities		(4,746)	(8,793)
Total assets less current liabilities		74,995	61,841
Creditors: amounts falling due after more than one year	13	<u>(57,231)</u>	<u>(47,213)</u>
Net assets		<u>17,764</u>	<u>14,628</u>
Capital and reserves			
Called-up share capital	14	-	-
Designated reserve	15	183	181
Revenue reserve	16	17,581	14,447
Total capital and reserves	17	<u>17,764</u>	<u>14,628</u>

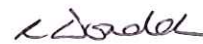
The financial statements on pages 11 to 28 were approved by the board on 8 July 2013 and were signed on its behalf by:



Ray Macfarlane
Chair



Victoria Forrest Peterkin
Board member



Nicola Jane Donaldson
Company Secretary

HOME IN SCOTLAND LIMITED
CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2013

	Notes	2013 £000	2012 £000
Net cash inflow from operating activities	18	873	9,987
Returns on investments and servicing of finance			
Interest paid		<u>(1,280)</u>	<u>(1,294)</u>
Net cash outflow from returns on investments and servicing of finance		<u>(1,280)</u>	<u>(1,294)</u>
Capital expenditure and financial investment			
Purchase of housing properties		(14,746)	(14,736)
Purchase of other tangible fixed assets		(6)	(9)
Sale of housing properties		33	52
Capital grants received - Housing Association Grant		4,526	10,495
Capital grants received - Other		17	(27)
		<u>(10,176)</u>	<u>(4,225)</u>
Net cash outflow from capital expenditure and financial investment		<u>(10,176)</u>	<u>(4,225)</u>
Net cash (outflow) / inflow before financing		<u>(10,583)</u>	4,468
Financing			
Loan advance		12,000	-
Loan principal repayments		(1,200)	(4,483)
		<u>10,800</u>	<u>(4,483)</u>
Net cash inflow/ (outflow) from financing	20	<u>10,800</u>	<u>(4,483)</u>
Increase/ (decrease) in cash		<u>217</u>	<u>(15)</u>

HOME IN SCOTLAND LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2013

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 2003, the Housing (Scotland) Act 2010, the Registered Social Landlords Determination of Accounting Requirements 2012 and the Statement of Recommended Practice - Accounting by registered social housing providers Update 2010 (SORP 2010), published in 2010.

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.

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 2013

1. PRINCIPAL ACCOUNTING POLICIES (continued)

Housing properties (continued)

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>
Property structure	100
Roof	40
Windows	30
Doors	20
Boiler	15
Kitchen	15
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 2013

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 2013

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.

HOME IN SCOTLAND LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2013

2(a). TURNOVER, OPERATING COSTS AND OPERATING SURPLUS

	Turnover	Cost of sales	Operating costs	Operating Surplus	Operating surplus for previous period of account
	£000	£000	£000	£000	£000
Social lettings (2c)	12,541	-	(8,239)	4,302	2,741
Other activities (2b)	1,178	(283)	(856)	39	142
Total	<u>13,719</u>	<u>(283)</u>	<u>(9,095)</u>	<u>4,341</u>	<u>2,883</u>
Total for previous period of account	<u>12,679</u>	<u>(312)</u>	<u>(9,484)</u>	<u>2,883</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	-	283	283	(356)	(73)	(433)
Support activities	521	-	521	(532)	(11)	29
Lettings – Market Renting	-	354	354	(233)	121	-
Agency / management services for registered social landlords	20	-	20	(18)	2	135
Total from other activities	<u>541</u>	<u>637</u>	<u>1,178</u>	<u>(1,139)</u>	<u>39</u>	<u>(269)</u>
Total from other activities for the previous period of account	<u>566</u>	<u>654</u>	<u>1,220</u>	<u>(1,078)</u>	<u>142</u>	

HOME IN SCOTLAND LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2013

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

	General Needs Housing	Supported Housing	Shared Ownership	Total	Total for prior year
	£000	£000	£000	£000	£000
Rents receivable net of service charges	11,669	304	83	12,056	11,054
Service charges	<u>121</u>	<u>185</u>	<u>-</u>	<u>306</u>	<u>328</u>
Gross income from rent and service charge	11,790	489	83	12,362	11,382
Less voids	<u>(125)</u>	<u>(5)</u>	<u>-</u>	<u>(130)</u>	<u>(119)</u>
Net income from rents and service charges	11,665	484	83	12,232	11,263
Grants from the Scottish Ministers	204	-	-	204	161
Other government grants	<u>95</u>	<u>10</u>	<u>-</u>	<u>105</u>	<u>35</u>
Total income	<u>11,964</u>	<u>494</u>	<u>83</u>	<u>12,541</u>	<u>11,459</u>
Management and maintenance administration costs	3,083	78	1	3,162	3,546
Service costs	290	152	-	442	365
Planned and cyclical maintenance including major repairs	1,344	22	-	1,366	2,045
Reactive maintenance costs	1,501	39	-	1,540	1,101
Bad debts	170	1	-	171	140
Depreciation of social housing	1,518	37	3	1,558	1,521
Operating costs for social housing activities	<u>7,906</u>	<u>329</u>	<u>4</u>	<u>8,239</u>	<u>8,718</u>
Operating surplus for social lettings	<u>4,058</u>	<u>165</u>	<u>79</u>	<u>4,302</u>	<u>2,741</u>
Operating surplus from social lettings for previous period of account	<u>2,507</u>	<u>156</u>	<u>78</u>	<u>2,741</u>	

The amount of service charges on housing accommodation not eligible for housing benefit was £34,000 (2012: £48,000).

3. HOUSING STOCK

	2013 Number	2012 Number
Number of units of housing accommodation in management at the year end:		
Owned by the Association and rented		
General needs	3,113	3,052
Supported housing accommodation	122	122
Shared ownership	34	34
Market Rent	27	-
Total owned and rented by the Association	<u>3,296</u>	<u>3,208</u>
Managed by the Association and rented	56	56
Leased to the Association and rented	<u>12</u>	<u>12</u>
Total in management at year end	<u>3,364</u>	<u>3,276</u>

HOME IN SCOTLAND LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2013

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.

	2013		2012
	£		£
Directors' expenses			
Expenses reimbursed to the directors not chargeable to United Kingdom income tax. None of the Board Members received any payment other than expenses.	<u>5,920</u>		<u>5,670</u>
	2013		2012
	£000		£000
Remuneration paid to the directors:			
Other emoluments (including pension contributions and benefits in kind)	<u>72</u>		<u>69</u>
	2013		2012
	£000		£000
Highest paid director			
Emoluments (excluding pension contributions and benefits in kind)	<u>63</u>		<u>61</u>
	2013	2013	2013
	Salary	Benefits	Total
	£000	£000	£000
Analysis of directors' emoluments			
Highest paid director	63	5	68
Pension contributions			<u>4</u>
			<u>72</u>
			2012
			Total
			£000
			66
			<u>3</u>
			<u>69</u>
			2013
			Number
Officers' remuneration (excluding employer's pension contribution)			
£60,000 to £69,999	<u>2</u>		<u>2</u>
			2012
			Number
			63
			6
			1
			<u>70</u>
			74
			<u>78</u>
			2013
			£000
Staff costs (for the above persons):			
Wages and salaries	1,835		2,014
Social security costs	176		188
Other pension costs (Note 25)	<u>137</u>		<u>142</u>
	<u>2,148</u>		<u>2,344</u>

The comparative numbers have been restated to exclude Agency staff.

HOME IN SCOTLAND LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2013

6. SURPLUS ON SALE OF HOUSING PROPERTIES	2013	2012
	£000	£000
Sales proceeds – social housing properties	32	48
Cost of sales – social housing properties	<u>(9)</u>	<u>(34)</u>
	<u>23</u>	<u>14</u>
7. INTEREST PAYABLE AND SIMILAR CHARGES	2013	2012
	£000	£000
On bank loans and overdrafts	1,310	1,296
Less: interest capitalised	<u>(82)</u>	<u>(180)</u>
	<u>1,228</u>	<u>1,116</u>
8. SURPLUS FOR THE YEAR	2013	2012
	£000	£000
Surplus for the year is stated after charging:		
Depreciation:		
- Housing properties	1,558	1,521
- Tangible owned other fixed assets	31	35
Auditors' remuneration for audit services	9	9
Operating lease rentals – land & buildings	81	93
Operating lease rentals – housing properties	15	15
Operating lease rentals – other	13	18

HOME IN SCOTLAND LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2013

9. TANGIBLE FIXED ASSETS – HOUSING PROPERTIES

	Completed housing properties	Housing properties under construction	Completed shared ownership housing properties	Total
	£000	£000	£000	£000
Cost				
At 1 April 2012	111,788	57,498	1,395	170,681
Additions	100	12,930	-	13,030
Capitalised works	1,671	-	-	1,671
Disposals	<u>(151)</u>	<u>-</u>	<u>-</u>	<u>(151)</u>
At 31 March 2013	<u>113,408</u>	<u>70,428</u>	<u>1,395</u>	<u>185,231</u>
Depreciation and impairment				
At 1 April 2012	10,828	129	42	10,999
Charge for year	1,555	-	3	1,558
Disposals	<u>(141)</u>	<u>-</u>	<u>-</u>	<u>(141)</u>
At 31 March 2013	<u>12,242</u>	<u>129</u>	<u>45</u>	<u>12,416</u>
Net depreciated cost at 31 March 2013	101,166	70,299	1,350	172,815
Net depreciated cost at 31 March 2012	<u>100,960</u>	<u>57,369</u>	<u>1,353</u>	<u>159,682</u>
Housing Association Grant (HAG)				
At 1 April 2012	48,972	34,902	986	84,860
Received during year	-	3,999	-	3,999
At 31 March 2013	<u>48,972</u>	<u>38,901</u>	<u>986</u>	<u>88,859</u>
Other Grants – New Housing Partnership (Local authorities) & Home Housing Trust				
At 1 April 2012	4,573	-	-	4,573
At 31 March 2013	<u>4,573</u>	<u>-</u>	<u>-</u>	<u>4,573</u>
Net book value at 31 March 2013	<u>47,621</u>	<u>31,398</u>	<u>364</u>	<u>79,383</u>
Net book value at 31 March 2012	<u>47,415</u>	<u>22,467</u>	<u>367</u>	<u>70,249</u>

Additions to housing properties in the course of construction during the year included development administration costs of £267,901 (2012: £264,977).

There were assets under charge included in the above net book value amount of £59,317,000 as at 31 March 2013 (2012: £58,433,000).

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

	2013	2012
	£000	£000
HAG in respect of housing properties shown at cost	88,859	84,860
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 Balance sheet date	<u>99,129</u>	<u>95,130</u>

HOME IN SCOTLAND LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2013

10. TANGIBLE FIXED ASSETS – OTHER FIXED ASSETS

	Freehold offices £000	Fixtures, furniture & equipment £000	Computer equipment & software £000	Total £000
Cost				
At 1 April 2012	605	198	46	849
Additions	-	-	6	6
Disposals	-	-	(1)	(7)
At 31 March 2013	<u>605</u>	<u>198</u>	<u>45</u>	<u>848</u>
Depreciation				
At 1 April 2012	259	173	32	464
Charge for year	12	11	8	31
Disposals	-	-	(1)	(5)
At 31 March 2013	<u>271</u>	<u>184</u>	<u>35</u>	<u>490</u>
Net book value at 31 March 2013	<u>334</u>	<u>14</u>	<u>10</u>	<u>358</u>
Net book value at 31 March 2012	<u>346</u>	<u>25</u>	<u>14</u>	<u>385</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 (2012: £23,000).

11. DEBTORS

	2013 £000	2012 £000
Rental debtors – housing accommodation	684	631
Rental debtors – shared ownership	1	2
Less: Provision for bad debts	<u>(245)</u>	<u>(205)</u>
	440	428
Housing Association Grant receivable	128	306
Other grants receivable	88	59
Support grant receivable	19	36
Prepayments and accrued income	57	36
Amounts due from group undertakings	612	-
Surplus / (deficit) on disposal of other tangible fixed assets	2	(2)
Other debtors	<u>79</u>	<u>273</u>
	<u>1,425</u>	<u>1,136</u>

HOME IN SCOTLAND LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2013

12. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2013	2012
	£000	£000
Housing loans from third parties	2,000	1,200
Rental creditors – housing accommodation	420	345
Rental creditors – shared ownership	3	3
Social housing grant in advance	472	-
Accruals and deferred income	4,839	3,572
Amounts due to group undertakings	-	6,253
Other creditors	<u>-</u>	<u>227</u>
	<u>7,734</u>	<u>11,600</u>

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 2013, Home Scotland had £18 million committed and undrawn facilities, all of which were immediately available for drawing.

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

	2013	2012
	£000	£000
Housing loans	<u>57,231</u>	<u>47,213</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:

	2013	2012
	£000	£000
In instalments:		
In one year or less	2,000	1,200
Between one and two years	2,000	1,200
Between two and five years	6,000	3,600
In five years or more	<u>49,231</u>	<u>42,413</u>
	<u>59,231</u>	<u>48,413</u>

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.

	£
National Member shares	
Allotted, issued and fully paid:	
As at 1 April 2012 and 31 March 2013	<u>2</u>
Allotted, not called up:	
As at 1 April 2012 and 31 March 2013	<u>6</u>
Community Member Shares	
Allotted, not yet paid:	
As at 1 April 2012 and 31 March 2013	<u>119</u>
Allotted, issued and fully paid:	
As at 1 April 2012	340
Issued during the year	<u>6</u>
As at 31 March 2013	<u>346</u>

HOME IN SCOTLAND LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2013

15. DESIGNATED RESERVE

	£000
Reserve for the replacement of equipment in service schemes	
As at 1 April 2012	181
Transfer from revenue reserve	<u>2</u>
At 31 March 2013	<u>183</u>

16. REVENUE RESERVE

	£000
As at 1 April 2012	14,447
Surplus for the year	3,136
Transfer to designated reserve	<u>(2)</u>
As at 31 March 2013	<u>17,581</u>

17. RECONCILIATION OF MOVEMENTS IN CAPITAL AND RESERVES

	2013	2012
	£000	£000
Opening capital and reserves	14,628	12,847
Surplus for the year	<u>3,136</u>	<u>1,781</u>
Closing capital and reserves	<u>17,764</u>	<u>14,628</u>

18. RECONCILIATION OF OPERATING SURPLUS TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	2013	2012
	£000	£000
Operating surplus	4,341	2,883
Depreciation	1,589	1,556
Loss / (surplus) on disposal of other tangible fixed assets	2	(2)
Movements in:-		
Stocks	321	(1,594)
Rental debtors	(12)	(110)
Other debtors	144	(30)
Other creditors less than one year	1,353	992
Inter company movement	<u>(6,865)</u>	<u>6,292</u>
Net cash inflow from operating activities	<u>873</u>	<u>9,987</u>

HOME IN SCOTLAND LIMITED
NOTES TO THE FINANCIAL STATEMENTS
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19. ANALYSIS OF NET DEBT

	March 2012 £000	Cash flow £000	Non cash changes £000	March 2013 £000
Cash at bank and in hand	75	217	-	292
Debt due after one year:	(47,213)	(12,000)	1,982	(57,231)
Housing loans				
Debt due within one year	(1,200)	1,200	(2,000)	(2,000)
Net debt	<u>(48,338)</u>	<u>(10,583)</u>	<u>(18)</u>	<u>(58,939)</u>

20. RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

	2013 £000	2012 £000
Increase / (decrease) in cash in the period	217	(15)
Cash (inflow) / outflow from (increase) / decrease in debt	<u>(10,800)</u>	<u>4,483</u>
Change in net debt resulting from cash flows	(10,583)	4,468
Non cash changes	<u>(18)</u>	<u>-</u>
Movement in net debt in the period	<u>(10,601)</u>	<u>4,468</u>
Net debt at start of year	<u>(48,338)</u>	<u>(52,806)</u>
Net debt at end of year	<u>(58,939)</u>	<u>(48,338)</u>

21. CAPITAL COMMITMENTS

	2013 £000	2012 £000
Capital expenditure that has been contracted for but not provided for in the financial statements.	<u>31,113</u>	<u>19,891</u>
Capital expenditure that has been authorised by the Board but has not yet been contracted for.	<u>19,940</u>	<u>11,727</u>

The amounts contracted for at 31st March 2013 will be HAG funded, loan financed from within agreed facilities and funded from the Association's reserves.

22. FINANCIAL COMMITMENTS

	2013 £000	2012 £000
Annual commitments under operating leases were as follows:		
Housing properties		
Expiring over five years	<u>15</u>	<u>15</u>
Land and buildings		
Expiring within one year	-	66
Expiring between two and five years	<u>81</u>	<u>27</u>
	<u>81</u>	<u>93</u>
Other		
Expiring within one year	4	9
Expiring between two and five years inclusive	<u>9</u>	<u>9</u>
	<u>13</u>	<u>18</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.

HOME IN SCOTLAND LIMITED
NOTES TO THE FINANCIAL STATEMENTS
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23. 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 former member of the Board, Mr C Stone, who resigned 19 March 2013, was a tenant of the Association. His tenancy was on the same basis as all other tenants and did not receive any special benefit. The Board has procedures to protect the Association against any conflict of interest.

24. 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.

25. 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 £37,853 (2012: £44,270) being 14.7% of pensionable salary.

An actuarial valuation of the scheme was undertaken on 31 March 2011 and revealed a deficit of £25.5m. It had been agreed that with effect from June 2012, the contribution rate would 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 Scottish Housing Associations' Pension Scheme ('the Scheme'). The Scheme is funded and is contracted-out of the State Pension scheme.

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

The Trustee commissions an actuarial valuation of the Scheme every three years. The main purpose of the valuation is to determine the financial position of the Scheme in order to determine the level of future contributions required, so that the Scheme can meet its pension obligations as they fall due.

The last formal valuation of the Scheme was performed as at 30 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 £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%.

HOME IN SCOTLAND LIMITED
NOTES TO THE FINANCIAL STATEMENTS
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25. PENSION OBLIGATIONS (continued)

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' on going 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.

Following consideration of the results of the actuarial valuation it was agreed that, with effect from 1 April 2013:

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

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

Contributions made in year amounted to £34,128 (2012: £27,620).

Home 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 £64,942 (2012: £65,702).

Cumbrian County Council Scheme

The charge to the income and expenditure for this scheme amounted to £665 (2012: nil)