

# Accounts – 2010 – 302

(Sanctuary Housing Association Limited)

**SANCTUARY SCOTLAND HOUSING ASSOCIATION LIMITED**

**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 MARCH 2010**

<b>Scottish Registered Charity:</b>	<b>SC024549</b>
<b>The Scottish Housing Regulator:</b>	<b>HEP302</b>
<b>Financial Services Authority:</b>	<b>2508RS</b>

**SANCTUARY SCOTLAND HOUSING ASSOCIATION LIMITED**

**ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2010**

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**SANCTUARY SCOTLAND HOUSING ASSOCIATION LIMITED**

**SCOTTISH REGISTERED CHARITY NUMBER**

SC024549

**MEMBERS AND ADVISORS INFORMATION**

**Members of the Committee of Management**

Professor K Gibb (Chairman)  
Mr J Holcombe (Vice-Chairman)  
Mr I Blackwood (Appointed January 2010)  
Mr G Matthew  
Mrs M Miller  
Mrs E Noad  
Mr J Payne  
Mrs M Phee  
Mr D Robson (Resigned November 2009)  
Mrs F Black (Community Member)  
Mrs P Higgins (Community Member)  
Mrs S Moradi (Co-opted member, appointed May 2010)  
Mrs C Vine (Co-opted member, appointed May 2010)

**Corporate members**

Sanctuary Housing Association  
Spiral (Number 2) Housing Association Ltd

**Secretary**

Craig Moule

**Registered Office**

Sanctuary House  
7 Freeland Drive  
Glasgow  
G53 6PG

**Advisors**

Statutory Auditors: PricewaterhouseCoopers LLP  
Cornwall Court  
19 Cornwall Street  
Birmingham  
B3 2DT

Bankers: Bank of Scotland  
PO 17325  
Edinburgh  
EH11 1YH

Legal Advisors: TC Young  
7 West George Street  
Glasgow  
G2 1AB

## 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 2010.

#### Principal activity

Sanctuary Scotland Housing Association Limited (the "Association") was registered on 4<sup>th</sup> March 1996 under the Industrial and Provident Societies Act 1965 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 Industrial and Provident Societies Act 1965 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.
- 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	
	2010 £000	2009 £000	2010 £000	2009 £000
General needs	7,071	6,455	3,043	2,977
Sheltered & Supported Housing	600	540	245	55
Other Activities	194	203	76	-
<b>Totals</b>	<b>7,865</b>	<b>7,198</b>	<b>3,364</b>	<b>3,032</b>

## SANCTUARY SCOTLAND HOUSING ASSOCIATION LIMITED

### THE COMMITTEE OF MANAGEMENT'S REPORT cont'd

#### Review of business activities cont'd

The Executive Team 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, together with targets and results for the year, are as follows:

Indicator	Actual for Year 2010	Actual for Year 2009
Current tenant arrears as a % of gross annual rent	3.59%	3.95%
Void loss as a % of gross annual rent	0.30%	0.03%

#### Accommodation in management

	2010	2009
<b>Social housing accommodation:</b>		
General needs housing	2,250	2,059
Sheltered & supported housing accommodation	126	115
<b>Total units in management</b>	<b>2,376</b>	<b>2,174</b>

The Association had a further 1,192 (2009: 1,049) units on site and committed for development.

24 (2009: 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.

58 (2009: nil) 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, and improved performance in areas such as rent arrears. The outstanding level of rent arrears for current tenants at year end was 3.59% (2009: 3.95%) of the annual rental amount. While improvements were made in reducing the average time taken to re-let vacant properties, a significantly increased level of turnover compared to the previous year resulted in the amount of rent loss due to empty social rented houses increasing to £7,711 (2009: £5,231).

A survey of tenants was carried out during the year to establish their satisfaction with the services provided by the Association and key demographic information. The results of this survey were very positive and demonstrated improvement in levels of tenant satisfaction from previous similar surveys. The levels of satisfaction recorded for the Association's tenants were among the highest levels recorded throughout Sanctuary Group. Such surveys continue to be useful mechanisms to help us identify areas where we need to improve the way we respond to some issues raised by our tenants.

#### *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 very real difference to the quality of life in the estates and communities which the Association serves.

## **SANCTUARY SCOTLAND HOUSING ASSOCIATION LIMITED**

### **THE COMMITTEE OF MANAGEMENT'S REPORT cont'd**

#### **Accommodation in management cont'd**

##### *Community issues cont'd*

A new post of Welfare Rights Officer was added to the Association's establishment during the year and an appointment made to this post in 2009. The benefits of the advice and support being provided by this specialist officer are already being realised by a number of the Association's tenants.

Sanctuary Group has appointed a new Director of Community Investment and Involvement and the Association's staff will work closely with this Director over 2010/11 to identify and deliver projects which will be of benefit to the Association's tenants and communities.

Partnership working with the Association's main contractor and sub contractors at Anderston Phase 1 has resulted in 11 apprenticeship places being made available to support young people in pursuing careers in the construction industry.

##### *Property Maintenance*

The Association's experienced Property Services team has again successfully delivered a wide range of projects and services. Active management of the Association's contractors has again resulted in excellent levels of performance being achieved.

A pilot project to carry out external refurbishment works to a block of properties at Ardler which transferred to the Association under the stock transfer in 2001 was carried out during the year. As a result of this successful pilot, it is anticipated that similar works will be carried out to all remaining properties at Dalmahoy Drive which will both enhance their appearance and improve their thermal efficiency.

Given the age profile and condition of the Association's stock, only a very small number of properties require improvement to meet the requirements of the Scottish Housing Quality Standard and programmes are being put in place to ensure that necessary works are carried out to these properties well in advance of the 2015 deadline. The Association will review its progress towards compliance with the SHQS during 2010/11.

##### *Support Services*

The Sheltered Housing Support Service provided by the Association at its two sheltered housing developments in Dundee is regulated by the Scottish Commission for the Regulation of Care and receives funding under the Supporting People Programme from Dundee City Council. This funding has again been confirmed for 2010/11.

The service was inspected by the Scottish Committee for the Regulation of Care in February/March 2010. The inspection report which has been received is very positive, with grades of "Very Good" being awarded for all aspects of the service being provided. The report contains no specific recommendations or requirements for improvement of the service provided.

##### *Risk Management Policy*

The Association maintains a detailed Risk Matrix which is 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 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**

### **THE COMMITTEE OF MANAGEMENT'S REPORT cont'd**

#### **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 ten National Members on the Committee and two Community Members along with two co-opted members.

The Committee's process of self-appraisal and development, the outcome of which was considered by the Committee in April 2009, identified a need for additional financial skills and experience to be added to the skills/experience mix of Committee Members. As a result of this, a qualified chartered accountant, with extensive experience in financial and audit matters, was recruited to join the Committee. To make way for this new appointment, one long-standing Member of the Management Committee stood down. Two new potential Members of the Management Committee have been identified and have been co-opted to serve on the Committee with effect from April 2010, subject to parent undertaking consent.

Professor Kenneth Gibb was re-elected as Chairperson of the Association in August 2009 for his fourth year in office. John Holcombe was elected as Vice-Chairperson of the Association for the first time, also in August 2009.

Sanctuary Group has established a new treasury vehicle to manage the flow of private funding to the Group. To ensure continued access to private funding via the Group to support development activities, the Association will promote appropriate changes to its Rules during 2010/11. The opportunity will also be taken to update the Association's Rules to the latest version of the model Rules for charitable housing associations in Scotland.

#### **Statement of the Committee of Management's responsibilities**

The Industrial and Provident Societies Acts and Housing Association Law or Registered Provider (formerly Registered Social Landlord) require the Committee to prepare financial statements for each financial year which give a true and fair view of the state of the financial affairs of the Association and of the surplus or deficit of the Association for that period.

In preparing these financial statements, the Committee is required to:-

- Select appropriate accounting policies and apply them consistently;
- Make judgements and estimates, which 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 a going concern basis unless it is inappropriate to assume that the Association will continue in business.

The Committee is responsible for keeping adequate accounting records which disclose accurately the financial position of the Association and enable it to ensure that the financial statements comply with the Industrial and Provident Societies Acts 1965 to 2002, the Charities and Trustee Investment (Scotland) Act 2005 and Regulations 6 and 8 of the Charities Accounts (Scotland) Regulations 2006.. The Committee is responsible for ensuring the Association maintains adequate systems of internal control and for safeguarding the Association's assets and taking reasonable steps for the prevention and detection of fraud and other irregularities.



**THE COMMITTEE OF MANAGEMENT'S REPORT cont'd**

**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.

Key procedures are in place to provide internal control and there are clear lines of responsibility for the establishment 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;
- The safeguarding of assets against unauthorised use or disposition;
- Compliance with legislation and regulation.

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.
- The Sanctuary Group Audit Committee reviews reports from management, from the Group Head of Internal Audit 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. The Group Audit Committee make regular reports to the Group Board and relevant points are fed to the Committee of Sanctuary Scotland Housing Association Limited.

The Association follows formal procedures for ensuring appropriate actions are taken to correct weaknesses identified from the above reports.

The Group Audit Committee has also met the Group Head of Internal Audit 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 2010 and is not aware of any material changes at the date of signing of the financial statements.

**THE COMMITTEE OF MANAGEMENT'S REPORT cont'd**

**Future developments and corporate issues**

The Committee of Management's report for 2008/09 recorded a relatively low level of completions of new properties during that year. That report did, however, signal a significant number of new developments being commenced. This has now been reflected in a significant number of new homes being completed during 2009/10. Projects at Linwood in Renfrewshire, Anniesland and Priesthill in Glasgow, and Carbrain in Cumbernauld have seen a total of 233 new homes for affordable rent completed during the year. As well as addressing issues of housing quality in some areas – e.g. the major regeneration project at Linwood – these projects will make a significant contribution to meeting housing need in the communities in which they have been provided.

The Association also continued with projects to assist first-time buyers and others having difficulty accessing the private housing market at full values. With grant support from Glasgow City Council, 50 new build properties were acquired from private developers at the end of financial year 2008/09 and these have been successfully marketed under the New Supply Shared Equity initiative over the year. A further nine properties at Drumchapel in Glasgow were also acquired for marketing under this initiative during the year.

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 the year compared to previous years as a result of changes to the funding structure and criteria for this scheme.

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. It is anticipated that projects at Anniesland, Yorkhill and Priesthill in Glasgow will all see the completion of new homes during 2010/11, along with further completions at Linwood.

The Association will continue to review its strategy for development of new homes in light of issues such as the reducing overall level of public funding, increased pressure on grant rates and increased costs arising from new building regulations, energy requirements, etc.

After several years of negotiation with residents and other stakeholders, work on the major regeneration project at Anderston in Glasgow commenced during the year. A total of 104 new homes for rent and shared equity are now under construction at Anderson, along with a new local office for the Association. Work on planning and preparations for the second phase of the development at Anderston is now also well advanced.

The Association's subsidiary, Access Apna Ghar Housing Association Ltd, continued to receive support from both the Association and the parent undertaking to assist in its aim of securing registration as Scotland's first specialist housing association for people from black and minority ethnic communities. Progress on this issue has been slower than originally anticipated. The current financial climate, especially uncertainty over levels of future public funding for new developments, has prompted a review, both by Access Apna Ghar and the Association itself, as to the preferred future options for Access Apna Ghar. It is likely that decisions on the future priorities and direction of Access Apna Ghar will be made early in 2010/11.

Cumbernauld Housing Partnership joined Sanctuary Group in October 2009. It had originally been envisaged that Cumbernauld Housing Partnership might join the Group as a subsidiary of the Association, however it was finally agreed by all parties that Cumbernauld Housing Partnership should join the Group as a separate, parallel subsidiary to the Association. The Association therefore has no direct constitutional or governance links with Cumbernauld Housing Partnership, but it is envisaged that close working relationships will be established between the two organisations.

## SANCTUARY SCOTLAND HOUSING ASSOCIATION LIMITED

### THE COMMITTEE OF MANAGEMENT'S REPORT cont'd

#### Financial risk management

The Association's operations expose it to a variety of financial risks that include the effects of cashflow risk, liquidity risk, price 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 2010, 71% of the Association's debt was on fixed rate terms. 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, 41% (2009: 41%) 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.

#### Results

The financial affairs of the Association remained satisfactory and a surplus for the year was achieved of £734,862 (2009: £98,000 deficit).

The Association has £1,151,000 (2009: £416,000) of revenue reserves and support via £42,252,000 (2009 : £42,133,000) of loan funding from the Association's parent undertaking, Sanctuary Housing Association.

#### 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.

## SANCTUARY SCOTLAND HOUSING ASSOCIATION LIMITED

### THE COMMITTEE OF MANAGEMENT'S REPORT cont'd

#### Political and charitable donations

The Association made no donations to political or charitable organisations.

#### 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.

#### 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.

#### Disclosure of Information to Auditors

In the case of each of the persons who are Members of the Committee of Management of the Association at the date when this report was approved:

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

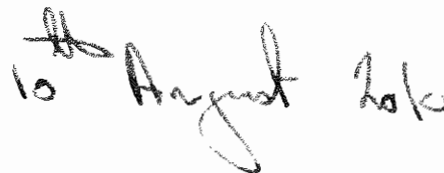
#### Auditors

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

Date:



Registered Office  
Sanctuary House  
7 Freeland Drive  
Glasgow  
G53 6PG

## **INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SANCTUARY SCOTLAND HOUSING ASSOCIATION LIMITED**

We have audited the financial statements of Sanctuary Scotland Housing Association Limited (the "Association") for the year ended 31 March 2010 which comprise the Income and Expenditure Account, the Balance Sheet and the related notes. These financial statements have been prepared under the accounting policies set out therein.

### **Respective responsibilities of the Committee of Management and auditors**

The Committee's responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of the Committee of Management's Responsibilities.

Our responsibility is to audit the financial statements in accordance with applicable law and regulatory requirements and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors. This report, including the opinion, has been prepared for and only for the members as a body in accordance with Section 9 (1) of the Friendly and Industrial and Provident Societies Act 1968 and for no other purpose. We do not, in giving this opinion, 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.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Industrial and Provident Societies Acts 1965 to 2002, the Housing (Scotland) Act 2001 and the Registered Social Landlords Accounting Requirements (Scotland) Order 2007 and the Charity Accounts (Scotland) Regulations 2006.

In addition we report to you if, in our opinion, a satisfactory system of control over transactions has not been maintained, if the Association has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding of the Committee of Management's remuneration and other transactions is not disclosed.

We read the Committee of Management's Report. We are not required to consider whether the Committee of Management's statement on internal control fairly represents the Association's system of internal control, or to form an opinion on the effectiveness of the Association's system of internal control. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

### **Basis of opinion**

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

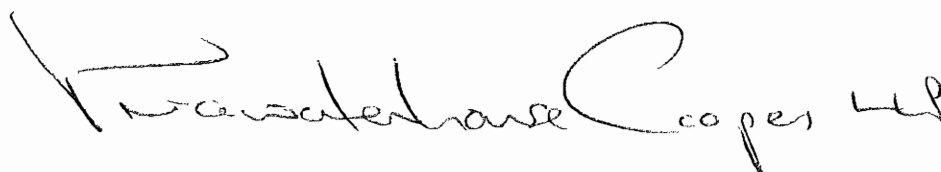
We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity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

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

**Opinion**

In our opinion the financial statements:

- give a true and fair view of the state of the Association's affairs as at 31 March 2010 and of its surplus for the year then ended;
- have been properly prepared in accordance 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 and the Registered Social Landlords Accounting Requirements (Scotland) Order 2007 and the Charity Accounts (Scotland) Regulations 2006.

A handwritten signature in black ink that reads "PricewaterhouseCoopers LLP". The signature is written in a cursive, flowing style.

PricewaterhouseCoopers LLP  
Chartered Accountants and Registered Auditors  
Birmingham

18 August 2010

## SANCTUARY SCOTLAND HOUSING ASSOCIATION LIMITED

### INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED 31 MARCH 2010

	Notes	2010 £'000	2009 £'000
Turnover	2	7,865	7,198
Operating costs	2	(4,501)	(4,166)
<b>Operating surplus</b>	2,4	<b>3,364</b>	<b>3,032</b>
Surplus on sale of fixed assets	9	-	74
Interest receivable and similar income	7	-	44
Interest payable and similar charges	8	(2,629)	(3,248)
<b>Surplus/(deficit) for the year</b>	17	<b>735</b>	<b>(98)</b>

The above results relate wholly to continuing activities.

The above surplus and deficit are the historical cost surplus and deficit.

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 2010**

	Notes	2010 £'000	2009 £'000
<b>FIXED ASSETS</b>			
Properties – depreciated cost	9	180,664	155,328
Less: HAG and other public grants	9	(98,699)	(78,575)
		<u>81,965</u>	<u>76,753</u>
Other operating assets	10	<u>165</u>	<u>186</u>
		<u>82,130</u>	<u>76,939</u>
<b>CURRENT ASSETS</b>			
Debtors due within one year	12	1,249	3,947
Assets held for sale	13	971	4,844
Cash at bank and in hand		-	231
Investments	11	-	50
Investments in subsidiaries	19	-	-
		<u>2,220</u>	<u>9,072</u>
<b>CREDITORS: Amounts falling due within one year</b>	14	<u>(35,582)</u>	<u>(37,810)</u>
<b>NET CURRENT LIABILITIES</b>		<u>(33,362)</u>	<u>(28,738)</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>48,768</b>	<b>48,201</b>
<b>CREDITORS: Amounts falling due after more than one year</b>	15	<u>(45,659)</u>	<u>(45,798)</u>
<b>NET ASSETS</b>		<u><b>3,109</b></u>	<u><b>2,403</b></u>
<b>CAPITAL AND RESERVES</b>			
Share capital	16	-	-
Negative Goodwill	17	1,958	1,987
Revenue reserve	17	1,151	416
		<u><b>3,109</b></u>	<u><b>2,403</b></u>

Approved by the Committee of Management on 10 August 2010 and signed on its behalf by:

*Kenneth B Gibb*

Professor K Gibb  
Chair

*J Holcombe*

Mr J Holcombe  
Vice Chair

*C Moule*  
Mr C Moule  
Secretary  
Date:

*10 Aug 2010*

The notes on pages 15 to 26 form part of these financial statements.



## **SANCTUARY SCOTLAND HOUSING ASSOCIATION LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2010**

#### **1. PRINCIPAL ACCOUNTING POLICIES**

##### **Basis of accounting**

The Association's financial statements have been prepared on the going concern basis in accordance with applicable Financial Reporting Standards ("FRS") in the United Kingdom and the Statement of Recommended Practice for Registered Social Landlords issued in March 1999 and updated in 2005 and 2008 (the "SORP"). The financial statements also comply with the Accounting Requirements for Registered Social Landlords Accounting Requirements (Scotland) 2007 (SSI 2007/165) and under the Charity Accounts (Scotland) Regulations 2006. A summary of the principal accounting policies is set out below.

##### **Consolidation, Cash Flow statement and related party transactions**

The Association is a wholly owned subsidiary of Sanctuary Housing Association and is included in the consolidated financial statements of Sanctuary Group, which are publicly available. Consequently the Association has taken advantage of the exemption from preparing consolidated accounts under the terms of FRS 2 and a Cash Flow statement under the terms of FRS 1 (Revised 1996). The Association is also exempt under the terms of FRS 8 from disclosing related party transactions with entities that are part of the Sanctuary Housing Association Group.

##### **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).

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.

##### **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.

##### **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. Homeownership 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.

## SANCTUARY SCOTLAND HOUSING ASSOCIATION LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2010 cont'd

#### 1. PRINCIPAL ACCOUNTING POLICIES cont'd

##### Tangible fixed assets and depreciation

###### Properties

Properties are stated at cost less accumulated depreciation. 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.

Freehold land is not depreciated. Depreciation is charged so as to write down the cost, net of Housing Association Grant (HAG), of freehold housing properties (including components therein), to their estimated residual value on a straight line basis over their expected useful economic lives of 70 years. Properties held on long term leases are depreciated over their useful economic lives or the life of the lease if shorter. On development expenditure depreciation is charged so as to write down the cost to their estimated residual value on a straight line basis over their expected useful economic lives of 15 years.

In accordance with the SORP, an impairment review is carried out annually for all assets with a remaining economic life greater than 50 years. Provisions are made to write down the carrying value of assets where it is considered that properties have suffered a diminution in value.

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

###### 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 offices and stores	10-40 years
Improvements to leasehold properties	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 Sanctuary 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.

## SANCTUARY SCOTLAND HOUSING ASSOCIATION LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2010 cont'd

#### 1. PRINCIPAL ACCOUNTING POLICIES cont'd

##### **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.

The rate at which interest is capitalised is either the interest rate accruing on the specific borrowing or weighted average borrowing rate across net borrowings deemed to be financing a Scheme.

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.

##### **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 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.

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2010**  
**cont'd**

**1. PRINCIPAL ACCOUNTING POLICIES cont'd**

**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: 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
- 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 of 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 accounts when the reserves are fully utilised. The Association considers listed investments to be available-for-sale assets.

**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 and trade creditors.

**Provisions against tenant arrears**

The Association provides fully from arrears due from former tenants. Specific current 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 sundry debtor balances where the likelihood of settlement in full or in part is unlikely.

## SANCTUARY SCOTLAND HOUSING ASSOCIATION LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2010 cont'd

#### 1. PRINCIPAL ACCOUNTING POLICIES cont'd

##### Negative Goodwill

Goodwill is calculated as the difference between the fair value of consideration and the fair value of net assets acquired. In accordance with the SORP, negative goodwill is held within capital and reserves and amortised evenly over the useful economic life of the housing stock acquired.

##### Fixed asset investments

Where investments in listed or unlisted securities are held as a condition of financing arrangements, with the result that the Association's ability to utilise these funds is restricted in the long term, the investments are treated as fixed assets. Investments are recorded at valuation in the Balance Sheet and any upwards revaluations are reported in the revaluation reserve, and credited to the revaluation reserve. Subsequent diminutions in value are recognised in the Statement of Total Recognised Surpluses and Deficits until the revaluation reserve in respect of that asset no longer exists. Further diminutions in value or impairments of fixed asset investments are recognised in the Income and Expenditure account.

##### 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 accordingly.

#### 2. TURNOVER, OPERATING COSTS AND OPERATING SURPLUS

	2010 Turnover £'000	2010 Operating costs £'000	2010 Operating Surplus £'000	2009 Operating surplus £'000
<b>SOCIAL HOUSING ACTIVITIES</b>				
Lettings	7,671	(4,383)	3,288	3,032
Other	194	(118)	76	-
<b>Surplus for the year</b>	<b>7,865</b>	<b>(4,501)</b>	<b>3,364</b>	<b>3,032</b>

Development administration expenditure and other indirect costs capitalised during the year amounted to £330,496 (2009: £272,513).

SANCTUARY SCOTLAND HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2010 cont'd

3a. INCOME AND EXPENDITURE FROM SOCIAL HOUSING LETTINGS

	Rented housing	Supported housing	2010 Total	2009 Total
	£'000	£'000	£'000	£'000
<b>Income from lettings</b>				
Rents	6,966	367	7,333	6,763
Service charges	113	248	361	251
<b>Gross rental income</b>	<b>7,079</b>	<b>615</b>	<b>7,694</b>	<b>7,014</b>
Voids	(8)	(15)	(23)	(19)
<b>Turnover from social housing lettings</b>	<b>7,071</b>	<b>600</b>	<b>7,671</b>	<b>6,995</b>
<b>Expenditure on lettings</b>				
Management	(1,933)	-	(1,933)	(1,647)
Services	(261)	(217)	(478)	(422)
Reactive maintenance	(526)	(82)	(608)	(633)
Planned and cyclical maintenance	(325)	(37)	(362)	(325)
Bad debt charges	(43)	(1)	(44)	(44)
Depreciation of properties	(940)	(18)	(958)	(892)
<b>Operating costs from social housing lettings</b>	<b>(4,028)</b>	<b>(355)</b>	<b>(4,383)</b>	<b>(3,963)</b>
<b>Operating surplus from social housing lettings</b>	<b>3,043</b>	<b>245</b>	<b>3,288</b>	<b>3,032</b>

3b. INCOME AND EXPENDITURE FROM OTHER ACTIVITIES

	Supporting people income	Other income	Total turnover	Other operating costs	Operating surplus/ (deficit)
	£'000	£'000	£'000	£'000	£'000
Wider role activities	-	109	109	(15)	94
Support activities	76	-	76	(76)	-
Management services for other social landlords	-	9	9	(27)	(18)
<b>Total from other activities</b>	<b>76</b>	<b>118</b>	<b>194</b>	<b>(118)</b>	<b>76</b>
Total from other activities for the previous year	64	139	203	(203)	-

# SANCTUARY SCOTLAND HOUSING ASSOCIATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2010 cont'd

### 4. OPERATING SURPLUS

	2010 £'000	2009 £'000
The operating surplus is arrived at after charging / (crediting)		
Depreciation on owned assets	993	925
Auditors' remuneration – audit	12	11
Amortisation of negative goodwill	(29)	(28)

There were no non-audit services during the year.

No assets were sold during the current year (2009: proceeds £269,000, cost £195,000).

### 5. COMMITTEE OF MANAGEMENT MEMBERS' EMOLUMENTS

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

The Committee of Management were reimbursed for expenses necessarily incurred in the conduct of their duties amounting to £1,100 (2009: £4,895).

### 6. EMPLOYEE INFORMATION

There were no employees of the Association during the year. The Association's management and administration is carried out under contract by its parent undertaking Sanctuary Housing Association.

### 7. INTEREST RECEIVABLE AND SIMILAR INCOME

	2010 £'000	2009 £'000
Other Interest	-	44
	<u>-</u>	<u>44</u>

### 8. INTEREST PAYABLE AND SIMILAR CHARGES

	2010 £'000	2009 £'000
Bank loans, overdrafts and other loans:		
Repayable by instalments	93	249
Interest on loan from parent undertaking	2,866	3,324
Less: amounts transferred to housing properties in the course of construction	(330)	(325)
	<u>2,629</u>	<u>3,248</u>

**SANCTUARY SCOTLAND HOUSING ASSOCIATION LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2010 cont'd**

**9. FIXED ASSETS – PROPERTIES**

	Rented Properties £'000	Under Construction £'000	Total £'000
<b>COST</b>			
At 1 April 2009	129,716	29,527	159,243
Additions during year	1,635	24,775	26,410
Transfer on completion	16,613	(16,613)	-
Disposals	(129)	-	(129)
<b>At 31 March 2010</b>	<b>147,835</b>	<b>37,689</b>	<b>185,524</b>
<b>DEPRECIATION</b>			
At 1 April 2009	3,915	-	3,915
Charge for year	958	-	958
Disposals	(13)	-	(13)
<b>At 31 March 2010</b>	<b>4,860</b>	<b>-</b>	<b>4,860</b>
<b>DEPRECIATED COST</b>	<b>142,975</b>	<b>37,689</b>	<b>180,664</b>
<b>SOCIAL HOUSING GRANT</b>			
At 1 April 2009	59,575	19,000	78,575
Receivable during year	4,166	16,035	20,201
Transfers at completion	6,204	(6,204)	-
Disposals	(77)	-	(77)
<b>At 31 March 2010</b>	<b>69,868</b>	<b>28,831</b>	<b>98,699</b>
<b>NET BOOK AMOUNT</b>			
<b>At 31 March 2010</b>	<b>73,107</b>	<b>8,858</b>	<b>81,965</b>
At 31 March 2009	66,226	10,527	76,753

There are no amounts for properties under construction for shared ownership (2009: £nil).

Of the total net book value of housing stock, £81,965k is freehold (2009: £76,753k).

During the year £700,000 was capitalised in respect of works to existing properties. A total of £968,000 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 2010 cont'd**

**10. 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 2009	131	71	25	227
Additions during the year	5	21	-	26
Disposals	-	(3)	-	(3)
Group transfers in	-	40	10	50
Group transfers out	-	(28)	-	(28)
<b>At 31 March 2010</b>	<b>136</b>	<b>101</b>	<b>35</b>	<b>272</b>
<b>DEPRECIATION</b>				
At 1 April 2009	8	30	3	41
Charge for year	13	15	7	35
Disposals	-	(3)	-	(3)
Group transfers in	-	34	7	41
Group transfers out	-	(7)	-	(7)
<b>At 31 March 2010</b>	<b>21</b>	<b>69</b>	<b>17</b>	<b>107</b>
<b>NET BOOK AMOUNT</b>				
<b>At 31 March 2010</b>	<b>115</b>	<b>32</b>	<b>18</b>	<b>165</b>
At 31 March 2009	123	41	22	186

**11. INVESTMENTS**

	2010 £'000	2009 £'000
Cash Investment	-	50
Shared Equity		
- Investment	1,545	1,545
- Grant	(1,545)	(1,545)
	<u>-</u>	<u>50</u>

The investment in cash was held to encourage tenants to participate in a savings scheme. The deposit made by the Association allowed tenants to receive improved rates from the building society involved. This scheme became redundant in 2010 due to Dunfermline Building Society being taken over and the scheme no longer being available.

**SANCTUARY SCOTLAND HOUSING ASSOCIATION LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2010 cont'd**

**12. DEBTORS**

	2010 £'000	2009 £'000
Current tenant rental debtors	395	301
Amounts due from group companies	261	-
Prepayments and other debtors	593	3,646
	<u>1,249</u>	<u>3,947</u>

Rental debtor balances are net of a provision of £91,041 (2009: £90,973). Amounts due from subsidiary undertakings do not bear interest.

**13. ASSETS HELD FOR SALE**

	2010 £'000	2009 £'000
Shared Equity properties		
- Cost of properties	12,040	16,501
- Grant Received	<u>(11,069)</u>	<u>(11,657)</u>
	<u>971</u>	<u>4,844</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 Statement of Recommended Practice 2008.

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

	2010 £'000	2009 £'000
Deferred finance, bank loans and overdrafts	141	163
Amounts due to parent undertaking	31,975	32,253
Trade creditors	111	341
Other taxation and social security payable	-	6
Other creditors and accruals	<u>3,355</u>	<u>5,047</u>
	<u>35,582</u>	<u>37,810</u>

The bank loans currently bear interest rates of between 1.54% and 4.96%.

The loan due to parent undertaking currently bears interest rates of between 1.05% and 1.7% (variable) and 5.35% (fixed).

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

	2010 £'000	2009 £'000
Loan from parent undertaking	42,138	42,133
Bank loans	3,521	3,665
	<u>45,659</u>	<u>45,798</u>

The loan from the parent undertaking is repayable over 15 and 32 years bearing interest of between 4.20% and 5.69%.

The long term bank loans currently bear interest rates of between 1.54% and 4.96%.

**SANCTUARY SCOTLAND HOUSING ASSOCIATION LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2010 (cont'd)**

**15. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR (cont'd)**

The bank and inter company loans fall due for payment as follows:

	2010 £'000
Due within one year	32,116
Due in more than one year but less than two years	-
Due in more than two years but less than five years	-
Due in more than five years	45,659
	<u>77,775</u>

The Association provided security on loans with charges on property for loans totalling £6,040,000 million at the Balance Sheet date.

**16. CALLED UP SHARE CAPITAL**

	2010 £	2009 £
Each Member holds one share of £1 in the Association		
Allotted, issued and fully paid		
At 1 April 2009	145	12
Issued during the year	1	133
Redeemed in the year	(1)	-
At 31 March 2010	<u>145</u>	<u>145</u>

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

**17. RESERVES**

	Revenue Reserve £'000	Negative Goodwill £'000	Total £'000
At 1 April 2009	416	1,987	2,403
Surplus for year	735	-	735
Amortisation of goodwill	-	(29)	(29)
At 31 March 2010	<u>1,151</u>	<u>1,958</u>	<u>3,109</u>

**18. CAPITAL COMMITMENTS**

	2010 £'000	2009 £'000
Expenditure contracted	61,094	68,694
Authorised expenditure not contracted	-	27,896
	<u>61,094</u>	<u>96,590</u>

£35,381,000 (2009: £60,462,000) 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.

## SANCTUARY SCOTLAND HOUSING ASSOCIATION LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2010 (cont'd)

#### 19. INVESTMENTS IN SUBSIDIARIES

As at 1 April 2009 and 31 March 2010

£  
2

Access Apna Ghar Housing Association Limited ("AAGHA") is a wholly-owned subsidiary of the Association. The entity is dormant.

#### 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 Tenant Services Authority (Number L0247). A copy of the Group financial statements can be obtained from Sanctuary Housing Association, Chamber Court, Castle Street, Worcester WR1 3ZQ.