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**PROVANHALL HOUSING ASSOCIATION LIMITED**

**FINANCIAL STATEMENTS**

**For the year ended 31 March 2012**

**Registered Housing Association No. HHC 242**

**Financial Services Authority No. 2401 R(S)**

**Charity No 037762**

**PROVANHALL HOUSING ASSOCIATION LIMITED**

**FINANCIAL STATEMENTS**

**Year ended 31 March 2012**

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**Registration particulars:**

Financial Services Authority	Industrial & Provident Societies Act 1965 Registered Number: 2401 R(S)
Scottish Housing Regulator	Housing (Scotland) Act 2001 Registered Number: HHC 242
Scottish Charity	Charity & Trustee Investment Act (Scotland) 2005 Scottish Charity Number SC 037762

# PROVANHALL HOUSING ASSOCIATION LIMITED

## REPORT OF THE MANAGEMENT COMMITTEE

### YEAR ENDED 31 MARCH 2012

The Committee of Management present their report and audited financial statements for the year ended 31 March 2012.

#### **Principal activity**

The principal activity of Provanhall Housing Association Limited (Provanhall) is the development, management and maintenance of housing for people in housing need.

Provanhall is registered with the Financial Services Authority as an Industrial and Provident Society, The Office of the Scottish Charities Regulator (OSCR) as a charity and the Scottish Housing Regulator as a Registered Social Landlord.

#### **Business Review**

The Association has had another successful year. We have continued with our major repairs programme with the installation of new kitchens and boilers in 63 properties, smoke alarm upgrades and external painter work to some of our other stock.

We had one Staff member leave the Association this year. Through our effective recruitment process, we managed to secure a very competent and valuable new member of Staff in July 2012.

Our Management Committee Membership remains strong with new members joining again this year. At the end of the year we had 12 Management Committee members. A further two of our members are undertaking the qualification for governance of Housing Associations.

The Association was awarded Investors in People Gold accreditation in February 2012. We are amongst very few Housing Associations in Scotland to receive this accreditation.

Development of our IT systems has been a high priority for us this year. We view this as assisting in our service delivery, achieving greater value for money and greater efficiencies in our working practices. This includes training for Staff and will be ongoing into the next financial year.

The Association continues to support Friends of Provanhall and AIS (Alcohol Information Service) with in kind donations of administrative support.

Our Wider Role has been very successful this year. We carry out wider role in partnership with Provanhall Community Trust. We have supported the Trust to create local employment via a social enterprise business. We support them financially to provide many other wider role initiatives in the local community.

A staff and committee away day was held in July to focus on the business plan review. The review was finalised and business plan was approved in November 2011.

We continue to work with Mazars as our External Auditor and we will be recommencing our Internal Audit programme this year (2012/13) .

Performance throughout the year remained strong. Rent arrears fell from 1.85% at year end March 2011 to 1.71% at year end March 2012. Maintenance expenditure remained steady, increasing from £184,257, averaging at £344 per unit at end March 2012.

# PROVANHALL HOUSING ASSOCIATION LIMITED

## REPORT OF THE MANAGEMENT COMMITTEE

YEAR ENDED 31 MARCH 2012

(Continued)

### Members of Committee of Management

The Members of the Committee of the Association during the year to 31 March 2012 were as follows:

Linda Cameron	Christine Morris
Rosemarie Docherty	Stevie Allan – Resigned February 2012
Cathie Reid	Eleanor Pinkerton – Appointed January 2012
Pauline Jeffrey	Ian McLaughlin
Tracy Coutts	Eleanor McLaughlin
Helen Sneddon	Belinda Tiernan – Resigned February 2012
Robert Jeffrey	Margaret Stewart – Resigned February 2012
Barbara McCluskey	

Each member of the Committee of Management holds one fully paid share of £1 in Provanhall.

### Executive Team

The Executive Team of 3 during the year to 31 March 2012 was as follows:

Patricia Gallagher	Director
Jim Wylie	Technical Services Manager
Sean Douglas	Housing Services Manager

The executive officers of Provanhall hold no interest in Provanhall's share capital and although not having the legal status of "director" they act as executives within the authority delegated by the Committee.

### Operational Review

#### 1 Corporate Governance

Provanhall has a Committee of Management who are elected by the members of the Association; see above for details. It is the responsibility of the Committee to determine the strategy, set policies and guide the overall direction for the Association. They also monitor the operational activities of the Association. The members of the Committee of Management are unpaid.

The Executive Team of 3 (as listed above) are responsible for achieving the strategy, and undertaking the operational activities in line with the policies set.

Our governing body is our Committee of Management, which is responsible to the wider membership. Committee of Management members serve in a voluntary capacity, and we recognise that this puts even more onus on us to ensure that we set and achieve high standards of professionalism in our work. We take governance very seriously, and in the last year we continued to build on work from previous years which strengthened our governance arrangements.

This report details issues that have arisen during the year relating to the main activities undertaken by Provanhall.

# PROVANHALL HOUSING ASSOCIATION LIMITED

## REPORT OF THE MANAGEMENT COMMITTEE

YEAR ENDED 31 MARCH 2012

(Continued)

### **2 Corporate Issues**

Tenant involvement and participation is a major part of Provanhall's Aims and Objectives, and we continue to review how Provanhall involves tenants in its activities.

Provanhall is committed to involving staff in decision making and policy making. In the year just ended staff were fully involved in the internal management plan process and regular staff meetings were held to keep staff informed of our activities.

#### **Performance Management**

Service delivery is underpinned by staff performance. This continues to be a high priority for us. In the last year we began implementing our revised staff appraisal system and undertook a staff training needs assessment.

#### **Best use of resources**

We regularly conduct risk assessments, and take any action necessary to reduce or limit risk. We have started a programme of major investment in our housing stock, which is by far our most costly asset. This includes both carrying out major repairs, and also considering whether any of our older schemes should be remodelled to meet the changing requirements of tenants in the future. We are updating our stock condition information to ensure that our long-term financial planning reflects our future investment requirements.

#### **Services**

We aim to deliver high quality services, and we set ourselves the goal of achieving continuous improvement in what we do.

We continued to monitor rent arrears closely. We also continued to deliver many completed adaptations to existing properties to meet the specific needs of our tenants.

# PROVANHALL HOUSING ASSOCIATION LIMITED

## REPORT OF THE MANAGEMENT COMMITTEE

YEAR ENDED 31 MARCH 2012

(Continued)

### 3. Other Areas

#### **Risk Management Policy**

The Committee have, with advice from their internal auditors, a formal risk management process to assess business risks and implement risk management strategies. This involved identifying the types of risks the Association faces, prioritising them in terms of potential impact and likelihood of occurrence, and identifying means of mitigating the risks. As part of this process the Committee have reviewed the adequacy of the Association's current internal controls.

#### **Investment Appraisal**

Capital expenditure is regulated by the budgetary process and authorisation levels. For expenditure beyond specified levels, detailed written proposals have to be submitted to the Committee. Reviews are carried out during the development period, to monitor expenditure and performance.

#### **Internal Financial Control**

The Committee of Management is responsible for establishing and maintaining the Association's system of internal control. Internal control systems are designed to meet the particular needs of the Association and the risks to which it is exposed, and by their nature can provide reasonable but not absolute assurance against material misstatement or loss. The key procedures which the Committee of Management has established with a view to providing effective internal financial control are listed on page 9.

#### **Management Structure**

The Committee of Management has overall responsibility for the Association and there is a formal schedule of matters specifically reserved for decision by the Committee.

#### **Accounting Policies**

During the year the Association adopted component accounting in full and the accounts for the year ended 31 March 2012 are prepared on a component accounting basis. As a result the opening reserves of the previous year are restated as of the accounting policy for component accounting had always applied and the adjustment required is recognised in the Statement of Total Recognised Surpluses and Deficits. The comparative figures for the year ended 31 March 2011 are restated to reflect the position as if component accounting had applied that year.

# PROVANHALL HOUSING ASSOCIATION LIMITED

## REPORT OF THE MANAGEMENT COMMITTEE

YEAR ENDED 31 MARCH 2012

(Continued)

### **General Reserves Policy**

The Committee members have reviewed the reserves of Provanhall. This review encompassed the nature of the income and expenditure streams, the need to match variable income with fixed commitments and the nature of the reserves. During the year the charity's general reserve increased from £341,621 to £473,315 (see note 13).

The Association has two other designated funds. The purpose of these funds is detailed in note 1 in the financial statements.

### **Sales of housing properties**

Properties are disposed of under the appropriate legislation and guidance. All costs, first tranche sales, and grants relating to the share of property sold are removed from the financial statements at the date of sale. Any grants received that cannot be repaid from the proceeds of sale are rebated to the issuer.

### **Maintenance policies**

The Association seeks to maintain its properties to the highest standard. To this end programmes of cyclical repairs are carried out in the medium term to deal with the gradual and predictable deterioration of building components. It is expected that the cost of all these repairs would be charged to the Income and Expenditure account.

In addition, the Association has a long-term programme of major repairs to cover for works which have become necessary since the original development was completed, including works required by subsequent legislative changes. This includes replacement or repairs to features of the properties, which have come to the end of their economic lives. The cost of these repairs would be charged to the Income and Expenditure account, unless it was agreed they could be capitalised within the terms outlined in the Statement of Recommended Practice (SORP) "Accounting by Registered Providers of Social Housing" Update 2010.

### **Treasury Management**

The Association has an active treasury management function, which operates in accordance with the Treasury Policy approved by the Committee of Management. In this way the Association manages its borrowing arrangements to ensure that it is always in a position to meet its financial obligations as they fall due, whilst minimising excess cash and liquid resources held.

### **Employee Involvement and Health & Safety**

The Association encourages employee involvement in all major initiatives. The Association has Investors in People status.

# **PROVANHALL HOUSING ASSOCIATION LIMITED**

## **REPORT OF THE MANAGEMENT COMMITTEE**

**YEAR ENDED 31 MARCH 2012**

**(Continued)**

### **Quality and Integrity of Personnel**

The integrity and competence of personnel are ensured through high recruitment standards and subsequent training courses. High quality personnel are seen as an essential part of the control environment and the ethical standards expected are communicated through the Director.

### **Credit Payment Policy**

The Association's policy concerning the payment of its trade creditors complies with the Confederation of British Industry guidelines. The average payment period is thirty days.

### **Budgetary Process**

Each year the Committee of Management approves the annual budget and rolling three-year strategic plan. Key risk areas are identified. Performance is monitored and relevant action taken throughout the year through quarterly reporting to the Committee of Management of variances from the budget, updated forecasts for the year together with information on the key risk areas. Approval procedures are in place in respect of major areas of risk such as major contract tenders, expenditure and treasury management.

### **Rental Income**

The Association's Rent Policy is a percentage system based on the size, type and facilities of the accommodation. The policy ensures that the rent structure is easy to administer and covers the wide variations within the Association's properties. The percentage value is reviewed annually to ensure that the rents cover the required costs. This policy follows the generally accepted practice/principles of the housing movement.

### **Disabled Employees**

Applications for employment by disabled persons are given full and fair consideration for all vacancies in accordance with their particular aptitudes and abilities. In the event of employees becoming disabled, every effort is made to retrain them in order that their employment with the Association may continue. It is the policy of the Association that training, career development and promotion opportunities should be available to all employees.



**PROVANHALL HOUSING ASSOCIATION LIMITED**

**REPORT OF THE MANAGEMENT COMMITTEE**

**YEAR ENDED 31 MARCH 2012**

**(Continued)**

**Future developments**

Subject to the availability of public funding and identification of suitable development sites the Association is committed to an ongoing development programme to provide new housing for our tenants.

**Auditors**

Mazars have indicated their willingness to continue acting as auditor to the Association.

On behalf of the Committee of Management

*C. Morris*  
.....

Chairperson

Date: *03/07/12*  
.....

**PROVANHALL HOUSING ASSOCIATION LIMITED**

**STATEMENT OF THE MANAGEMENT COMMITTEE'S RESPONSIBILITIES**

**YEAR ENDED 31 MARCH 2012**

Under the legislation relating to Industrial and Provident Societies we are required to prepare financial statements for each financial year, which give a true and fair view of the state of affairs of the Association and of the surplus or deficit of the Association for that year. In preparing those financial statements we are required to:

- select suitable accounting policies and apply them consistently;
- make reasonable and prudent judgements and estimates;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Association will continue in business.

We are also responsible for:

- keeping proper accounting records;
- safeguarding the Association's assets;
- taking reasonable steps for the prevention and detection of fraud.

As far as the Committee members are aware there is no relevant audit information of which the auditors are unaware and the Committee members have taken all reasonable steps to make themselves aware of any relevant audit information and to ensure that the auditors are aware of any such information.

By order of the Management Committee

Date: 03/07/12.....

C. Morris.....

## **PROVANHALL HOUSING ASSOCIATION LIMITED**

### **MANAGEMENT COMMITTEE'S STATEMENT ON INTERNAL FINANCIAL CONTROL**

**YEAR ENDED 31 MARCH 2012**

The Management Committee acknowledge their ultimate responsibility for ensuring that the Association has in place a system of controls that is appropriate to the various business environments in which it operates. These controls are designed to give reasonable assurance with respect to:

- the reliability of financial information used within the Association or for publication;
- the maintenance of proper accounting records; and
- the safeguarding of assets (against unauthorised use or disposition).

It is the Management Committee's responsibility to establish and maintain systems of internal financial control. Such systems can only provide reasonable and not absolute assurance against material financial mis-statement or loss. Key elements include ensuring that;

- formal policies and procedures are in place, including the documentation of key systems and rules relating to the delegation of authority, which allows the monitoring of controls and restricts the unauthorised use of the Association's assets;
- experienced and suitably qualified staff take responsibility for important business functions. Annual appraisal procedures have been established to maintain standards of performance;
- forecasts and budgets are prepared regularly which allow the Management Committee and staff to monitor the key business risks and financial objectives, and progress towards financial plans set for the year and the medium term; regular management accounts are prepared promptly, providing relevant, reliable and up-to-date financial and other information and significant variances from budgets are investigated as appropriate;
- all significant new initiatives, major commitments and investment projects are subject to formal authorisation procedures, through relevant sub-committees comprising Management Committee members and others;
- the Management Committee review reports from management, from directors, staff and from the external auditors and agents to provide reasonable assurance that control procedures are in place and are being followed. This includes a general review of the major risks facing the Association;
- formal procedures have been established for instituting appropriate action to correct weaknesses identified from the above reports.

**PROVANHALL HOUSING ASSOCIATION LIMITED**

**MANAGEMENT COMMITTEE'S STATEMENT ON INTERNAL FINANCIAL CONTROL**

**YEAR ENDED 31 MARCH 2012**  
**(continued)**

The Management Committee have reviewed the system of internal financial control in existence in the Association for the year ended 31 March 2012 and until the below date. No weaknesses were found in internal financial controls, which could result in material losses, contingencies, or uncertainties, which require disclosure in the financial statements or in the auditors' report on the financial statements.

By order of the Management Committee

*C. Morris*  
.....

Date : 03/07/12  
.....

## PROVANHALL HOUSING ASSOCIATION LIMITED

### AUDITORS' REPORT ON CORPORATE GOVERNANCE MATTERS

In addition to our audit of the financial statements, we have reviewed the Management Committee's Statement on Internal Financial Control set out on pages 9 and 10. The object of our review is to draw attention to any non-compliance with reference to the SFHA "Raising Standards".

We carried out our review in accordance with guidance issued by the Auditing Practices Board. The guidance does not require us to perform the additional work necessary to, and we do not express any opinion on the effectiveness of either the Association's system of internal financial control or its corporate governance procedures.

With respect to the Board's statements on internal financial control on pages 9 and 10, in our opinion the Board has provided the disclosures required under the SFHA "Raising Standards" referred to above and such statements are not inconsistent with the information of which we are aware from our audit work on the financial statements.

Based on enquiry of certain Board members and officers of the Association and examination of relevant documents, in our opinion the Board's statement on pages 9 and 10 appropriately reflects the Association's compliance with the SFHA "Raising Standards" specified for our review.

*Mazars LLP*

**Mazars LLP**  
Chartered Accountants  
Statutory Auditor  
90 St Vincent Street  
Glasgow  
G2 5UB

Date *10 July 2012*

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

We have audited the financial statements of Provanhall Housing Association Limited for the year ended 31 March 2012 which comprise the Income and Expenditure Account, the Balance Sheet, the Cash Flow Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

**Respective responsibilities of the board and the auditor**

As explained more fully in the Statement of the Management Committee's Responsibilities set out on page 8, the Management Committee is responsible for the preparation of financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

This report is made solely to the Association's members, as a body, in accordance with section 9 of the Friendly and Industrial and Provident Societies Act 1968. Our audit work has been undertaken so that we might state to the Association's members those matters we are required to state to them in an 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.

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

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

**Opinion on financial statements**

In our opinion the financial statements;

- give a true and fair view of the state of the Association's affairs as at 31 March 2012 and of its income and expenditure for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been properly prepared in accordance with the Industrial and Provident Societies Acts 1965 to 2002, the Housing (Scotland) Act 2001, Registered Social Landlords Accounting Requirements (Scotland) Order 2007, The Charities and Trustee Investment (Scotland) Act 2005 and Regulation 14 of the Charities Accountancy Requirement (Scotland) Regulations 2006.

**PROVANHALL HOUSING ASSOCIATION LIMITED**  
**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF**  
**PROVANHALL HOUSING ASSOCIATION LIMITED**  
**(continued)**

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

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

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

*Mazars LLP*

**Mazars LLP**  
Chartered Accountants  
Statutory Auditor  
90 St Vincent Street  
Glasgow  
G2 5UB

Date *10 July 2012*

**PROVANHALL HOUSING ASSOCIATION LIMITED**

**INCOME AND EXPENDITURE ACCOUNT**

**YEAR ENDED 31 MARCH 2012**

	Notes	2012 £	As Restated 2011 £
<b>Turnover</b>	2	1,492,570	1,494,637
Operating costs	2	(929,107)	(980,087)
Operating surplus	2	563,463	514,550
Gain on Sale of Fixed Assets		8,091	-
Interest receivable		26,236	11,706
Interest payable		(71,014)	(64,928)
<b>Surplus for year</b>	13	526,776	461,328

All amounts relate to continuing activities.

**STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES**

	2012 £	As Restated 2011 £
Surplus for the financial year	526,776	461,328
Prior Year Adjustment (as explained in note 20)	137,865	-
<b>Total gains recognised since last annual report</b>	664,641	461,328



**PROVANHALL HOUSING ASSOCIATION LIMITED**

**BALANCE SHEET**

**AS AT 31 MARCH 2012**

	Notes	2012	As Restated 2011
		£	£
<b>Tangible fixed assets</b>			
Housing properties			
- Gross Cost less depreciation	5	20,641,110	20,754,136
Less: Housing Association Grant	5	<u>(17,002,054)</u>	<u>(17,237,563)</u>
		3,639,056	3,516,573
Other Fixed Assets	5	<u>359,977</u>	<u>364,928</u>
		3,999,033	3,881,501
<b>Current assets</b>			
Debtors	6	70,706	51,425
Cash in bank and on hand		<u>2,439,096</u>	<u>2,032,461</u>
		2,509,802	2,083,886
<b>Creditors:</b> Amounts falling due within one year	7	<u>(346,427)</u>	<u>(221,224)</u>
<b>Net current assets</b>		<u>2,163,375</u>	<u>1,862,662</u>
<b>Total assets less current liabilities</b>		6,162,408	5,744,163
<b>Creditors:</b> Amounts falling due After more than one year		<u>(3,194,553)</u>	<u>(3,303,092)</u>
		<u>2,967,855</u>	<u>2,441,071</u>
<b>Capital and reserves</b>			
Share capital		187	179
General reserve		473,315	341,621
Designated reserves		<u>2,494,353</u>	<u>2,099,271</u>
<b>Total funds</b>		<u>2,967,855</u>	<u>2,441,071</u>

The financial statements on pages 14 to 30 were approved by the Management Committee on 26th June 2012 and signed on its behalf by:-

Chairperson : C. Morris

Member : B. McLehane

**PROVANHALL HOUSING ASSOCIATION LIMITED**

**CASH FLOW STATEMENT**

**YEAR ENDED 31 MARCH 2012**

	Notes	2012		<i>As restated</i>
		£	£	2011
				£
<b>Net cash inflow from operating Activities</b>	15		812,763	598,576
<b>Returns on investments and servicing of finance</b>				
Interest received		23,236		11,706
Interest paid		<u>(71,014)</u>		<u>(64,928)</u>
<b>Net cash (outflow) from returns on investments &amp; servicing of finance</b>			(47,778)	(53,222)
<b>Investing Activities</b>				
Payments for the purchase and development of property		(261,110)		(249,017)
HAG received		4,814		9,773
HAG repaid		-		-
Proceeds of a sale of fixed assets		26,487		-
Purchase of equipment		<u>(13,129)</u>		<u>(7,879)</u>
<b>Net cash (outflow) from investing activities</b>			(242,938)	(247,123)
<b>Net cash inflow before financing</b>			522,047	298,231
<b>Financing</b>				
Issue of share capital		11		20
Loans received		-		-
Loans repaid		<u>(115,423)</u>		<u>(370,133)</u>
<b>Net cash (outflow) from financing</b>			(115,412)	(370,113)
<b>Increase/(Decrease) in cash and cash equivalents</b>	15		406,635	(71,882)
Further details are given in note 15.			<u>406,635</u>	<u>(71,882)</u>

# PROVANHALL HOUSING ASSOCIATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2012

### 1. Principal accounting policies

#### **Basis of Accounting**

The principal accounting policies of the Association are set below. The Association is incorporated under the Industrial and Provident Societies Act 1965 and is registered with the Financial Services Authority. The accounts have been prepared under the historical cost convention, and in compliance with The Registered Social Landlords Accounting Requirements (Scotland) Order 2007 and The Statement of Recommended Practice (SORP), "Accounting by Registered Providers of Social Housing" Update 2010 and applicable Accounting Standards.

#### **Turnover**

Turnover relates to the income from the letting of properties at affordable rents, and the supply of factoring services, together with revenue grants from Scottish Executive, local authorities and other organisations.

#### **Housing Association Grants**

Housing Association Grants (HAG) are made by the grant awarding body and are utilised to reduce the amount of mortgage loans in respect of an approved scheme to the amount which it is estimated can be serviced by the net annual income of the scheme. The amount of HAG is calculated on the qualifying cost of the scheme in accordance with instructions issued from time to time by the grant awarding body.

HAG is repayable under certain circumstances, primarily following the sale of property, but will normally be restricted to the proceeds of sale net of outstanding borrowings.

Acquisition and Development Allowances are determined by the grant awarding body and are advanced as grants. They are intended to finance certain internal administration costs relating to the acquisition of schemes. Development allowances become available in instalments according to the progress of work on the scheme. Amounts equal to these allowances are credited to development costs when they are receivable.

# PROVANHALL HOUSING ASSOCIATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2012

### Fixed assets - Housing land and buildings

Housing Properties are stated at cost, less social housing and other public grants and accumulated depreciation. The development cost of housing properties funded with HAG includes the following:-

- (i) Cost of acquiring land and buildings.
- (ii) Development expenditure.
- (iii) Interest charged on the loans during the development of the scheme up until completion.

### Depreciation of Housing Properties

The Association adopted component accounting during the financial year. Properties other than heritable land are depreciated in accordance with FRS15 at rates calculated to reduce net book value of each component of the property to its estimated residual value, on a straight line basis, over the expected remaining life of the component. Heritable land is not depreciated. The estimated useful lives of the assets and components are shown below:

	Depreciation Period (Years)
Roof	50
Structure	50
Windows	25
Kitchens	15
Bathrooms	25
Central Heating	15
Doors	35
Rewiring	30

The year to March 2012 represents the first full year of implementation of component accounting (prior to this only three components – land, building and grant were recognised).

### Depreciation of Other Fixed Assets

Depreciation is charged by equal annual instalments at rates estimated to write off costs less any residual value over expected useful lives as follows:

- Office Premises – 2%
- Furniture & Fittings – 25%
- Office Equipment – 25%

# PROVANHALL HOUSING ASSOCIATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2012

### General reserves

(i) **Future cyclical repairs and maintenance**

The general reserve is based on the Association's obligation to maintain the properties in accordance with a planned programme of works which will not be met from revenue in the year in which it is incurred.

(ii) **Major repairs**

The Association maintains its housing properties in a state of repair, which at least maintains their residual value in prices prevailing at the time of acquisition and construction. The general reserve represents amounts set aside in respect of future costs.

### Sale of housing properties

Properties are disposed of under the appropriate legislation and guidance. All costs and grants relating to the share of property sold are removed from the financial statements at the date of sale.

### Pensions

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

### Improvements

Improvements are capitalised where these result in an enhancement of the economic benefits of the property. Such enhancement can occur if the improvements result in:-

- an increase in rental income or
- a material reduction in future maintenance costs or
- a significant extension of the life of the property.

Works to existing properties, which fail to meet the above criteria, are charged to the income and expenditure account.

### Impairment of fixed assets

Reviews for impairment of all fixed assets are carried out on an annual basis and any impairment is recognised by a charge to the income and expenditure account. Impairment is recognised where the carrying value of an asset exceeds the higher of its net realisable value or its value in use. Value in use represents the net present value of expected future cash flows from these units.

Impairment of assets would be recognised in the income and expenditure account.

**PROVANHALL HOUSING ASSOCIATION LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**YEAR ENDED 31 MARCH 2012**

**(Continued)**

**2. Particulars of turnover, operating costs and operating surplus and surplus**

	<b>Turnover</b>	<b>Operating Costs</b>	<b>Operating Surplus/ (Deficit)</b>	<b>As Restated 2011 Operating Surplus/(Deficit)</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
<b>Social lettings</b>	1,491,502	863,929	627,573	584,942
<b>Other activities</b>	1,068	65,178	(64,110)	(70,392)
<b>Total</b>	<u>1,492,570</u>	<u>929,107</u>	<u>563,463</u>	<u>514,550</u>
2011(As restated)	<u>1,494,637</u>	<u>(980,087)</u>	<u>514,550</u>	

PROVANHALL HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2012 (Continued)

3. Particulars of turnover, operating costs and operating surplus or deficit from social letting activities

	General Needs Housing £	Shared Ownership £	Supported Housing £	2012 Total £	As Restated 2011 Total £
Rent receivable net of service charges	1,379,972	6,362	-	1,386,334	1,337,141
Service charges	105,868	-	-	105,868	108,111
Gross income from rents and service charges	1,485,840	6,362	-	1,492,202	1,445,252
<b>Less: voids</b>	(700)	-	-	(700)	(2,106)
<b>Net income from rents and service charges</b>	1,485,140	6,362	-	1,491,502	1,443,146
Grants from Scottish Ministers	-	-	-	-	-
Other revenue grants	-	-	-	-	-
<b>Total turnover from social letting activities</b>	1,485,140	6,362	-	1,491,502	1,443,146
Management and maintenance administration costs	385,595	4,407	-	390,002	376,272
Service costs	105,868	-	-	105,868	108,111
Planned and cyclical maintenance including major repairs costs	70,916	-	-	70,916	83,371
Reactive maintenance costs	175,646	-	-	175,646	175,263
Bad debts – rents and service charges	3,330	-	-	3,330	9,609
Depreciation of social housing	117,481	686	-	118,167	105,578
<b>Operating costs for social letting activities</b>	858,836	5,093	-	863,929	858,204
<b>Operating surplus for social letting</b>	626,304	1,269	-	627,573	584,942
<b>2011(As restated)</b>	583,657	1,285	-	584,942	

The amount of service charges receivable on housing accommodation not eligible for Housing Benefit was £nil (2011 - £Nil). Included within voids is development voids of £nil (2011: £Nil).

The total amount of major repairs expenditure incurred in the year was £218,002 (2011 - £143,779), of that amount £201,044 were capitalised (2011 - £130,347).

PROVANHALL HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2012  
(Continued)

4. Particulars of turnover, operating costs and operating surplus or deficit from other activities

	Grants from Scottish Ministers	Other revenue grants	Supporting people income	Other income	Total Turnover	Operating costs – bad debts	Other operating costs	Operating surplus or (deficit)	Operating surplus or (deficit) for previous period of account
	£	£	£	£	£	£	£	£	£
Wider action/wider role	-	-	-	-	-	-	32,780	(32,780)	(23,875)
Rechargeable repairs	-	-	-	-	-	540	-	(540)	(8,428)
Factoring	-	-	-	1,068	1,068	-	1,068	-	(12)
Development and construction of property activities	-	-	-	-	-	-	-	-	-
Support activities	-	-	-	-	-	-	-	-	-
Care activities	-	-	-	-	-	-	-	-	-
Agency/management services for registered social landlords	-	-	-	-	-	-	-	-	-
Other agency/management services	-	-	-	-	-	-	-	-	-
Developments for sale to registered social landlords	-	-	-	-	-	-	-	-	-
Developments and improvements for sale to non registered social landlords	-	-	-	-	-	-	-	-	-
Other activities – Tenant Participation	-	-	-	-	-	-	30,790	(30,790)	(38,077)
<b>Total from other activities</b>	-	-	-	1,068	1,068	540	64,638	(64,110)	(70,392)
<b>2011</b>	-	50,315	-	1,176	51,491	8,428	113,455	(70,392)	



**PROVANHALL HOUSING ASSOCIATION LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 31 MARCH 2012**  
(Continued)

**5. Tangible fixed assets**  
**Housing properties**

	Housing Properties held for Letting £	Housing properties in the Course of Construction £	Shared Ownership Houses held for Letting £	Office Properties £	Furniture Fittings & Equipment £	Total £
<b>Cost</b>						
As at 1 April 2011 (as restated)	21,376,891	-	247,884	396,308	75,923	22,097,006
Additions	261,110	-	-	-	13,129	274,239
Disposals	(269,402)	-	-	-	-	(269,402)
Transfers	61,971	-	(61,971)	-	-	-
As at 31 March 2012	<u>21,430,570</u>	<u>-</u>	<u>185,913</u>	<u>396,308</u>	<u>89,052</u>	<u>22,101,843</u>
<b>Housing Association Grant &amp; Capital Grants</b>						
As at 1 April 2011 (as restated)	17,032,149	-	205,414	-	-	17,237,563
Additions	4,814	-	-	-	-	4,814
Transfers	51,354	-	(51,354)	-	-	-
Disposals	(240,323)	-	-	-	-	(240,323)
As at 31 March 2012	<u>16,847,994</u>	<u>-</u>	<u>154,060</u>	<u>-</u>	<u>-</u>	<u>17,002,054</u>
<b>Depreciation</b>						
As at 1 April 2011 (as restated)	862,031	-	8,608	46,934	60,369	977,942
Provided during the year	117,481	-	686	7,720	10,360	136,247
Transfer	2,152	-	(2,152)	-	-	-
Disposals	(13,433)	-	-	-	-	(13,433)
As at 31 March 2012	<u>968,231</u>	<u>-</u>	<u>7,142</u>	<u>54,654</u>	<u>70,729</u>	<u>1,100,756</u>
<b>Net Book Values</b>						
As at 31 March 2012	<u>3,614,345</u>	<u>-</u>	<u>24,711</u>	<u>341,654</u>	<u>18,323</u>	<u>3,999,033</u>
As at 31 March 2011	<u>3,482,711</u>	<u>-</u>	<u>33,862</u>	<u>349,374</u>	<u>15,554</u>	<u>3,881,501</u>

Development administration costs capitalised amounts to £419 (2011: £880) for which Housing Association Grants amounting to £419 (2011: £880) were received in the year.

Please see Note 20 for details of the prior year adjustment.

**PROVANHALL HOUSING ASSOCIATION LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**YEAR ENDED 31 MARCH 2012**

**(Continued)**

**6. Debtors**

	<b>2012</b>	<b>2011</b>
	£	£
Rent arrears	45,503	51,497
Less bad debt provision	<u>(13,534)</u>	<u>(15,855)</u>
	31,969	35,642
Prepayments and accrued income	10,846	10,941
Other debtors	<u>27,891</u>	<u>4,842</u>
	<u>70,706</u>	<u>51,425</u>

The level of technical arrears contained within the rent arrears total was £6,527 (2011: £5,075).

**7. Creditors: Amounts falling due within one year**

	<b>2012</b>	<b>2011</b>
	£	£
Trade creditors	146,838	51,574
Accruals and deferred income	47,252	10,361
Rent in advance	29,547	28,865
Loans	116,498	123,632
Other taxes and social security	<u>6,292</u>	<u>6,792</u>
	<u>346,427</u>	<u>221,224</u>

**8. Creditors: falling due after more than one year**

Loans	<u>3,194,553</u>	<u>3,303,092</u>
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Loans are secured by specific charges on the Association's properties and are repayable at rates of interest of 0.95% to 5.55 % (2011: 0.95% to 5.55%) in instalments due as follows:-

In one year or less or on demand	116,498	123,632
Between two and five years	544,642	531,517
In five years or more	<u>2,649,911</u>	<u>2,771,575</u>
	<u>3,311,051</u>	<u>3,426,724</u>

**PROVANHALL HOUSING ASSOCIATION LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**YEAR ENDED 31 MARCH 2012**

**(Continued)**

**9. Employees**

	<b>2012</b>	<b>2011</b>
	£	£
Staff costs during year:		
Wages and salaries	215,270	226,355
Social security costs	17,601	17,374
Other pension costs	38,548	30,318
Staff expenses	680	1,978
	<u>272,099</u>	<u>276,025</u>

The average full time equivalent number of persons employed by the Association during the year were as follows:

	<b>No</b>	<b>No</b>
<b>Administration</b>	<u>7</u>	<u>7</u>

The Directors are defined as the members of the Management Committee, the Director and any other person reporting directly to the Director or the Management Committee whose total emoluments including pension contributions exceed £60,000 per year (2011: £60,000 per annum).

	<b>£</b>	<b>£</b>
Aggregate Emoluments payable to directors (including pension contributions and benefits in kind)	<u>-</u>	<u>-</u>
Emoluments payable to highest paid director (excluding pension contributions)	<u>48,858</u>	<u>44,591</u>

The Association's pension contributions for the Director in the year amounted to £3,669 (2011: £6,215).

There were no directors whose emoluments, excluding pension contributions, were over £60,000 (2011: £60,000).

No member of the Committee of Management received any emoluments in respect of their services to the Association.

**10. Auditors Remuneration**

	<b>£</b>	<b>£</b>
The remuneration of the auditors (including expenses and including VAT for the year)	<u>7,000</u>	<u>6,200</u>

**PROVANHALL HOUSING ASSOCIATION LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**YEAR ENDED 31 MARCH 2012**

**(Continued)**

**11. Share capital**

	<b>2012</b>	<b>2011</b>
	<b>£</b>	<b>£</b>
<b>Shares of £1 each issued and fully paid</b>		
As at 1 April 2011	179	167
Shares issued	11	20
Shares cancelled	(3)	(8)
	187	179
31 March 2012	187	179

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

**12. Designated reserves**

	<b>Cyclical maintenance</b>	<b>Major repairs</b>	<b>Total</b>
	<b>£</b>	<b>£</b>	<b>£</b>
As at 1 April 2011	100,000	1,999,271	2,099,271
Transfer from income & expenditure account	-	395,082	395,082
	100,000	2,394,353	2,494,353
As at 31 March 2012	100,000	2,394,353	2,494,353

**13. General Reserve**

	<b>2012</b>
	<b>£</b>
At beginning of year as previously stated	479,486
Prior year adjustment	(137,865)
At the beginning of the year as restated	341,621
Surplus for the year	526,776
Transfer to designated reserves	(395,082)
	473,315
As at 31 March 2012	473,315

**14. Capital Commitments**

	<b>2012</b>	<b>2011</b>
	<b>£</b>	<b>£</b>
Expenditure authorised by the Management Committee contracted less certified.	-	-
	-	-

**PROVANHALL HOUSING ASSOCIATION LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**YEAR ENDED 31 MARCH 2012**

**(Continued)**

**15. Cash flow statement**

	<b>2012</b>	<b>As Restated</b>
	<b>£</b>	<b>2011</b>
		<b>£</b>
<b>Reconciliation of operating surplus to net cash inflow from operating activities</b>		
Operating surplus	563,463	514,550
Depreciation charges	136,247	120,584
Shares cancelled	(3)	(8)
(Increase)/Decrease in debtors	(19,281)	10,489
Increase/(Decrease) in creditors	<u>132,337</u>	<u>(47,039)</u>
Net cash inflow from operating activities	<u>812,763</u>	<u>598,576</u>
<b>Reconciliation of net cash flow to movement in net debt</b>		
Increase in cash for the year	406,635	(71,882)
Loans received	-	-
Loan repayments	<u>115,423</u>	<u>370,113</u>
Change in net debt	522,058	298,231
Net debts as at 1 April 2011	<u>(1,394,013)</u>	<u>(1,692,244)</u>
Net debt as at 31 March 2012	<u>(871,955)</u>	<u>(1,394,013)</u>

	<b>As at</b>		<b>Other</b>	<b>As at</b>
	<b>31 March</b>	<b>Cash Flow</b>	<b>changes</b>	<b>31 March</b>
	<b>2011</b>	<b>£</b>	<b>£</b>	<b>2012</b>
	<b>£</b>			<b>£</b>
<b>Analysis of changes in net debt</b>				
Cash at bank and in hand	2,032,461	406,635	-	2,439,096
Debt due within one year	(123,632)	-	7,134	(116,498)
Debt due after one year	(3,302,842)	115,423	(7,134)	(3,194,553)
	<u>(1,394,013)</u>	<u>522,058</u>	<u>-</u>	<u>(871,955)</u>

# PROVANHALL HOUSING ASSOCIATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2012

(Continued)

### 16. Pension Fund General

#### Pension Commitments

Provanhall Housing Association Limited participates in the Scottish Housing Association Pension Scheme.

The Scheme is a multi-employer defined benefit scheme. The Scheme is funded and is contracted out of the state scheme.

The Scheme offers five benefit structures to employers, namely:

- Final salary with a 1/60th accrual rate.
- Career average revalued earnings with a 1/60th accrual rate
- Career average revalued earnings with a 1/70th accrual rate
- Career average revalued earnings with a 1/80th accrual rate
- Career average revalued earnings with a 1/120th accrual rate, contracted in

An employer can elect to operate different benefit structures for their active members (as at the first day of April in any given year) and their new entrants. An employer can only operate one open benefit structure at any one time. An open benefit structure is one which new entrants are able to join.

Provanhall Housing Association Limited has elected to operate the final salary with a 1/60<sup>th</sup> accrual rate benefit structure for active members as at 31 March 2012 and the final salary with a 1/60<sup>th</sup> accrual rate benefit for new entrants from 1 April 2012.

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

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

During the accounting period Provanhall Housing Association Limited paid contributions at the rate of 19.2% of pensionable salaries. Member contributions were 9.6%.

As at the balance sheet date there were 5 active members of the Scheme employed by Provanhall Housing Association Limited. The annual pensionable payroll in respect of these members was £196,871. Provanhall Housing Association Limited continues to offer membership of the Scheme to its employees.

# PROVANHALL HOUSING ASSOCIATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2012

(Continued)

### 16. Pension Commitments (cont.)

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

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%

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:

	% pa
- Investment return pre-retirement	7.4
- Investment return post retirement – non pensioners	4.6
- Investment return post retirement –pensioners	4.8
- Rate of salary increases	4.5
- Rate of pension increases	
pension accrued pre 6 April 2005	2.9
pension accrued from 6 April 2005	2.2
(for leavers before 1 October 1993 pension increases are 5.0%)	
- Rate of price inflation	3.0

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

**PROVANHALL HOUSING ASSOCIATION LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**YEAR ENDED 31 MARCH 2012**

**(Continued)**

**17. Housing stock**

	<b>2012</b>	<b>2011</b>
	<b>No</b>	<b>No</b>
The housing stock at 31 March 2012 was as follows:		
Modernise/new build	<b>494</b>	494
Shared ownership	<b>3</b>	4
	<b>497</b>	498

**18. Contingent Liabilities**

**Pensions**

Provanhall Housing Association has been notified by the Pensions Trust of the estimated employer debt on withdrawal from the Scheme based on the financial position of the Scheme as at 30 September 2011. As of this date the estimated employer debt for Provanhall Housing Association was £1,082,170. The Association has no current plans to withdraw from the scheme.

At 31 March 2012 the Association had no other contingent liabilities (2011 - £Nil).

**19. Related parties**

Transactions and tenancy agreements with members of the Management Committee, who are also tenants of the Association, are on an arms length basis and in compliance with Schedule 7 of the Housing (Scotland) Act 2001.

**20. Prior Year Adjustment**

As described in Note 1 (Accounting Policies) the company adopted component accounting during the year under review. This resulted in a restatement of previous years' results whereby costs which had been previously written off to major repairs were capitalised as a component of the property and depreciated over their useful lives. The 2011 surplus was increased by £105,654 and similarly Housing Assets were increased by the same amount. The total adjustment comprised the sixteen years to 31 March 2010 and a decrease to reserves and assets of £137,865.