

**SANCTUARY SCOTLAND HOUSING ASSOCIATION LIMITED**

**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 MARCH 2012**

<b>Scottish Registered Charity:</b>	<b>SC024549</b>
<b>The Scottish Housing Regulator:</b>	<b>HEP302</b>
<b>Industrial and Provident Society Number:</b>	<b>2508RS</b>

**Annual Report and Financial Statements for the Year Ended 31 March 2012**

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## Sanctuary Scotland Housing Association Limited

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### Committee of Management and Advisors

#### Members of the Committee of Management

John Holcombe	Chairperson (Elected August 2011)
Jack Payne	Vice-Chairperson (Elected August 2011)
Suzanne Hunter	Community Member (Elected September 2011)
Sima Moradi	Community Member
Iain Blackwood	
Margaret Miller	
Christine Vine	
James Coleman	Appointed March 2012
Patricia Higgins	Resigned August 2011 (Community Member)
Professor Kenneth Gibb	Resigned September 2011
George Matthew	Resigned January 2012
Elaine Noad	Resigned June 2012

#### Corporate Members

Sanctuary Housing Association  
Spiral (Number 2) Housing Association Limited

#### Secretary

Craig Moule

#### Independent Registered Auditors

PricewaterhouseCoopers LLP  
Chartered Accountants and Registered Auditors  
Cornwall Court  
19 Cornwall Street  
Birmingham  
B3 2DT

#### Bankers

Bank of Scotland plc  
Bank of Scotland Commercial  
New Uberior House  
11 Earl Grey Street  
Edinburgh  
EH3 9BN

#### Legal Advisors

TC Young  
7 West George Street  
Glasgow  
G2 1AB

#### Registered Address

Sanctuary House  
7 Freeland Drive  
Glasgow  
G53 6PG

#### Scottish Registered Charity Number

SC024549

## Sanctuary Scotland Housing Association Limited

### The Committee of Management's Report

The Committee of Management (the "Committee") presents its Annual Report and the audited financial statements for the year ended 31 March 2012.

#### Principal activity

Sanctuary Scotland Housing Association Limited (the "Association") was registered under the Friendly and Industrial and Provident Societies Act 1968 for the purpose of developing, managing and maintaining housing for people in housing need.

The Association is registered with The Scottish Housing Regulator.

The Association's ultimate parent undertaking is Sanctuary Housing Association and forms part of the Sanctuary Group of entities (the "Group").

The Association is registered under the Friendly and Industrial and Provident Societies Act 1968, number 2508RS, and is a Scottish Registered Charity, number SC024549.

#### Review of business activities

The Association has the following strategic aims:

- To provide good quality affordable housing both for rent and for sale for those less able to compete in their sections of the housing market;
- To provide housing and associated services for those with more specific housing requirements, such as older people and those with long-term disabilities;
- To provide value for money services and advice to individuals and organisations working to provide social housing; and
- To ensure that any investment made by the Association in Scotland provides sustainable benefits for local communities.

The table below highlights the performance by income stream:

	Turnover		Operating surplus	
	2012	2011	2012	2011 Restated
	£000	£000	£000	£000
General Needs	8,675	7,762	4,242	2,573
Sheltered & Supported Housing	638	711	233	432
Other Activities	212	2,402	46	144
<b>Totals</b>	<b>9,525</b>	<b>10,875</b>	<b>4,521</b>	<b>3,149</b>

Following the implementation of the Statement of Recommended Practice: Accounting by Registered Social Landlords (Revised 2010) ('SORP 2010') from 1 April 2011 the comparative figures have been restated in respect of the change in accounting treatment of gains on business combinations.

Included within Turnover for Other Activities are outright sales of first tranche development properties. Refer to notes 1 and 3b for further details.

**Sanctuary Scotland Housing Association Limited**

**The Committee of Management's Report continued**

The Executive Team, being the senior management team providing oversight of day to day activities, and the Committee of Management use a number of key indicators to monitor the outcome of the Association's objectives. A selection of these indicators and results for the year, are as follows:

Indicator	Actual for Year 2012	Actual for Year 2011
Current tenant arrears as a % of gross annual rent	4.13%	3.98%
Void loss as a % of gross annual rent	0.29%	0.14%

**Accommodation in management**

	2012	2011
<b>Social housing accommodation:</b>		
General needs housing	2,362	2,253
Sheltered & supported housing accommodation	113	114
<b>Total stock available for letting</b>	<b>2,475</b>	<b>2,367</b>
Not available for letting	135	208
<b>Total units in management</b>	<b>2,610</b>	<b>2,575</b>

At the balance sheet date, 135 properties at Anderston in Glasgow were being held as vacant pending phased demolition as part of the major regeneration project in that area. These properties are held as assets under construction.

The Association had a further 228 units on site and another 269 units committed for development.

24 (2011: 24) units owned by the Association were being managed by a third party, external to the Group, at the Balance Sheet date. No Supported Housing Management Grant was payable during the year in respect of these properties. These units of accommodation are managed on behalf of the Association by Margaret Blackwood Housing Association in Edinburgh.

79 (2011: 55) units owned by the Association were being managed by Cumbernauld Housing Partnership Limited, a Group company, at the Balance Sheet date.

*Housing Issues*

The Association has maintained its high level of performance in a range of key indicators such as void loss for general needs properties which was 0.11% (2011: 0.09%). Unfortunately void loss for supported housing properties increased to 2.71% (2011: 1.19%) largely due to delays in receiving referrals for these properties from social work departments. The level of non-technical rent arrears for current tenants at the year end decreased slightly to 2.61% (2011: 3.11%) of the annual rental amount. This decrease was complemented by a reduction in the level of former tenant rent arrears to 0.55% (2011: 0.70%).

*Community issues*

A number of local community events and activities were supported during the year by the Association, which provided direct funding for a wide range of such events. These small events can make a real difference to the quality of life in the estates and communities which the Association serves.

## **The Committee of Management's Report continued**

The service provided by the Association's Welfare Rights Officer has become increasingly important. During the year, this officer achieved the significant milestone of securing over £1,000,000 in backdated or additional income for tenants. It is expected that this service will become of increasing significance as the planned reforms to the welfare system are implemented.

### *Property Maintenance*

During the year, the Association's contracts for reactive and void property maintenance were re-tendered and new contracts commenced on 1 September 2011. A review of the provision of maintenance services is currently being carried out to investigate the scope for, and potential benefits of, establishing an in-house maintenance service on a similar model to that introduced by Sanctuary Housing Association in England. This review, which also covers estates services, is being carried out in conjunction with Cumbernauld Housing Partnership Limited and should report in the summer of 2012.

The largest improvement contract undertaken by the Association during the year was a further phase of external refurbishment works on a number of flatted blocks of properties at Dalmahoy Drive in Ardler. A final phase of this work will be carried out during 2012/13 to the remaining properties owned by the Association at Dalmahoy Drive in Ardler to both enhance their appearance and improve their thermal efficiency.

Given the age profile and condition of the Association's stock, only the properties at Dalmahoy Drive, referred to above, require improvement to meet the requirements of the Scottish Housing Quality Standard (SHQS) and the programme which has been put in place will ensure that necessary works are carried out to these properties well in advance of the 2015 deadline. The Association reviewed its progress towards compliance with the SHQS during 2012/13. This review confirmed that the Association is on course to achieve full compliance by the required deadline.

### *Support Services*

The Sheltered Housing Support Service provided by the Association at its two sheltered housing developments in Dundee receives funding from Dundee City Council under the Supporting People Programme. This funding has again been confirmed for 2012/13, albeit the amount of funding has again been frozen.

A new body – Social Care and Social Work Improvement Scotland (SCSWIS) – took over the regulatory functions in respect of support services from 1 April 2011. To date, this organisation has not carried out an on-site inspection of the services provided by the Association. A self-assessment was completed and submitted to SCSWIS in November 2011.

### *Risk Management Policy*

The Association maintains a detailed Risk Matrix which is monitored and updated on a regular basis. The Risk Matrix identifies risks which the Association might face, the likelihood of such risks occurring and their impact on the Association if they do occur. The Risk Matrix also identifies action taken by the Association to mitigate against such risks occurring or to minimise their impact. The Risk Matrix is utilised by both the Committee of Management and the Executive Team to ensure that the Association minimises, and controls as far as possible, the level of risk to which it is exposed.

## Sanctuary Scotland Housing Association Limited

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### The Committee of Management's Report continued

#### Corporate Governance

The Association has a Committee of Management who are members of the Association. Persons are admitted into membership of the Association in one of two categories – National Membership or Community Membership. National Members of the Committee are appointed by the parent undertaking and Community Members of the Committee are elected by the community membership, which comprises tenants of the Association or residents in its estates. At present there are nine National Members on the Committee and two Community Members.

Two new Members of the Management Committee (one National Member and one Community Member) were formally elected to serve on the Committee during the year. Sadly, three Members of the Committee resigned from membership during the year although one, Professor Kenneth Gibb, now represents the parent undertaking on the Committee.

The Committee again completed a process of self-appraisal and development during the year, the outcome of which was considered by the Committee in April 2012. This process will inform future training provision for Committee Members and the desired skills/experience mix of any new Committee Members to be recruited as vacancies for National Members arise.

John Holcombe was elected as Chairperson of the Association in August 2011 for his first year in office. Jack Payne, a former Chairperson, was elected as Vice-Chairperson of the Association, also in August 2011.

During the year, a joint operational structure was implemented with Cumbernauld Housing Partnership Limited. This structure sees one joint staff team, under the leadership of the Director of Sanctuary in Scotland providing services to both organisations. The Committee expects that this arrangement will generate cost efficiencies which will be of future benefit to the Association's tenants.

During the year, KPMG were appointed as the provider of Internal Audit services for the Group, in conjunction with the in-house assurance team.

#### Statement of the Committee of Management's Responsibilities

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

The Friendly and Industrial and Provident Societies Act 1968 and registered social housing legislation require the Committee 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 for that period. In preparing these financial statements, the Committee is required to:

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

### **The Committee of Management's Report continued**

The Committee is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Association and to enable it to ensure that the financial statements comply with the Housing (Scotland) Act 2001, the Registered Social Landlords Accounting Requirements (Scotland) Order 2007, the Charities and Trustee Investment (Scotland) Act 2005 and regulation 14 of the Charities Accounts (Scotland) Regulations 2006 (as amended). It has general responsibility for taking reasonable steps to safeguard the assets of the Association and to prevent and detect fraud and other irregularities.

The Committee is also responsible for safeguarding the assets of the Association and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In the case of each of the persons who are Committee Members at the date the Committee of Management's Report is approved, that:

- (a) so far as each of the Committee Members is aware, there is no relevant audit information of which the Association's auditors are unaware; and
- (b) each of the Committee Members has taken all the steps that he/she ought to have taken as a Committee Member in order to make himself/herself aware of any relevant audit information and to establish that the Association's auditors are aware of that information.

### **Statement of Internal Control**

The Committee of Management is ultimately responsible for ensuring that the Association maintains a system of internal control that is appropriate to the various business environments in which it operates. Internal control systems are designed to meet the particular needs of the Association and the risks to which it is exposed. The controls by their nature can provide reasonable but not absolute assurance against material misstatement or loss.

The Committee of Management has established key procedures to provide internal control and there are clear lines of responsibility for the creation and maintenance of the procedures through the designated senior executives. 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.



## Sanctuary Scotland Housing Association Limited

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### The Committee of Management's Report continued

Major business risks are identified through a system of continuous monitoring. The financial control framework includes the following key features:

- The Committee being directly responsible for strategic risk management;
- The adoption of formal policies and procedures including documentation of key systems and rules relating to a delegation of authorities which allows the monitoring of controls and restricts the unauthorised use of the Association's assets;
- Experienced and suitably qualified staff to take responsibility for important business functions. Annual appraisal procedures have been established to maintain standards of performance;
- Executives to monitor the key business risks and financial objectives allowing the Association to progress towards its 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 including significant variances from budgets and forecasts which are investigated as necessary;
- All significant new initiatives, major commitments and investment projects are subject to formal authorisation procedures; and
- The Sanctuary Group Audit Committee reviews reports from management, KPMG and from the in-house assurance team to provide reasonable assurance that control procedures are in place and are being followed. The Group Audit Committee receives an annual report on internal controls from the Group Executive Committee. The Group Audit Committee makes regular reports to the Group Board. The Association follows formal procedures for instituting appropriate action to correct weaknesses identified in the above reporting.

The Group Audit Committee has also met KPMG, the internal auditors, and PricewaterhouseCoopers LLP, the statutory auditors, to discuss their work throughout the year.

On behalf of the Committee of Management, the Sanctuary Group Audit Committee has reviewed the effectiveness of the system of internal control in existence in the Association for the year ended 31 March 2012 and is not aware of any material changes at the date of signing of the financial statements.

### Future developments and corporate issues

The year to 31 March 2012 saw a continued high level of development activity with a total of 125 new homes (2011: 232) for social rent or affordable home ownership (through the shared equity model) being completed on projects at Paisley and Linwood in Renfrewshire, at Anniesland in Glasgow and at Cumbernauld.

The Association continues to support other Government initiatives to meet housing need, such as the Mortgage to Rent scheme. Activity under this scheme has, however, reduced over recent years as a result of changes to the funding structure and criteria for this scheme. Two properties were acquired under this scheme in the year.

As a result of previous site acquisitions, and positive relationships with local authority partners and grant providers, the Association has a strong forward programme of development projects. A total of 155 (2011: 230) new homes were started during the year. Projects in areas such as Beechwood Court in Cumbernauld and Shortroods in Paisley will see the completion of new homes during 2012/13, along with the second phase of new homes being provided as part of the large regeneration project at Anderston in Glasgow.

### **The Committee of Management's Report continued**

The Association was very successful in securing funding for new developments under the Scottish Government's Innovation and Investment Fund arrangements during 2011/12. As a result of securing the largest allocation of funding of any social landlord in Scotland, construction of a total of 269 new homes will commence in the early weeks of 2012/13. Despite the challenges represented by significant reductions in both the overall level of public funding and the amount of funding support for each new unit, the Association continues to identify projects which are viable within the new funding framework. The funding arrangements with the parent undertaking have been reviewed during the year to ensure continue access to affordable private funding to support the Association's development activities, including some funding raised through a bond issue by the parent undertaking.

The Association's subsidiary, Access Apna Ghar Housing Association Limited, continued to receive support from both the Association and the ultimate parent undertaking for its activities. Access Apna Ghar is leading on the planned transfer of stock from two other housing associations in Glasgow over which it holds nomination rights to the Association. The acquisition of five of these properties was completed in February 2012. During the year, Access Apna Ghar's Management Committee has reviewed its future role and structure in light of the decision taken the previous year not to pursue registration as Scotland's first specialist housing association for people from black and minority ethnic communities. This review is likely to result in Access Apna Ghar ceasing to exist as a separate entity during 2012/13 and becoming a more integrated part of the Association's structure and activities. The Association will promote changes to its Rules to facilitate this new role for Access Apna Ghar if necessary.

The implementation of the provisions of the Housing (Scotland) Act 2010 will impact on the Association's work during 2012/13. A new Scottish Housing Regulator has been established to oversee an amended regulatory framework and the terms of the Scottish Social Housing Charter have now been confirmed. The Charter sets out the outcomes which landlords such as the Association will be expected to achieve for their tenants and other customers. The Association will be required to develop processes, many of them working closely with tenants, to ensure that the requirements of these new elements of the regulatory framework are complied with.

### **Financial risk management**

The Association's operations expose it to a variety of financial risks that include the effects of cash flow risk, liquidity risk and interest rate risk. The Association has in place a risk management programme that seeks to limit the adverse effects on the financial performance of the Association by monitoring levels of debt finance and related finance costs.

#### *Cash flow risk*

At 31 March 2012, 89.37% of the Association's debt was on fixed rate terms (2011: 93.70%). Further to this the Association seeks to minimise the risk of uncertain funding in its operations by borrowing within a spread of maturity periods. At the year end, 10.75% (2011: 6.43%) of debt was payable within one year. The Association does not use derivative financial instruments to manage interest rate costs.

#### *Liquidity risk*

The Association actively maintains a level of debt finance that is designed to ensure that the Association has sufficient available funds for its operations.

#### *Interest rate risk*

The Association has interest bearing liabilities, which are maintained at a fixed rate to ensure certainty of future interest cash flows.

## Sanctuary Scotland Housing Association Limited

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### The Committee of Management's Report continued

#### Results

The financial affairs of the Association remained satisfactory and a surplus for the year was achieved of £616,025 (2011 restated: £519,000).

The Association has £4,244,000 (2011 restated: £3,628,000) of revenue reserves and support via £12,452,972 (2011: £8,117,000) of loan funding from the Association's parent undertaking, Sanctuary Housing Association and £74,869,053 (2011: £75,000,000) from Sanctuary Treasury Limited.

#### Committee Members

The Committee Members who served during the year are listed on page 2. Members of the Committee of Management are required to hold one share in the Association during their time in office which is cancelled or transferred on their resignation from the Committee. Members of the Committee of Management who are also tenants have tenancies on normal commercial terms and cannot use their position to gain advantage in relation to tenancy agreements.

#### Political and charitable donations

The Association made no donations to political or charitable organisations (2011: £nil).

#### Health and safety

The Committee is aware of its responsibilities on all matters relating to health and safety. The Association's risk appraisal and management processes aim to address all health and safety matters in relation to property, tenants and staff. A report on health and safety matters is submitted to each meeting of the Committee.

#### Equality and diversity

The Group aims to be an open and inclusive organisation, where diversity is promoted and discrimination eliminated. Our single equality scheme - 'Fairness for All' – outlines our commitment to ensuring that our services meet the needs of all our diverse customers. It ensures that equality, diversity and human rights are integrated into the way we plan, develop and deliver our services, covering our internal functions as an employer and our external operations as a provider of housing, care and facilities management services.

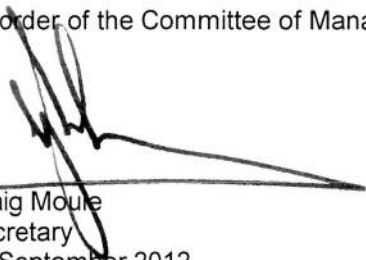
#### Going concern

The Committee of Management confirms it has a reasonable expectation that the Association has adequate resources to continue in operational existence for the foreseeable future. Accordingly, it continues to adopt the going concern basis in preparing the Association's financial statements.

#### Independent Auditors

PricewaterhouseCoopers LLP have indicated their willingness to continue in office and a resolution concerning their re-appointment will be proposed at the Annual General Meeting.

By order of the Committee of Management.



Craig Moule  
Secretary  
25 September 2012

## INDEPENDENT AUDITORS' REPORT FOR SANCTUARY SCOTLAND HOUSING ASSOCIATION LIMITED

We have audited the financial statements of Sanctuary Scotland Housing Association Limited for the year ended 31 March 2012 which comprise Income and Expenditure Account, the Balance Sheet, the Cashflow 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 Committee of Management and auditors

As explained more fully in the Statement of the Committee of Management's Responsibilities set out on pages 6 and 7, the Committee of Management is responsible for the preparation of financial statements which give a true and fair view. We have been appointed as auditors under section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005 and report in accordance with regulations made under that Act. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (ISAs) (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the Association's members as a body in accordance with Schedule 7 paragraph 13 of the Housing (Scotland) Act 2001, Section 9(1) of the Friendly and Industrial and Provident Societies Act 1968, section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005 and regulation 10 of the Charities Accounts (Scotland) Regulations 2006 (as amended) and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

### Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Association's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Committee of Management; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report and financial statements to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

### 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 its income and expenditure and cashflows for the year then ended; and
- have been properly prepared in accordance with the Friendly and Industrial and Provident Societies Act 1968, the Housing (Scotland) Act 2001, the Registered Social Landlords Accounting Requirements (Scotland) Order 2007, the Charities and Trustee Investment (Scotland) Act 2005 and regulation 14 of the Charities Accounts (Scotland) Regulations 2006 (as amended).

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

We have nothing to report in respect of the following matters where the Charities Accounts (Scotland) Regulations 2006 (as amended) and the Friendly and Industrial and Provident Societies Act 1968 require us to report to you if, in our opinion:

- the information given in the Committee of Management's Annual Report is inconsistent in any material respect with the financial statements; or
- the Association has not kept proper books of account in accordance with Section 1(1)(a) of the Friendly and Industrial and Provident Societies Act 1968; or
- a satisfactory system of control over transactions has not been maintained in accordance with Section 1(1)(b) of the Friendly and Industrial and Provident Societies Act 1968 ; 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.

*PricewaterhouseCoopers LLP*

PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
Birmingham

Date: *27 SEPTEMBER 2012*

PricewaterhouseCoopers is eligible to act as an auditor in terms of section 1212 of the Companies Act 2006

Sanctuary Scotland Housing Association Limited

Income and Expenditure Account for the Year Ended 31 March 2012

	Notes	2012 £'000	2011 Restated £'000
Turnover	2	9,525	10,875
Cost of Sales	2	-	(2,193)
Operating costs	2	(5,004)	(5,533)
<b>Operating surplus</b>	2,4	<b>4,521</b>	<b>3,149</b>
Surplus on sale of fixed assets	4	88	60
Interest payable and similar charges	7	(3,993)	(2,690)
<b>Surplus for the year</b>	16	<b>616</b>	<b>519</b>

The above results relate wholly to continuing activities.

There are no material differences between the surplus for the years stated above and their historical cost equivalents.

The Association has no recognised surpluses and deficits other than those included in the Income and Expenditure Account above and therefore no separate Statement of Total Recognised Surpluses and Deficits has been presented.

Sanctuary Scotland Housing Association Limited


Balance Sheet as at 31 March 2012

	Notes	2012 £'000	2011 Restated £'000
<b>Fixed Assets</b>			
Properties – depreciated cost	8	223,593	208,776
Less: HAG and other public grants	8	(125,984)	(110,730)
		<u>97,609</u>	<u>98,046</u>
Other operating assets	9	628	159
Investments	10	-	-
Investments in subsidiaries	18	-	-
		<u>98,237</u>	<u>98,205</u>
<b>Current Assets</b>			
Debtors due within one year	11	3,748	1,868
Assets held for sale	12	1,494	1,031
Cash at bank and in hand		3,363	732
		<u>8,605</u>	<u>3,631</u>
<b>Creditors: Amounts falling due within one year</b>	13	(15,947)	(11,343)
<b>Net Current Liabilities</b>		<u>(7,342)</u>	<u>(7,712)</u>
<b>Total Assets Less Current Liabilities</b>		<b>90,895</b>	<b>90,493</b>
<b>Creditors: Amounts falling due after more than one year</b>	14	(86,651)	(86,865)
<b>Net Assets</b>		<u><b>4,244</b></u>	<u><b>3,628</b></u>
<b>Capital And Reserves</b>			
Share capital	15	-	-
Revenue reserve	16	4,244	3,628
<b>Total Funds</b>		<u><b>4,244</b></u>	<u><b>3,628</b></u>

Approved by the Committee of Management on 25 September 2012 and signed on its behalf by:



John Holcombe  
Chairperson



Jack Payne  
Vice-Chairperson



Craig Moule  
Secretary

The notes on pages 15 to 28 form part of these financial statements.

**Sanctuary Scotland Housing Association Limited**

**Cash Flow Statement for the Year Ended 31 March 2012**

	Notes	2012 £'000	2011 £'000
Net cash inflow from operating activities	18(a)	6,233	3,492
Servicing of finance and returns on investments	18(b)	(4,414)	(3,063)
Capital expenditure and financial investment	18(b)	(3,524)	(16,197)
		<u>(1,705)</u>	<u>(15,768)</u>
<b>Cash outflow before use of liquid resources and financing</b>		<b>(1,705)</b>	<b>(15,768)</b>
Financing	18(b)	4,336	15,568
<b>Increase/(decrease) in cash in the year</b>	18(c)	<u><b>2,631</b></u>	<u><b>(200)</b></u>

**Reconciliation of Net Cash Flow to Movement in Net Debt**

	Notes	2012 £'000	2011 £'000
<b>Increase/(decrease) in cash in the year</b>	18(c)	2,631	(200)
Cash inflow from increase in debt and lease financing	18(b)	<u>(4,336)</u>	<u>(15,568)</u>
<b>Change in net debt resulting from cash flows</b>	18(c)	<b>(1,705)</b>	<b>(15,768)</b>
Non-cash and fair value movements	18(c)	<u>94</u>	<u>918</u>
<b>Movement in net debt in the year</b>		<b>(1,611)</b>	<b>(14,850)</b>
<b>Net debt at start of year</b>	18(c)	<u><b>(92,117)</b></u>	<u><b>(77,267)</b></u>
<b>Net debt at end of year</b>	18(c)	<u><b>(93,728)</b></u>	<u><b>(92,117)</b></u>

## Notes to the Financial Statements for the Year Ended 31 March 2012

### 1. Principal Accounting Policies

#### Basis of accounting

The Association's financial statements have been prepared in accordance with applicable Financial Reporting Standards ('FRS') in the United Kingdom, the Friendly and Industrial and Provident Societies Act 1968 and the Statement of Recommended Practice for Registered Social Landlords issued in March 1999 and updated in 2005, 2008 and 2010 (the 'SORP'). The financial statements also comply with The Registered Social Landlords Accounting Requirements (Scotland) Order 2007, The Charities and Trustee Investment (Scotland) Act 2005, the Housing (Scotland) Act 2001 and the Charity Accounts (Scotland) Regulations 2006. A summary of the principal accounting policies is set out below.

The Association's financial statements have been prepared on both a going concern basis and the historical cost basis.

#### Changes in accounting policy

During the year, the Association has adopted the Statement of Recommended Practice: Accounting by Registered Social Landlords (Revised 2010). This impacts mainly the accounting treatment for business combinations and capital expenditure on housing properties.

A prior year adjustment has been recognised in respect of the change in accounting treatment of gains on business combinations resulting in a restatement of the Income and Expenditure Account and a reclassification between reserves for all historic negative goodwill brought forward.

SORP 2010 also provides further guidance on the application of component accounting. The Group has therefore revised its estimates of useful economic lives. For the Association there has been no change in accounting policy in this regard.

#### Consolidation and related party transactions

The Association is a wholly owned subsidiary of Sanctuary Housing Association and is included in the consolidated financial statements of the Group, which are publicly available. Consequently the Association has taken advantage of the exemption from preparing consolidated financial statements under the terms of FRS 2. The Association is also exempt under the terms of FRS 8 from disclosing related party transactions with entities that are part of the Group that are wholly owned.

#### Turnover

Turnover represents rental and service charge income receivable, net of void losses, income from developments for resale (including first tranche shared ownership sales) and management fees receivable (net of VAT). Turnover is recognised as it falls due, either daily, weekly or monthly.

Where the Association uses managing agents to run supported housing but overall control and risk of financial loss is retained, the income from the supported housing is included in turnover.

#### Value Added Tax (VAT)

The majority of the Association's turnover is exempt from VAT. However, certain activities are subject to VAT and give rise to a small amount of VAT recovery. Where appropriate, costs are stated including irrecoverable VAT.

#### Corporation tax

The Association is recognised by Her Majesty's Revenue and Customs as an exempt Scottish Registered Charity for tax purposes. The Association is therefore not liable to Corporation Tax on surpluses.



Notes to the Financial Statements for the Year Ended 31 March 2012 continued

1. Principal Accounting Policies continued

**Service charges**

Service charges are calculated annually with reference to associated costs incurred in the previous 12 month period. Tenants are consulted if there are to be any changes to the services provided. Service charges are variable, therefore any shortfall or overspend by the end of the year is recovered or refunded by adjustment to the following year's service charge. All other service charges are fixed, therefore there are no adjustments in the following period.

**Tangible fixed assets and depreciation**

Properties:

Housing properties comprise properties for rent, shared ownership, care homes and student accommodation. Housing properties are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. The cost of such properties includes the following:

- a) Cost of acquiring land and buildings;
- b) Construction costs including internal equipment and fitting;
- c) Directly attributable development administration costs;
- d) Cost of capital employed during the development period;
- e) Expenditure incurred in respect of improvements and extensions to existing properties; and
- f) Construction costs incurred but not yet certified at the Balance Sheet date.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Association and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised.

Expenditure on housing properties which is either capable of generating increased future rents, extends their useful life, or significantly reduces future maintenance costs, is capitalised. All other repairs and maintenance are charged to the Income and Expenditure Account during the financial year in which they are incurred.

Land is not depreciated. Depreciation on other assets is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

Structure	40 - 125 years
Door and door entry systems	10 - 40 years
Bathrooms	15 - 40 years
External works	15 - 20 years
Heating system	15 - 40 years
Kitchens	30 years
Lifts	10 years
Renewables	25 years
Roof covering	50 years
Windows	40 years
Electrical wiring	30 years

In accordance with the SORP, a review of the indicators of impairment is performed annually. When an indicator is identified, an impairment review is performed at an income generating unit level using an assessment of future discounted cash flows. Provisions are made to write down the carrying amount of assets where it is considered that properties have suffered diminution in value.

The acquisition and disposal of properties is accounted for on the date when completion takes place.

Notes to the Financial Statements for the Year Ended 31 March 2012 continued

**1. Principal Accounting Policies continued**

*Other operating assets*

Other operating assets are stated at cost less depreciation, which is charged on a straight line basis to write-off assets over their expected economic useful lives as follows:

Freehold land and buildings	10 - 40 years
Leasehold land and buildings	Over the period of the lease
Improvements to freehold properties	15 years
Furniture and equipment	4 - 10 years
Motor vehicles	4 - 5 years

*Transfers of fixed assets*

Transfers of fixed assets to or from other Group entities are made at net book value. For housing assets this is net of grants in relation to the transferred assets.

*Works to existing housing property*

Expenditure on housing properties which is either capable of generating increased future rents, extends their useful lives, or significantly reduces future maintenance costs, is capitalised. All other expenditure incurred in respect of general repairs to the Association's housing stock is charged to the Income and Expenditure Account in the year in which it is incurred.

**Capitalisation of interest and development administration costs**

Interest on the Association's borrowings to finance developments is capitalised in fixed asset properties under construction to the extent it accrues in respect of the period of development. The interest is either on borrowings specifically financing a scheme (after deduction of interest on Housing Association Grant received in advance) or the weighted average borrowing rate across net borrowings deemed to be financing a scheme. Where a scheme has Housing Association Grant in excess of costs, interest receivable is accrued against the balance.

Directly attributable development administration costs capitalised are the labour costs of the Association's own employees arising directly from the construction or acquisition of a property, and the incremental costs that would have been avoided only if the property had not been constructed or acquired.

**Agreements to improve existing properties**

Where the Association has entered into agreements to purchase property from a third party and subsequently enters into a sub-contracting agreement to carry out improvement works to the properties, the related assets and liabilities are shown at gross values unless the right of net settlement exists.

**Sales 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 in the Income and Expenditure Account.

## Notes to the Financial Statements for the Year Ended 31 March 2012 continued

### 1. Principal Accounting Policies continued

#### Shared Equity Housing

Properties developed under the Scottish Government's shared equity initiative are funded by grant and ultimate sales proceeds. The net investment in shared equity properties is shown on the face of the Balance Sheet as investments and carried at historical cost with the linked finance cost, being the grant received, deducted from the gross amount of the shared equity asset.

#### Housing Association Grant (HAG) and other public grant

Where developments have been financed wholly or partly by HAG and/or other public grant, the amount of grant received is offset against the cost of developments on the Balance Sheet. In instances where grant for the development programme exceeds development costs, an amount equal to the excess is held in creditors. Similarly if grant is receivable for the development programme in arrears the amount is accrued in debtors.

#### Capital grants

Where grants have been received to fund the purchase of fixed assets, other than properties, the grant is recognised within creditors. As the assets are depreciated the grant is released to the Income and Expenditure account to match the charge. At any point, the grants balance is equal to the net book value of related assets.

#### Financial Instruments

The Association categorises its financial assets and liabilities in accordance with Financial Reporting Standard 26 'Financial Instruments: Recognition and Measurement'.

##### *Financial assets*

Financial assets are defined as cash or any asset that is a contractual right to receive cash or another financial asset from another entity, or a contractual right to exchange financial instruments with another entity under conditions that are potentially favourable, or an equity instrument of another entity. There are two categories of financial assets held by the Association:

- Loans and receivables; and
- Available-for-sale financial assets.

Loans and receivables are assets with fixed or determinable payments that are not quoted on an active market, other than those that are categorised as financial assets at fair value through profit or loss or available-for-sale assets. These are initially recognised at fair value plus transaction costs. At each balance sheet date they are re-measured at amortised cost using the effective interest method. Examples of loans and receivables include tenant arrears, unlisted investments and sundry debtors.

Available-for-sale financial assets are assets that are available for sale. They are initially recognised at fair value plus transaction costs, which is effectively historical cost. At each balance sheet date they are re-measured at fair value and movements are recorded in revenue reserves and in the Income and Expenditure Account when the reserves are fully utilised. The Association considers listed investments to be available-for-sale assets.

**Notes to the Financial Statements for the Year Ended 31 March 2012 continued**

**1. Principal Accounting Policies continued**

*Financial liabilities*

Financial liabilities are defined as any liability that is a contractual obligation to deliver cash or another financial asset to another entity, or to exchange financial instruments with another entity under conditions that are potentially unfavourable. The only category of financial liability held by the Association is other financial liabilities. Other financial liabilities are all financial liabilities that are not initially measured at fair value and revalued at balance sheet dates, for instance debt finance.

**Provisions against tenant arrears**

The Association provides fully for former tenant arrears. Specific categories of current tenant debt and specific tenant balances are provided for where the likelihood of settlement in full or in part is unlikely.

**Provisions against sundry debtors**

The Association provides for specific categories of sundry debtor balances and specific sundry debtor balances where the likelihood of settlement in full or in part is unlikely.

**Financing costs**

Costs which are incurred directly in connection with the raising of private finance are deducted from the liability and amortised over the term of the loan on a consistent periodic rate of charge. Premiums or discounts on financial instruments are amortised using the effective interest rate basis or a straight line basis where it can be demonstrated that there is no material difference between the two methods.

**Impairment of current and unlisted investments**

Current and unlisted investments are stated at the lower of cost and net realisable value. The Association considers whether an impairment exists in this respect of all such balances at each Balance Sheet date and provides if appropriate.

Sanctuary Scotland Housing Association Limited

Notes to the Financial Statements for the Year Ended 31 March 2012 continued

2. Turnover, Cost of Sales, Operating Costs and Operating Surplus

	2012 Turnover	2012 Cost of Sales	2012 Operating costs	2012 Operating surplus	2011 Operating surplus Restated
	£'000	£'000	£'000	£'000	£'000
Social lettings	9,313	-	(4,838)	4,475	3,005
Other activities	212	-	(166)	46	144
<b>Total</b>	<b>9,525</b>	<b>-</b>	<b>(5,004)</b>	<b>4,521</b>	<b>3,149</b>
<b>Total for previous year (restated)</b>	<b>10,875</b>	<b>(2,193)</b>	<b>(5,533)</b>	<b>3,149</b>	

Development administration expenditure and other indirect costs capitalised during the year amounted to £522,090 (2011: £609,332).

3a. Income and Expenditure From Social Housing Lettings

	Rented Housing	Supported Housing	2012 Total	2011 Total Restated
	£'000	£'000	£'000	£'000
<b>Income from lettings</b>				
Rents receivable net of service charges	8,564	486	9,050	8,226
Service charges	120	174	294	258
<b>Gross Income from Rents and Service Charges</b>	<b>8,684</b>	<b>660</b>	<b>9,344</b>	<b>8,484</b>
Less voids	(9)	(22)	(31)	(11)
<b>Net Income from Rents and Service Charges</b>	<b>8,675</b>	<b>638</b>	<b>9,313</b>	<b>8,473</b>
<b>Expenditure on lettings</b>				
Management and maintenance administration costs	(2,046)	(125)	(2,171)	(2,816)
Services costs	(359)	(128)	(487)	(461)
Reactive maintenance	(589)	(70)	(659)	(681)
Planned and cyclical maintenance	(362)	(7)	(369)	(430)
Bad debt charges – rents and service charges	(22)	(2)	(24)	(25)
Depreciation of social housing	(1,055)	(73)	(1,128)	(1,055)
<b>Operating costs from social letting activities</b>	<b>(4,433)</b>	<b>(405)</b>	<b>(4,838)</b>	<b>(5,468)</b>
<b>Operating surplus from social letting activities</b>	<b>4,242</b>	<b>233</b>	<b>4,475</b>	<b>3,005</b>
<b>Operating surplus from social letting activities for previous year (restated)</b>	<b>2,573</b>	<b>432</b>	<b>3,005</b>	

The average weekly rent (including service charges eligible for housing benefit) charged during the year was £72.22 (2011: £69.13).

Notes to the Financial Statements for the Year Ended 31 March 2012 continued

**3b. Income and Expenditure from Other Activities**

	Other income	Cost of Sales	Other operating costs	Operating surplus
	£'000	£'000	£'000	£'000
Other	100	-	(54)	46
Supporting People contract income	76	-	(76)	-
Management services for Registered Providers	36	-	(36)	-
<b>Total from other activities</b>	<b>212</b>	<b>-</b>	<b>(166)</b>	<b>46</b>
Total from other activities for the previous year	<b>2,402</b>	<b>(2,193)</b>	<b>(65)</b>	<b>144</b>

In 2011, first tranche shared ownership sales were recognised within the year. No such sales have occurred in the 2012 financial year.

**4. Operating Surplus**

	2012 £'000	2011 £'000
The operating surplus is arrived at after charging:		
Depreciation of properties	1,128	1,055
Depreciation of operating assets	66	41
Auditors' remuneration – audit	8	15
Auditors' remuneration – non audit services	-	5

The net surplus on sale of fixed assets consists of £325,134 proceeds (2011: £2,302,078) less £237,172 cost (2011: £2,241,477).

**5. Committee of Management Members' Emoluments**

The Members' emoluments are borne by the ultimate parent undertaking, Sanctuary Housing Association.

The Members of the Committee of Management were reimbursed for expenses necessarily incurred in the conduct of their duties amounting to £3,610 (2011: £2,681).

**6. Employee Information**

There were no employees of the Association during the year (2011: none). The Association's management and administration is carried out under contract by its parent undertaking Sanctuary Housing Association.

Sanctuary Scotland Housing Association Limited

Notes to the Financial Statements for the Year Ended 31 March 2012 continued

**7. Interest Payable and Similar Charges**

	2012 £'000	2011 £'000
Bank loans, overdrafts and other loans:		
Repayable by instalments	10	85
Interest on loan from parent undertaking	4,389	3,095
Less: amounts transferred to housing properties in the course of construction	(406)	(490)
	<b>3,993</b>	<b>2,690</b>

**8. Fixed Assets – Properties**

	Rented Properties £'000	Under Construction £'000	Total £'000
<b>Cost</b>			
At 1 April 2011	157,651	57,031	214,682
Additions during year	1,024	20,375	21,399
Transfer on completion	48,455	(48,455)	-
Transfer to assets held for sale	(1,450)	(3,754)	(5,204)
Disposals	(318)	-	(318)
<b>At 31 March 2012</b>	<b>205,362</b>	<b>25,197</b>	<b>230,559</b>
<b>Depreciation</b>			
At 1 April 2011	5,906	-	5,906
Charge for year	1,088	-	1,088
Disposals	(28)	-	(28)
<b>At 31 March 2012</b>	<b>6,966</b>	<b>-</b>	<b>6,966</b>
<b>Depreciated Cost</b>	<b>198,396</b>	<b>25,197</b>	<b>223,593</b>
<b>Housing Association Grant</b>			
At 1 April 2011	74,075	36,655	110,730
Receivable during year	1,235	14,051	15,286
Transfer on completion	33,466	(33,466)	-
Disposals	(32)	-	(32)
<b>At 31 March 2012</b>	<b>108,744</b>	<b>17,240</b>	<b>125,984</b>
<b>Net Book Amount</b>			
<b>At 31 March 2012</b>	<b>89,652</b>	<b>7,957</b>	<b>97,609</b>
At 31 March 2011	77,670	20,376	98,046

There are no amounts for properties under construction for shared ownership (2011: £nil).

Of the total net book value of housing stock, £95,212,000 is freehold (2011: £98,046,000).

During the year £558,116 (2011: £846,870) was capitalised in respect of works to existing properties. A total of £993,578 (2011: £1,058,523) is recognised in the Income and Expenditure Account in respect of maintenance costs incurred on existing properties.

Sanctuary Scotland Housing Association Limited

Notes to the Financial Statements for the Year Ended 31 March 2012 continued

9. Fixed Assets – Other Operating Assets

	Freehold Land and buildings	Furniture and Equipment	Motor Vehicles	Total
	£'000	£'000	£'000	£'000
<b>Cost</b>				
At 1 April 2011	136	109	75	320
Additions during the year	502	17	25	544
Disposals	-	-	(40)	(40)
<b>At 31 March 2012</b>	<b>638</b>	<b>126</b>	<b>60</b>	<b>824</b>
<b>Depreciation</b>				
At 1 April 2011	35	83	43	161
Charge for year	40	12	14	66
Disposals	-	-	(31)	(31)
<b>At 31 March 2012</b>	<b>75</b>	<b>95</b>	<b>26</b>	<b>196</b>
<b>Net Book Amount</b>				
<b>At 31 March 2012</b>	<b>563</b>	<b>31</b>	<b>34</b>	<b>628</b>
At 31 March 2011	101	26	32	159

10. Investments

	2012 £'000	2011 £'000
Shared Equity		
- Investment	1,545	1,545
- Grant	(1,545)	(1,545)
	-	-

Properties developed under the Scottish Government's shared equity initiative are funded by grant and ultimate sales proceeds. The net investment in shared equity properties is carried at historical cost with the linked finance cost, being the grant received, deducted from the gross amount of the shared equity asset in line with the SORP for Registered Social Landlords 2010.



Sanctuary Scotland Housing Association Limited

Notes to the Financial Statements for the Year Ended 31 March 2012 continued

11. Debtors

	2012 £'000	2011 £'000
Current tenant rental debtors	436	445
Amounts due from group undertakings	11	772
Prepayments and other debtors	3,301	651
	<u>3,748</u>	<u>1,868</u>

Rental debtor balances are net of a provision of £57,445 (2011: £64,139). Amounts due from group undertakings do not bear interest.

12. Assets Held For Sale

	2012 £'000	2011 £'000
Shared Equity properties		
- Cost of properties	16,970	12,880
- Grant Received	(15,476)	(11,849)
	<u>1,494</u>	<u>1,031</u>

Shared Equity Housing is a scheme run by Sanctuary Scotland Housing Association Limited and funded through Government grants. The cost of the properties is shown in assets held for sale net of grants received in accordance with the SORP.

13. Creditors: Amounts Falling Due Within One Year

	2012 £'000	2011 £'000
Amounts due to parent undertaking	10,740	7,129
Amounts due to fellow subsidiaries	1,285	-
Trade creditors	87	242
Other creditors and accruals	3,835	3,972
	<u>15,947</u>	<u>11,343</u>

Of the amounts disclosed as due to the parent undertaking £283,993 (2011: £1,145,265) and due to subsidiaries of £846,310 (2011: £nil) is trading in nature. These amounts are non-interest bearing.

The remaining amount due to the parent undertaking relates to loans, of which £10,320,000 (2011: £5,870,000) is charged at a variable rate of 1.21% (2011: 1.13%) and £120,427 (2011: £113,821) is charged at a fixed rate of 5.69% (2011: 5.69%). Interest payable amounts to £15,714.

The remaining amount due to subsidiaries of £438,433 relates to interest payable on loans.

**Sanctuary Scotland Housing Association Limited**

**Notes to the Financial Statements for the Year Ended 31 March 2012 continued**

**14. Creditors: Amounts Falling Due After More Than One Year**

	2012 £'000	2011 £'000
Amounts due to parent undertaking	1,897	2,091
Amounts due to fellow subsidiary	74,869	75,000
Bank loans	9,885	9,774
	<u>86,651</u>	<u>86,865</u>

The amounts due to the parent undertaking are in relation to a loan, which is repayable over 15 and 32 years and which bears a fixed interest rate of 5.69%.

The amounts due to the fellow subsidiary are in relation to loans which bear fixed interest rates of between 4.88% and 6.70%.

The bank loans bear a fixed interest rate of 3.95% (2011: 3.95%).

The bank and intercompany loans fall due for payment as follows:

	2012 £'000
Due within one year	10,440
Due in more than one year but less than two years	410
Due in more than two years but less than five years	2,507
Due in more than five years	83,734
	<u>97,091</u>

The Association provided security on loans with charges on property for loans totalling £87,002,024 at the Balance Sheet date.

**15. Called Up Share Capital**

	2012 £	2011 £
Each Member holds one share of £1 in the Association		
Allotted, issued and fully paid		
At 1 April 2011	147	145
Issued during the year	6	2
Redeemed in the year	(131)	-
At 31 March 2012	<u>22</u>	<u>147</u>

Each share carries voting rights but not rights to dividends, distributions on winding up or rights of redemption.

Notes to the Financial Statements for the Year Ended 31 March 2012 continued

16. Reserves

	Revenue Reserve £'000	Negative Goodwill £'000	Total £'000
At 1 April 2011	1,697	1,931	3,628
Prior year adjustment	1,931	(1,931)	-
At 1 April 2011 restated	<u>3,628</u>	<u>-</u>	<u>3,628</u>
Surplus for year	616	-	616
At 31 March 2012	<u>4,244</u>	<u>-</u>	<u>4,244</u>

17. Capital Commitments

	2012 £'000	2011 £'000
Expenditure contracted	16,484	61,692
Authorised expenditure not contracted	19,348	-
	<u>35,832</u>	<u>61,692</u>

£13,501,000 (2011: £34,232,000) of the capital commitments will be financed by grant and other public finances with the remainder being financed from existing funds, largely from the parent undertaking or Sanctuary Treasury Limited.

18. Notes to the Cashflow Statement

a) Reconciliation of operating surplus to net cash inflow from operating activities

	2012 £'000	2011 £'000
Operating surplus	4,521	3,149
Surplus on first tranche sales	-	(68)
Depreciation on fixed assets (note 4)	1,194	1,096
Decrease/(increase) in debtors	672	(742)
(Decrease)/increase in creditors	(154)	57
<b>Net cash inflow from operating activities</b>	<u>6,233</u>	<u>3,492</u>

Sanctuary Scotland Housing Association Limited

Notes to the Financial Statements for the Year Ended 31 March 2012 continued

18. Notes to the Cashflow Statement continued

b) Detailed analysis of cash flows

	2012 £'000	2011 £'000
<b>Servicing of finance and returns on investments</b>		
Interest paid	(4,414)	(3,063)
	<u>(4,414)</u>	<u>(3,063)</u>
<b>Capital expenditure and financial investment</b>		
Acquisition and construction of housing properties	(21,082)	(31,168)
Purchase of other fixed assets and investments	(542)	(33)
Capital grants received	17,775	12,642
Sales of housing properties	306	2,362
Sales of other fixed assets	19	-
	<u>(3,524)</u>	<u>(16,197)</u>
<b>Financing</b>		
Loan advances received	14,850	67,900
Loan redemption payments	-	(3,694)
Loan principal repayments	(10,514)	(48,638)
<b>Net cash inflow from financing</b>	<u>4,336</u>	<u>15,568</u>

c) Analysis of net debt

	At 1 April 2011 £'000	Cash flows £'000	Non-cash changes £'000	At 31 March 2012 £'000
Cash at bank and in hand	732	2,631	-	3,363
Debt due less than one year	(5,984)	10,514	(14,970)	(10,440)
Debt due after more than one year	<u>(86,865)</u>	<u>(14,850)</u>	<u>15,064</u>	<u>(86,651)</u>
	<u>(92,117)</u>	<u>(1,705)</u>	<u>94</u>	<u>(93,728)</u>

**Notes to the Financial Statements for the Year Ended 31 March 2012 continued**

**19. Investments in Subsidiaries**

As at 1 April 2011 and 31 March 2012	£ <u>2</u>
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Access Apna Ghar Housing Association Limited is a wholly-owned subsidiary of the Association. The entity is non-trading.

**20. Ultimate Parent Undertaking and Controlling Party**

The ultimate parent undertaking and controlling party is Sanctuary Housing Association, registered in England as an Industrial and Provident Society (Number 19059R) and with the Homes and Communities Agency (Number L0247). A copy of the Group financial statements can be obtained from Sanctuary Housing Association, Chamber Court, Castle Street, Worcester WR1 3ZQ.

**21. Prior Year Adjustment**

The Association has adopted the Statement of Recommended Practice for Registered Social Landlords (Revised 2010) ('SORP 2010'). Certain aspects of this give rise to a change in accounting policy as described in note 1. Under SORP 2010, acquisitions of social housing businesses that are in substance the gift of one business to another, are treated as non-exchange transactions. The fair value of the gift of the recognised assets and liabilities is treated as a gain or loss in the Profit and Loss Account in the year in which the transaction occurs. In prior years, gains on business combinations were held on the balance sheet as negative goodwill within reserves and amortised. The prior year adjustment has decreased the profit for the year ended 31 March 2011 by £27,000 and increased revenue reserves by £1,931,000.