

home

Scotland

Home in Scotland Limited

**Annual Report and Financial Statements
For the year ended 31 March 2011**

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28/9/11*

Registered Industrial and Provident Society No: 1935R (S)
Scottish Housing Regulator Registered No: 90
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

Registered Industrial and Provident Society No: 1935R (S)
Scottish Housing Regulator Registered No: 90
Scottish Charity No: SC005247

Part of Home Group

HOME IN SCOTLAND LIMITED CHAIR'S REPORT

I was delighted to succeed Pamela Woodburn as Chair of Home Scotland at its Annual General Meeting in September 2010. Apart from Pamela, Ewan Thomson, Marjorie Cuthbert, Iain Luke, Chris Stone and John Rogerson all resigned during the year. I would like to thank them for their contribution and support, particularly those with over five years' service.

In common with other Registered Social Landlords in Scotland, we are viewing the Scottish Government's proposed Innovation and Investment Fund with close interest, and taking stock of the impact of reducing levels of Housing Association Grant on our planned and future developments. Home Scotland assesses the national policy context closely whilst planning the growth of its activities in Scotland in line with the broader plans of Home Group Limited, a UK-wide housing association of which it is part.

We underwent a full inspection by the Scottish Housing Regulator and I am delighted to report our overall performance was recognised as being good, which resulted in us being awarded a 'B' certification. I would like to thank the efforts of colleagues in achieving this commendable rating.

Regeneration of local communities

Mill O'Mains in Dundee is a major regeneration project. The scheme experienced a set back in Autumn 2010 when its preferred contractor, Rok, went into administration. Home Scotland's Board implemented a contingency plan swiftly appointing ISG (Regions) Limited as the replacement contractor. The company is now working to complete Phase 1 of this exciting project, which comprises 64 new homes for rent and 1 shared equity home.

In March 2011, the Board approved Phase 2 of the major East Balornock development, which is a 7-Phase Project and a cornerstone of Home Scotland's developments in Glasgow. Phase 1 was completed on schedule and a successful opening event was held in August. All homes were designed by Home Architects in close consultation with the Residents Design Group to cater to the needs of local residents. Close attention to detail and responsiveness to customer need resulted in eleven different house types, ranging from bungalows to 2.5 storey family homes.

New build

In Edinburgh, 88 units at Elbe Street were handed over for letting; followed by 40 units at Telford Road campus in May.

In December 2010 the final six units were handed over at the Summerfield Avenue development in Dundee which comprises 30 new homes for affordable rent. Included in the mix are 5 units for people with special needs and two units designed specially for people using wheelchairs.

Construction and adaptation of 9 amenity/wheelchair units were also completed and allocated at Garthamlock in Glasgow.

Community involvement

The Mill O'Mains Steering Group is now meeting on a regular basis and enjoys the support of a Strategic Neighbourhood Co-ordinator.

The Register of Interested Tenants proved to be an effective tool in identifying Home Scotland customers who wished to take part in consultations throughout the year.

An Area Committee Conference in October enabled hard working volunteers to get together and discuss topics of mutual interest and to learn from each other about their neighbourhood's priorities.

HOME IN SCOTLAND LIMITED CHAIR'S REPORT

This year Home Scotland sponsored Mill O'Mains resident and University of Dundee postgraduate student, Clark Bremner, to travel to the Netherlands to undertake analysis of zero carbon and low energy housing developments. Green house building is a priority for the organisation, and the Mill O'Mains scheme, with others in Scotland, seeks to create a more eco-friendly local environment.

This year Home Scotland successfully hosted its garden and landscaping scheme for customers and clients, with the highest accolade in 2010 awarded to customers in Dumfries.

Under scrutiny

The legal relationship between Home Group Limited and Home Scotland is documented principally within a Joint Arrangement Deed. This year Home Scotland, with colleagues from Home Group Limited, carried out a thorough review of this Joint Arrangement Deed. In the context of a major restructure of the business, Nicki Donaldson, Head of Customer Service (Scotland), became Director (Scotland) and Company Secretary for Home Scotland.

In July, the Scottish Commission for the Regulation of Care published its review of Home Scotland's Home Support Service. In the area of Quality of Care and Support the business received the highest award of Excellent (Grade 6). This reflected the ability of service users to make individual choices as well as Home Scotland's work to ensure that users are well supported to achieve their potential. Overall, Home Scotland achieved a Grade 5 (Very Good) for its service.

Finance

Our new £20m loan facility with The Housing Finance Corporation and European Investment Bank - together with proactive negotiation by the finance team - has resulted in the successful management of our exposure to interest rate fluctuations.


We continue to make significant progress towards achieving and maintaining Scottish Housing Quality Standards by 2015. Benefits from our value-for-money initiatives enabled us to accelerate the levels of investment in our homes in 2010 and we will continue to be able to maintain our investment programme during 2011. The board anticipates that more of our customers are set to benefit from the improved standards in our houses.

The board agreed to increase customers' rent levels in 2011-12 at a lower rate than the Retail Price Index. Home Scotland recognises that financial pressures are high and the business also benefitted from prudent financial management across this year.

Award

We are very proud that our Mill O'Mains development won an award in the Development Planning category at the Scottish Awards for Quality in Planning, run by the Scottish Government and the Royal Town Planning Institute. The judges were impressed with the emphasis on overall quality and felt that the comprehensive consultation approach ensured that the community felt they had a stake in the project.

By order of the Board.


Mr David Bolger
Chair

21 June 2011

HOME IN SCOTLAND LIMITED BOARD, THE EXECUTIVE AND ADVISERS

Board

Mr David Bolger (Chair)	-	Appointed 15 Sep 2010
National Member		
Mr Roger Eggins, MRICS, BSc(Hons)		
National Member		
Mr Andy Jack, BSc, MBA, DBA, RD, CEng	-	Appointed 15 Oct 2010
Community Member		
Ms Lesley McCourt, LLB(Hons), LLM, MCIOB		
National Member		
Ms Ray Macfarlane, MA, LLB, MBA	-	Appointed 15 Sep 2010
National Member		
Mr Desmond O'Brien, ACMA		
National Member		
Mr Alan Park, CA, BA(Hons)		
Executive Director of Home Group Ltd, Parent Association Representative – Co-optee		
Mrs Vicky Peterkin, MA, FCIH	-	Appointed 15 Sep 2010
National Member		
Lt Col Mike R Rowney, MBE, FILM, MCM		
Community Member		
Mr Chris Stone	-	Appointed 15 Oct 2010
Community Member and Tenant		
Mr Colin Strachan, FCIH	-	Appointed 15 Sep 2010
National Member		
Mr Jonathan Turner, ACA, BA(Hons) Vice Chair	-	Appointed 10 May 2011
National Member		

Resignations:

Mr Ewan Thomson	-	Resigned 17 Aug 2010
Community Member and Tenant		
Ms Pamela Woodburn, FCIH, MSc (Econ Dev) (Chair)	-	Resigned 15 Sep 2010
National Member		
Ms Marjorie Cuthbert, MSc, MPhil, CIOH	-	Resigned 15 Sep 2010
Community Member		
Mr Iain Luke, MA(Hons)	-	Resigned 15 Sep 2010
National Member		
Mr Chris Martin	-	Appointed 15 Oct 2010
Community Member and Tenant	-	Resigned 19 Jan 2011
Mr John Rogerson, MA(Hons), MBA (Vice Chair)	-	Resigned 31 Mar 2011
National Member		

**HOME IN SCOTLAND LIMITED
BOARD, THE EXECUTIVE AND ADVISERS (Continued)**

Director (Home Scotland) and Company Secretary

Mrs Nicola Jane Donaldson	- Appointed Director (Home Scotland) 18 October 2010
MBA, MCMI, Cert CIH	- Appointed Company Secretary 22 November 2010

Acting Managing Director and Acting Company Secretary

Mrs Karen Heaney	- Resigned Acting Managing Director 18 October 2010
MBA, MCIH	- Resigned Company Secretary 22 November 2010

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 2011

The Board presents its report and the audited financial statements for the year ended 31 March 2011.

Registration of the Association

Home in Scotland 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 90.

Parent Association

Home Group Limited is registered with the Financial Services Authority under the Industrial and Provident Societies Act 1965 - registered number 22981R - and with The Tenants Service Authority - 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 £932,000 in the year to 31st March 2011. This is compared with £2,589,000 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 in respect of the Board's Report and the Financial Statements

The Board is responsible for preparing the Board's 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 those regulations 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;

HOME IN SCOTLAND LIMITED

REPORT OF THE BOARD FOR THE YEAR ENDED 31 MARCH 2011

Statement of Board's Responsibilities in respect of the Board's Report and the Financial Statements (Continued)

- 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 2003, 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 Directors 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.

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.

Home Scotland 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 Limited [HGL] expired in March 2011 and has been renewed for a further year. As at 31 March 2011, Home Scotland had £27.4 million committed and undrawn facilities, all of which were immediately available for drawing.

HOME IN SCOTLAND LIMITED
REPORT OF THE BOARD FOR THE YEAR ENDED 31 MARCH 2011

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 Home in Scotland; therefore the 35 day average payment period is as recorded by HGL. At year end there are no trade creditors reported in the Home in Scotland accounts, as reflected in the Balance Sheet.

Internal Control Assurance

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

Home Group has an established Governance structure in place, which is supported by Governance documents which set out the terms of reference for the Board and its Committees, which includes the Board of Home Scotland. The Home Board has established four committees and an advisory panel, being the Audit Committee, Governance Committee, Action Committee, Rayners Lane Estate Committee and the Treasury Panel.

The Governance documents also specify Home's governance standards in core areas such as conduct and probity, and clearly define levels of delegated authority and other governance and control matters.

Monitoring Information

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

- Monthly packs of financial results are produced and monitored.
- Key performance indicators are reported and monitored.

HOME IN SCOTLAND LIMITED

REPORT OF THE BOARD FOR THE YEAR ENDED 31 MARCH 2011

- 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.

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

Central to Home Group's systems of internal control are its processes and framework for risk management, which are set by the Home Board. 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.

Home Group's risk management policy and strategy outlines in detail the arrangements and processes by which it identifies, categorises, assesses and addresses risks. Under it, the key risks facing Home Scotland are regularly reviewed and assessed, together with the steps to avoid or mitigate those risks. The Executive Director of Shared Business Services has responsibility for the overall management of the risk agenda focusing attention and appropriate resources to the effective management of risk.

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 a member 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 Director of Shared Business Services.

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 statement and response plan is incorporated in Home's Governance Standards. There were no instances of fraud relating to Home Scotland during the year to 31 March 2011.

HOME IN SCOTLAND LIMITED
REPORT OF THE BOARD FOR THE YEAR ENDED 31 MARCH 2011

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 - 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.

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.

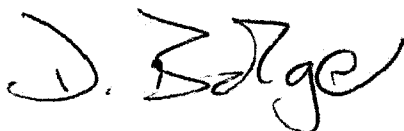
Post Balance Sheet Events

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.

Auditors

A resolution to reappoint KPMG LLP as auditor to the company will be proposed at the Annual General Meeting on 13 September 2011.

By order of the Board.



Mr David Bolger
Chair

21 June 2011

HOME IN SCOTLAND LIMITED

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

Report of the independent auditor 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 2011 which comprise the Income and Expenditure Account, the Balance Sheet, the Cash Flow Statement and the related notes. These financial statements have been prepared under the accounting policies set out therein.

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

The responsibility of the association's Board for the preparation of the Board's report and the preparation of the financial statements in accordance with applicable United Kingdom law and UK accounting standards (UK Generally Accepted Accounting Practice) are set out in the Statement of Board's Responsibilities on pages 7 and 8.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Industrial and Provident Societies Acts 1965 to 2003, the Housing (Scotland) Act 2001 and the Registered Social Landlords Accounting Requirements (Scotland) Order 2007. We also report to you if, in our opinion, a satisfactory system of control over transactions has not been maintained, if the association has not kept proper accounting records or if we have not received all the information and explanations we require for our audit.

We read the Board's report and consider the implications for our report if we become aware of any apparent misstatements within it. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Board in the preparation of the financial statements, and of whether the accounting policies are appropriate to the association's circumstances, consistently applied and adequately disclosed.

HOME IN SCOTLAND LIMITED

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF HOME IN SCOTLAND LIMITED (Continued)

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

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 2011 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 2001 and the Registered Social Landlords Accounting Requirements (Scotland) Order 2007.

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

21 June 2011

HOME IN SCOTLAND LIMITED
INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED 31 MARCH 2011

	Notes	2011 £000	2010 £000
Turnover	2	12,016	12,407
Operating costs	2	(10,452)	(9,419)
Operating surplus	2	1,566	2,988
Surplus on sale of housing properties	6	99	67
Interest payable and similar charges	7	(733)	(466)
Surplus for the year		932	2,589
Transfer from designated reserves	16	10	99
		942	2,688
Revenue reserve brought forward		13,720	11,032
Revenue reserve carried forward		14,662	13,720

All activities of the Association are classed as continuing.


There is no material difference between the surplus on ordinary activities before taxation and the retained surplus for the year as stated above and their historical cost equivalents.


The Association has no recognised surpluses or deficits other than the results for the year as set out above.

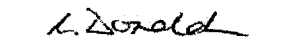
HOME IN SCOTLAND LIMITED
BALANCE SHEET AT 31 MARCH 2011

	Notes	2011 £000	2010 £000
Tangible fixed assets			
Housing properties:-			
Cost		154,386	135,947
Less: depreciation and impairment		<u>(3,700)</u>	<u>(3,015)</u>
Net depreciated cost		150,686	132,932
Less: Housing Association Grant		<u>(74,366)</u>	<u>(64,466)</u>
Other grants		<u>(4,585)</u>	<u>(4,585)</u>
	9	71,735	63,881
Other fixed assets	10	<u>414</u>	<u>470</u>
		<u>72,149</u>	<u>64,351</u>
Current assets			
Debtors	11	1,014	742
Cash at bank and in hand		<u>90</u>	<u>299</u>
		1,104	1,041
Crediters: amounts falling due within one year	12	<u>(4,357)</u>	<u>(7,293)</u>
Net current liabilities		<u>(3,253)</u>	<u>(6,252)</u>
Total assets less current liabilities		68,896	58,099
Crediters: amounts falling due after more than one year	13	<u>(51,695)</u>	<u>(41,809)</u>
Net assets		<u>17,201</u>	<u>16,290</u>
Capital and reserves			
Called-up share capital	14	-	-
Negative goodwill	15	2,351	2,372
Designated reserve	16	188	198
Revenue reserve		<u>14,662</u>	<u>13,720</u>
	17	<u>17,201</u>	<u>16,290</u>

The financial statements on pages 14 to 35 were approved by the board on 21 June 2011 and were signed on its behalf by:


David Bolger
Chair


Jonathan Turner
Vice Chair


Nicola Jane Donaldson
Company Secretary

HOME IN SCOTLAND LIMITED**CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2011**

	Notes	2011 £000	2010 £000
Net cash inflow from operating activities	18	2,173	6,536
Returns on investments and servicing of finance			
Interest paid		(708)	(456)
Net cash outflow from returns on investments and servicing of finance		(708)	(456)
Capital expenditure and financial investment			
Purchase of housing properties		(19,028)	(13,077)
Purchase of other tangible fixed assets		(10)	(1)
Sale of housing properties		143	71
Sale of tangible fixed assets		59	-
Capital grants received - Housing Association Grant		9,845	4,804
Capital grants received - Other		-	17
Net cash outflow from capital expenditure and financial investment		(8,991)	(8,186)
Net cash outflow before financing		(7,526)	(2,106)
Financing			
Loan advance		28,500	7,500
Loan principal repayments		(21,183)	(5,525)
Net cash inflow from financing	20	7,317	1,975
Decrease in cash		(209)	(131)

HOME IN SCOTLAND LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2011

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 Landlords [SORP], published in 2008. A summary of the principal accounting policies is set out 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, Home Group Limited, acts as guarantor for these loans, as well as providing a £10 million intercompany facility.

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 Communities Scotland, 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 to the financial statements. The related support costs are matched against this income.

Tangible fixed assets and depreciation

Tangible fixed assets, excluding housing properties in the course of construction, 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 economic useful lives of the assets, or in relation to housing properties held at 1 April 1999 over the average of their expected remaining useful economic lives.

Estimated useful lives	Years
Housing properties	100
Older rehabilitated tenements	60
Freehold Offices	40 to 45
Fixtures, furniture and equipment	8
Computer equipment	3

Leased equipment and software are depreciated over the life of the lease.

Housing properties held on long leases are depreciated over their estimated useful economic lives or the life of the lease, if shorter.

Housing properties held on short-term leases are depreciated over the term of the lease.

HOME IN SCOTLAND LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2011

PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Housing properties

Housing properties are stated at cost less Housing Association Grant and other grants.

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.

Housing Properties acquired under transfer of engagements are capitalised at their fair value (Existing use value as social housing) and depreciated over their expected useful life at date of transfer.

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

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.

HOME IN SCOTLAND LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2011

PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

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.

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 any Housing Association Grant [HAG] to be recycled or 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 ('staircasing') are accounted for as disposals of housing properties, as noted above.

Homestake

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 to 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.

Stocks

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

HOME IN SCOTLAND LIMITED
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2011

PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

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

Two defined benefit pension schemes and one defined contribution scheme are provided for the Association's staff.

The Group operates a defined benefit pension section for permanent staff, based on final pensionable salary. The assets of the section are held in a separate trustee administered fund. The fund is valued every three years by an independent qualified actuary using the projected unit method, the rates of contribution payable being recommended by the actuary. In the intervening years the actuary reviews the continuing appropriateness of the rates.

The cost of providing retirement pensions and related benefits is charged to the income and expenditure account over the periods benefiting from the employees' services. The effects of variations from regular cost are spread over the expected average remaining service lives of members of the section.

The Association is a participating member of the Scottish Federation of Housing Associations scheme, provided through the Pensions Trust, the cost of which is written off on an accruals basis. The assets of the scheme are held separately from those of the Association in an independently administered fund. The Association also contributes for the benefit of one employee to the Strathclyde Pension Scheme.

The Group operates the defined contribution scheme. The contributions paid into the scheme are charged to the income and expenditure account as incurred.

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.

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.

HOME IN SCOTLAND LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2011

PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

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 arises due to the net reserves that are received into the Association as a result of mergers and stock transfers. Negative goodwill arising on the transfer of engagements represents the excess of the fair value of the identifiable net assets acquired over the fair value of the consideration given and is taken immediately to reserves. This is in accordance with the SORP but not in accordance with FRS 10, which requires that negative goodwill be 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 Association's net assets because the substance of the transaction is a transfer of a business for minimal 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 Association's net assets would have been reduced by £2,351,000 (2010: £2,372,000). Negative goodwill is amortised to the income and expenditure account over the same period for which depreciation is charged on the housing properties acquired.

HOME IN SCOTLAND LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2011

2. TURNOVER, OPERATING COSTS AND OPERATING SURPLUS

	Turnover	Operating costs	Operating surplus or deficit	Operating surplus for previous period of account
	£000	£000	£000	£000
Social lettings	10,818	(8,983)	1,835	2,919
Other activities	1,198	(1,467)	(269)	69
Total	12,016	(10,450)	1,566	2,988
Total for previous period of account	12,407	(9,419)	2,988	

2. TURNOVER, OPERATING COSTS AND OPERATING SURPLUS FROM OTHER ACTIVITIES

	Supporting people income	Other income	Total Turnover	Other operating costs	Operating surplus or deficit	Operating surplus or deficit for previous period of account
	£000	£000	£000	£000	£000	£000
Development and construction of property-activities		278	278	(209)	69	-
Development costs not Capitalised	-	-	-	(502)	(502)	(37)
Support activities	563	-	563	(534)	29	37
Agency / management services for registered social landlords	9	-	9	-	9	69
Lettings non-social Housing	-	348	348	(222)	126	-
Total from other Activities	572	626	1,198	(1,467)	(269)	69
Total from other activities for the previous period of account	583	1,581	2,164	(2,095)	69	

HOME IN SCOTLAND LIMITED
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2011
2. TURNOVER, OPERATING SURPLUS AND SURPLUS FROM SOCIAL LETTINGS ACTIVITIES (Continued)

	General Needs Housing £000	Supported Housing Accommodation £000	Shared Ownership Housing £000	Total	Total for prior year £000
Rents receivable net of service charges	10,065	279	79	10,423	9,904
Service charges	110	196	-	306	280
Gross income from rent and service charge	10,175	475	79	10,729	10,184
Less voids	(78)	(5)	-	(83)	(46)
Net income from rents and service charges	10,097	470	79	10,646	10,138
Grants from the Scottish Ministers	49	53	-	102	69
Other revenue grants	70	-	-	70	36
Total turnover from social letting activities	10,216	523	79	10,818	10,243
Management and maintenance administration costs	(3,582)	(69)	-	(3,651)	(3,263)
Service costs	(204)	(143)	(1)	(348)	(380)
Planned and cyclical Maintenance	(3,019)	(57)	-	(3,076)	(2,248)
including major repairs					
Reactive maintenance costs	(1,079)	(30)	-	(1,109)	(817)
Bad debts - rents and service Charges	(131)	-	-	(131)	(162)
Depreciation of social housing	(548)	(9)	(3)	(560)	(475)
Impairment of social housing	(129)	-	-	(129)	-
Amortisation of negative Goodwill	21	-	-	21	21
Operating costs for social housing activities	(8,671)	(308)	(4)	(8,983)	(7,324)
Operating surplus for social lettings	1,545	215	75	1,835	2,919
Operating surplus for social lettings for previous period of account	2,768	112	39	2,919	

The amount of service charges on housing accommodation not eligible for housing benefit was £45,000 (2010: £66,000).

HOME IN SCOTLAND LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2011

3. HOUSING STOCK

	2011 No.	2010 No.
Number of units of housing accommodation in management at the year end:		
Owned by the Association and rented		
General Needs	2,995	2,883
Supported Housing Accommodation	122	122
Shared ownership	<u>34</u>	<u>35</u>
Total owned and rented by the Association	3,151	3,040
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>3,219</u>	<u>3,108</u>

4. DIRECTORS' EMOLUMENTS

	2011 £	2010 £
Directors		
Expenses reimbursed to the directors not chargeable to United Kingdom income tax. None of the Board Members received any payment other than expenses.	5,095	7,865

The directors are defined for the purpose of this note as the members of the board and the Director (and Acting Managing Director), who is not a member of the board but has a significant decision making role.

	£000	£000
Remuneration paid to the directors:		
Other emoluments (including pension contributions and benefits in kind)	<u>79</u>	<u>107</u>
Highest paid director		
Emoluments excluding pension contributions and benefits in kind	<u>71</u>	<u>95</u>

Officers Remuneration (excluding employer's pension contribution)

£100,000 to £109,999	-	1
£70,000 to £79,999	1	-
£60,000 to £69,999	1	2

	2011 Salary £000	2011 Benefits £000	2011 Total £000	2010 Total £000
Analysis of directors' emoluments				
Highest Paid Director	<u>71</u>	<u>4</u>	<u>75</u>	<u>100</u>
Pension contributions			<u>4</u>	<u>7</u>
			<u>79</u>	<u>107</u>

HOME IN SCOTLAND LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2011

5. EMPLOYEE INFORMATION

	2011 No.	2010 No.
The average monthly number of persons (including directors), expressed as full time equivalents, employed during the year was:		
Office staff	72	76
Wardens, caretakers and cleaners	6	6
Clerk of works	<u>1</u>	<u>1</u>
	79	83

Average number of all posts ("Headcount" basis)	<u>87</u>	<u>89</u>
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	2011 £000	2010 £000
Staff costs (for the above persons):		
Wages and salaries	2,322	2,447
Social security costs	213	224
Other pension costs (note 25)	<u>142</u>	<u>159</u>
	2,677	2,830

6. SURPLUS ON SALE OF HOUSING PROPERTIES

	2011 £000	2010 £000
Sales proceeds – social housing properties	185	142
Cost of sales – social housing properties	<u>(86)</u>	<u>(75)</u>
Net surplus	99	67

7. INTEREST PAYABLE AND SIMILAR CHARGES

	2011 £000	2010 £000
On bank loans and overdrafts	745	473
On other loans	<u>88</u>	<u>35</u>
	833	508
Less: interest capitalised	<u>(100)</u>	<u>(42)</u>
	733	466

8. SURPLUS ON ORDINARY ACTIVITIES BEFORE TAXATION

	2011 £000	2010 £000
Surplus on ordinary activities before taxation is stated after charging / (crediting):		
Depreciation:		
Housing properties	560	475
Tangible owned other fixed assets	43	48
Impairment of housing properties	129	-
Amortisation of negative goodwill	(21)	(21)
Auditors' remuneration for audit services	7	14
Operating lease rentals – Land & Buildings	93	91
Operating lease rentals – Housing Properties	14	14
Operating lease rentals – Other	24	60

HOME IN SCOTLAND LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2011

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 2010	109,145	25,357	1,445	135,947
Additions	27	18,498	-	18,525
Disposals	<u>(86)</u>	<u>-</u>	<u>-</u>	<u>(86)</u>
At 31 March 2011	<u>109,086</u>	<u>43,855</u>	<u>1,445</u>	<u>154,386</u>
Depreciation				
At 1 April 2010	2,983	-	32	3,015
Charge for year	557	-	3	560
Impairment	-	129	-	129
Disposals	<u>(4)</u>	<u>-</u>	<u>-</u>	<u>(4)</u>
At 31 March 2011	<u>3,536</u>	<u>129</u>	<u>35</u>	<u>3,700</u>
Net depreciated cost at 31 March 2011	<u>105,550</u>	<u>43,726</u>	<u>1,410</u>	<u>150,686</u>
Net depreciated cost at 31 March 2010	<u>106,162</u>	<u>25,357</u>	<u>1,413</u>	<u>132,932</u>
Housing Association Grant (HAG)				
At 1 April 2010	48,971	14,470	1,025	64,466
Received during year	-	9,938	-	9,938
Disposals	<u>(38)</u>	<u>-</u>	<u>-</u>	<u>(38)</u>
At 31 March 2011	<u>48,933</u>	<u>24,408</u>	<u>1,025</u>	<u>74,366</u>
Other Grants – New Housing Partnership (Local authorities) & Home Housing Trust				
At 1 st April 2010	<u>4,585</u>	<u>-</u>	<u>-</u>	<u>4,585</u>
At 31 March 2011	<u>4,585</u>	<u>-</u>	<u>-</u>	<u>4,585</u>
Net book value at 31 March 2011	<u>52,032</u>	<u>19,318</u>	<u>385</u>	<u>71,735</u>
Net book value at 31 March 2010	52,606	10,887	388	63,881

HOME IN SCOTLAND LIMITED
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2011

9. TANGIBLE FIXED ASSETS – HOUSING PROPERTIES (CONTINUED)

Additions to housing properties in the course of construction during the year included development administration costs of £294,000 (2010: £313,000).

There were assets under charge included in the above Net Book Value amount of £60,249,000 as at 31 March 2011 (2010: £40,853,000).

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

	2011	2010
	£000	£000
HAG in respect of housing properties shown at cost	74,366	64,466
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>2,265</u>
Total Housing Association Grant received or receivable at		
Balance sheet date	<u>84,636</u>	<u>74,774</u>

10. TANGIBLE FIXED ASSETS – OTHER FIXED ASSETS

	Freehold offices £000	Fixtures, furniture & equipment £000	Computer equipment & software £000	Total £000
Cost				
At 1 April 2010	635	216	30	881
Additions	-	-	10	10
Disposals	<u>(30)</u>	<u>(13)</u>	<u>-</u>	<u>(43)</u>
At 31 March 2011	<u>605</u>	<u>203</u>	<u>40</u>	<u>848</u>
Depreciation				
At 1 April 2010	242	152	17	411
Charge for year	12	22	9	43
Disposals	<u>(7)</u>	<u>(13)</u>	<u>-</u>	<u>(20)</u>
At 31 March 2011	<u>247</u>	<u>161</u>	<u>26</u>	<u>434</u>
Net book value at 31				
March 2011	<u>358</u>	<u>42</u>	<u>14</u>	<u>414</u>
Net book value at				
31 March 2010	<u>393</u>	<u>64</u>	<u>13</u>	<u>470</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 (2010: £23,000).

HOME IN SCOTLAND LIMITED
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2011

11. DEBTORS

	2011	2010
	£000	£000
Rental debtors – Housing accommodation	512	582
Rental debtors – Shared ownership	2	2
Less: Provision for bad debts	<u>(196)</u>	<u>(206)</u>
	318	378
Housing Association Grant receivable	267	171
Support Grant receivable	9	9
Prepayments and accrued income	111	43
Amounts due from group undertakings	82	53
Other debtors – due within 1 year	<u>227</u>	<u>88</u>
	<u>1,014</u>	<u>742</u>

12. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2011	2010
	£000	£000
Housing loans from third parties	1,201	3
Housing loans from group undertakings	-	3,755
Rental creditors – Housing Accommodation	341	340
Rental creditors – Shared ownership	3	4
Accruals and deferred income	2,624	2,520
Amounts due to group undertakings	43	412
Other creditors	<u>145</u>	<u>259</u>
	<u>4,357</u>	<u>7,293</u>

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

HOME IN SCOTLAND LIMITED
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2011

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

	2011	2010
	£000	£000
Housing loans	<u>51,695</u>	<u>41,809</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 13.00%, due as follows:

	2011	2010
	£000	£000
In instalments:		
In one year or less	1,201	3,758
Between one and two years	1,201	1,204
Between two and five years	6,004	5,214
In five years or more	<u>44,490</u>	<u>35,391</u>
	<u>52,896</u>	<u>45,567</u>

14. 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.

	2011	2010
	£	£
National Member shares		
Allotted, issued and fully paid:		
As at 1 April 2010 and 31 March 2011	<u>2</u>	<u>2</u>
Allotted, not called up:		
As at 1 April 2010 and 31 March 2011	<u>6</u>	<u>6</u>
Community Member Shares		
Allotted, not yet paid:		
As at 1 April 2010 and 31 March 2011	<u>119</u>	<u>119</u>
Allotted, issued and fully paid:		
As at 1 April 2010	296	293
Issued during year	<u>34</u>	<u>3</u>
At 31 March 2011	<u>330</u>	<u>296</u>

HOME IN SCOTLAND LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2011

15. NEGATIVE GOODWILL

	2011	2010
	£000	£000
As at 1 April 2010	2,372	2,393
Amortised in the year	<u>(21)</u>	<u>(21)</u>
At 31 March 2011	<u>2,351</u>	<u>2,372</u>

16. DESIGNATED RESERVES

	2011	2010
	£000	£000
Reserve for the replacement of equipment in service schemes		
As at 1 April 2010	198	297
Transfer to revenue reserve	<u>(10)</u>	<u>(99)</u>
At 31 March 2011	<u>188</u>	<u>198</u>

17. RECONCILIATION OF MOVEMENTS IN CAPITAL AND RESERVES

	2011	2010
	£000	£000
Surplus for the year	932	2,589
Amortisation of negative goodwill – Note 15	(21)	(21)
Opening capital and reserves	<u>16,290</u>	<u>13,722</u>
Closing capital and reserves	<u>17,201</u>	<u>16,290</u>

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

	2011	2010
	£000	£000
Operating surplus	1,566	2,988
Depreciation	603	523
Impairment of housing properties	129	-
Amortisation of negative goodwill	(21)	(21)
(Surplus)/Deficit on disposal of other tangible fixed assets	(36)	3
Movements in:-		
Stocks	-	1,387
Rental debtors	60	10
Other debtors	(207)	123
Trade creditors	468	(653)
Other creditors less than one year	9	2,176
Inter company movement	<u>(398)</u>	<u>-</u>
Net cash inflow from operating activities	<u>2,173</u>	<u>6,536</u>

HOME IN SCOTLAND LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2011

19. ANALYSIS OF NET DEBT

	March 2010 £000	Cash flow £000	Non cash changes £000	March 2011 £000
Cash at bank and in hand	299	(209)	-	90
Debt due after one year:				
Housing loans	(41,809)	(9,874)	(12)	(51,695)
Debt due within one year	(3,758)	2,557		(1,201)
Net debt	<u>(45,268)</u>	<u>(7,526)</u>	<u>(12)</u>	<u>(52,806)</u>

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

	2011 £000	2010 £000
Decrease in cash in the period	(209)	(131)
Cash inflow from increase in debt and lease financing	<u>(7,317)</u>	<u>(1,975)</u>
Change in net debt resulting from cash flows	<u>(7,526)</u>	<u>(2,106)</u>
Non cash changes	<u>(12)</u>	<u>8</u>
Movement in net debt in the period	<u>(7,538)</u>	<u>(2,098)</u>
Net debt at start of year	<u>(45,268)</u>	<u>(43,170)</u>
Net debt at end of year	<u>(52,806)</u>	<u>(45,268)</u>

21. CAPITAL COMMITMENTS

	2011 £000	2010 £000
Capital expenditure that has been contracted for but not provided for in the financial statements.	<u>10,236</u>	<u>14,208</u>
Capital expenditure that has been authorised by the Board but has not yet been contracted for.	<u>4,853</u>	<u>8,588</u>

The amounts contracted for at 31st March 2011 will be HAG funded, loan financed from within agreed facilities and from the Associations reserves.

HOME IN SCOTLAND LIMITED
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2011

22. FINANCIAL COMMITMENTS

	2011	2010
	£000	£000
Annual commitments under operating leases were as follows:		
Housing Properties		
Expiring over five years	<u>14</u>	<u>14</u>
Land and Buildings		
Expiring within one year	66	58
Expiring between two and five years	<u>27</u>	<u>23</u>
	<u>93</u>	<u>81</u>
Other		
Expiring within one year	18	15
Expiring between two and five years inclusive	<u>10</u>	<u>28</u>
	<u>28</u>	<u>43</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.

23. TRANSACTIONS WITH RELATED PARTIES

Home Group Limited

The Association and Parent operate an inter-company account for recharging staff costs, trade creditors and office expenditure, including the provision of treasury services, information systems, human resources and business assurance services, at cost. The balances outstanding on the inter-company account are included within debtors and creditors as appropriate.

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.

24. PARENT ASSOCIATION

The Board regards Home Group Limited as the ultimate parent company and the ultimate controlling party. Copies of the consolidated financial statements of Home Group Limited 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 Ltd scheme

The Association is a member of the final salary pension scheme operated by Home Group Limited. 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 Home in Scotland Limited 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 as if the scheme were a defined contribution scheme. The cost of contributions to the Group scheme amount to £46,258 (2010: £70,000) being 11.5% of pensionable salary.

An actuarial valuation of the Group scheme was undertaken on 31 March 2008 and revealed a deficit of £37.0m. It has been agreed that with effect from April 2009, the contribution rate will be 14.9% of pensionable salaries plus a fixed sum of £2.29m per annum increasing at a compound rate of 5.32% p.a. The Association will contribute at 11.5% for active members and will bear a proportion of the fixed sum based upon the number of active members in the scheme. Full disclosure of the actuarial valuation is provided within consolidated Home Group Limited financial statements.

The SFHA / Pension Trust scheme

The Association participates in the SFHA Pension Scheme. The SFHA 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 3 years. The main purpose of the valuation is to determine the financial position of the Scheme in order to determine the level of future contributions required so that the Scheme can meet its pension obligations as they fall due.

The actuarial valuation assesses whether the Scheme's assets at the valuation date are likely to be sufficient to pay the pension benefits accrued by members as at the valuation date. Asset values are calculated by reference to market levels. Accrued pension benefits are valued by discounting expected future benefit payments using a discount rate calculated by reference to the expected future investment returns.

During the accounting period the association paid contributions at the rate of 16.0% for the period to 31 March 2011. Member contributions were 7.7% for the period to 31 March 2011.

As at the balance sheet date there were 4 active members of the Scheme employed by the Association, which has closed to new entrants.

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 Plan, the accounting charge for the period under FRS17 represents the employer contribution payable.

HOME IN SCOTLAND LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2011

25. PENSION OBLIGATIONS (CONTINUED)

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 64.6%).

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

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 10.1% of pensionable salaries, plus a fixed sum of £15,669 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 2011:

- The standard employer contribution rate will be increased from 16.0% 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.

HOME IN SCOTLAND LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2011

25. PENSION OBLIGATIONS (CONTINUED)

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 £21,532 (2010: £25,620).

The Strathclyde Pension scheme

Home in Scotland Limited 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 £5,372 (2010: £5,110).

Home Group Ltd Defined Contribution scheme

With effect from 1 April 2001, new entrants are able to join the money purchase section of the Home Group Pension and Life Assurance Scheme. The charge to the Income and Expenditure Account for this scheme is the contribution payable, which amounted to £63,511 (2010: £58,300).

