

SHETTLESTON HOUSING ASSOCIATION LIMITED

Report and Financial Statements

For the year ended 31 March 2012

SHETTLESTON HOUSING ASSOCIATION LIMITED

Report and Financial Statements For the year ended 31 March 2012

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Registration information

Financial Services Authority	Industrial and Provident Societies Act 1965 Registered number SP1884RS
The Scottish Housing Regulator	Housing (Scotland) Act 2001 Registered number 183
Scottish Charity Number	SC 036687

**Report and Financial Statements
For the year ended 31 March 2012**

Members, Executives and Advisers

Management Committee

Mary Thomas	(Chairperson)
Annie McAllister	(Vice-Chairperson)
John Hastie	(Secretary)
Betty Finnen	
Nan Sangster	
Gillian Johnston	
Jemima Pryce	
Christina Brown	(Resigned June 2012)
Lesley Scoffield	
James Tominey	
Tom McDonald	
Alex McWhinnie	
Morag Allan	
Mary Hain	
Frank Quinn	(Resigned April 2011)

Executive Officers

Chris Cunningham	(Director)
Jim Hempsey	(Finance Manager)
June Macfarlane	(Housing Manager)
Margaret Paton	(Performance and Development Manager)
Jannette Rawls	(Corporate Services Manager)
Joe Whitley	(Maintenance Manager)

Registered Office

Helen McGregor House
65 Pettigrew Street
Glasgow
G32 7XR

Auditors

Scott-Moncrieff
Chartered Accountants
25 Bothwell Street
Glasgow
G2 6NL

Bankers

Royal Bank of Scotland plc
1304 Duke Street
Glasgow
G31 5PZ

Solicitors

T C Young LLP
7 West George St
Glasgow
G2 1BA

Brodies LLP
2 Blythswood Square
Glasgow
G2 4AD

Tods Murray LLP
33 Bothwell Street
Glasgow
G2 6NL

**Report of the Management Committee
For the year ended 31 March 2012**

The Management Committee presents its report and audited financial statements for the year ended 31st March 2012.

Principal activity

The principal activity of the Association is the provision of rented accommodation.

Review of Business and Future Developments

At the commencement of the 2011/12 financial year the Association (SHA) adopted the following strategic objectives for the forthcoming and subsequent two years:

1. To improve the Association's service delivery and investigate the expansion and diversification of services following customer feedback.
2. To expand the housing stock of the Association through the transfer and development of houses.
3. To ensure the growth of the organisation is properly and adequately funded through robust financial planning.
4. To maintain all stock to a good standard through a sustainable programme of planned repairs and maintenance.
5. To achieve effective tenant involvement in the Association and engage fully with the community in all activities most especially the regeneration of the area.
6. To develop staff and committee as a fundamental resource to the organisation.
7. To work to achieve the housing standard for all stock.
8. To support the operation of existing Wider Action initiatives and encourage the investigation and development of new initiatives.
9. To continuously review the performance of the organisation, the risks of all activities, the organisational structure and context and ensure that all statutory requirements are met timeously and in full.

Operational Objectives to fit with these Strategic Objectives were also agreed and were reported on to the Committee each quarter.

In considering the progress made against these objectives, the following key achievements for the year can be noted:

- The completion of the 36 unit amenity housing development at Balintore Street.
- The completion of Springboig Phase 5 upgrading using an insulated render system on 30 houses in SHA ownership and a further estimated 72 owner occupied properties at a cost of £2m.
- A site start on Springboig Phase 6 for up to 138 properties.
- The acquisition of Carntyne Old Parish Church on the corner of Wellshot/ Shettleston Road for a proposed development of 18 units for elderly clients.

**Report of the Management Committee
For the year ended 31 March 2012**

Review of business and future developments (cont'd)

- Completion of the North Shettleston kitchen and bathroom replacement scheme covering 150 houses and investing £1m.
- A site start on South Greenfield upgrading of roofs, insulated render and backcourts for over 200 properties.
- Completion of the Steel Estate windows and doors projects covering 200 houses and investing almost £1m.
- Completion of the 'Eurobin' scheme to improve backcourts and recycling arrangements in the area of the Fernan St/Darleith St inter war tenements.
- Completion of mullion repairs on Old Shettleston Road.
- Facing climate challenge issues by carrying out pilot projects to assess the insulation requirements in the Steel estate.
- Successful achievement of the Investors in People Gold standard following the re-assessment in January 2012.
- East End Development Company Limited, the Association's private rent subsidiary, acquired one property for market rent.
- Upkeep Shettleston Community Enterprises Limited, the Association's other subsidiary, continued to expand its core staff and developed its management team and structures. Its services have grown and it now operates for a number of other Housing Associations and private sector organisations.
- The Shettleston Community Growing Project (the allotment project) had its first very successful growing season with support from the Climate Challenge fund of £172,000. The allotments, run and managed by a committee of local people, transformed a redundant piece of ground into a community asset within 12 months. The project was formally opened in March 2011 and has over 30 users and a dedicated volunteer network.
- Additional funding was secured for a second phase of the allotment project, which was complete by 1st April 2012, providing additional growing space for an increasing number of volunteers.
- Upkeep's Furniture Project formally opened its first shop on Shettleston Road in September 2010 and the income from this has exceeded its Business Plan expectations. A second shop was opened in Easterhouse in August 2011 and a further location is under review.
- The Association invested in improvements to the Fuse premises, and has sought to support the youth project where appropriate. Continued liaison with the project, through SHA's Wider Role Officer and Shettleston Community Growing Project, indicates that Fuse services and its client base are increasing and developing.
- Performance on routine and urgent repair categories exceeded all the annual KPI targets during 2011/12.
- The receipt of the award, Large Housing Association of the Year, from the Scottish Home Awards 2011.
- The introduction of a Customer Care Charter in January 2012 which sets out, in detail, the standards that can be expected by tenants.

**Report of the Management Committee
For the year ended 31 March 2012**

Review of business and future developments (cont'd)

- The introduction of Facebook and Twitter sites to reach a wider range of service users in December 2011.
- The SHAPS Pension arrangements were reviewed by the Association, in consultation with staff. Following this review, it was agreed that the Association would maintain contributions to the scheme at current levels, and await the formal review by SHAPS in 2012. An option of lower cost contribution arrangements for staff was also agreed to be available from April 2012.
- Void property turnaround times averaged 15 days, well below the annual KPI target of 20 days. Performance has improved significantly since March 2006 when it was an average of 50 days, as reported in the APSR. In fact, the improvement has been consistently maintained since October 2005.
- All financial targets and covenant requirements were met or improved on during 2011/12.
- Current Tenant rent arrears, at 3.41%, was below the target of 4.50%. This result reflects an intensive campaign of arrears control over the past two years.
- The numbers and attendance on the Management Committee remained positive throughout 2011.

In addition to these main achievements, the Association carried out standard functions to ensure that;

- All Statutory compliance requirements were met on time.
- Financial Management was robust and audited.
- Revision and review of key policies was implemented.
- Sound and consistent governance by the governing body.

Although SHA met the majority of its targets for 2011/12 and fulfilled its actions, there were a number of areas where work was either not completed within target timescales or performance was below target. The main areas where there has been a lack of attainment were:

- Gas safety checks were not completed 100% within timescales throughout 2011/12. However the position has improved following the introduction of a new reporting procedure.
- The revision and updating of a number of policies was not complete.
- The detailed review of procedures continues to progress, covering all the functions of the Association, but has not been finalised.
- Although void turnaround times were below the target limit some of the actual repair times fell below the target timescales.
- Performance in meeting the 12 hour emergency repair timescale was not met.
- Performance in meeting the target of lets to Homeless referrals was not met.

Proposals to address all these outstanding issues are included in the actions for the current year.

**Report of the Management Committee
For the year ended 31 March 2012**Review of business and future developments (cont'd)

The AGM was held in September 2011 and 5 members, having retired by rotation, offered themselves for re-election and were duly re-elected for a further term. The staff team have remained fairly constant throughout the year.

Internal Financial Controls

The Committee is responsible for the Association's system of internal financial control and has reviewed its effectiveness from information provided by management staff and from regular reports from the Association's internal auditors.

Any system can only provide reasonable and not absolute assurance against material misstatement or loss.

The financial control system within the Association is fundamentally simple and appropriate to the size and complexity of the organisation. It includes a combination of regular review of financial results compared with an agreed budget, authorisation of all expenditure by senior staff and Committee and an internal audit programme based on a previously carried out audit needs assessment.

Related Party Transactions

Some members of the Management Committee are tenants. Their tenancies are on the Association's normal tenancy terms and they cannot use their positions to their advantage.

Component accounting

In accordance with the Statement of Recommended Practice (SORP) – Accounting by registered social housing providers, 2010, the Association has implemented component accounting for the first time this year. In prior years, replaced components had been capitalised due to their economic benefit, in line with the provisions of the previous SORP. Thus there is no prior year adjustment this year. The introduction of component accounting ensures the major components of the Association's housing stock are identified and depreciated over their estimated economic life. The cost of any subsequent replacement of a major component will be capitalised in the balance sheet with the item replaced being disposed of from the balance sheet. This enables the financial statements to better reflect the use of the component over its life cycle.

Auditors

A resolution to reappoint Scott-Moncrieff, Chartered Accountants, as auditors will be brought to the members at the Annual General Meeting.

By order of the Committee

John Hastie
Secretary

Dated: 3RD JULY 2012

Statement of the Management Committee's responsibilities

Housing Association legislation requires the management 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 income and expenditure of the Association for the year ended on that date. In preparing those financial statements the committee are 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 a going concern basis unless it is inappropriate to presume that the Association will continue in business.

The management committee is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Association.

The management 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.

Report of the Auditors to the members of Shettleston Housing Association Limited

We have audited the financial statements of Shettleston Housing Association Limited for the year ended 31 March 2012 which comprise the Income and Expenditure account, Statement of total recognised gains and losses, Balance Sheet, Cash Flow Statement and related notes. The financial reporting framework that has been applied is applicable law, United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) and the Statement of Recommended Practice - Accounting by registered social housing providers issued in 2010.

This report is made solely to the Association's members as a body, in accordance with Section 9 of the Friendly and Industrial and Provident Societies Act 1968. Our audit work has been undertaken so that we might state to the Association's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Association and the Association's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective Responsibilities of Management Committee and Auditors

As explained more fully in the Management Committee Responsibilities statement set out on page 6, the committee members are responsible for the preparation of the financial statements which give a true and fair view.

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

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 Management Committee; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Report of the Management Committee 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 of its income and expenditure for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice and the Statement of Recommended Practice - Accounting by registered social housing providers issued in 2010;
- have been properly prepared in accordance with the Industrial and Provident Societies Acts, 1965 to 2002, Part 6 of the Housing (Scotland) Act 2010 and the Registered Social Landlords Accounting Requirements (Scotland) Order 2007.

Report of the Auditors to the members of Shettleston Housing Association Limited (cont'd)

Matters on which we are required to report by exception

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

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

Scott - Moncrieff

Scott- Moncrieff
Chartered Accountants
Statutory Auditor
25 Bothwell Street
Glasgow
G2 6NL

Dated: *3 July 2012*

**Report of the Auditors to the Management Committee of
Shettleston Housing Association Limited on Corporate Governance Matters**

In addition to our audit of the Financial Statements, we have reviewed your Statement on page 5 concerning the Association's compliance with the paragraphs of the Internal Financial Control section within the SFHA's publication "Raising Standards in Housing". The objective of our review is to draw attention to non-compliance with those paragraphs of the Code, if not otherwise disclosed.

Basis of Opinion

We carried out our review having regard to Bulletin 2009/4 issued by the Auditing Practices Board. The Bulletin does not require us to perform the additional work necessary to, and we do not, express any opinion on the effectiveness of either the Association's system of internal financial control or its corporate governance procedures.

Opinion

In our opinion, your statement on internal financial control on page 5 has provided the disclosures required by the Internal Financial Control section within the SFHA's publication "Raising Standards in Housing" and is not inconsistent with the information which came to our attention as a result of our audit work on the Financial Statements.



Scott-Moncrieff
Chartered Accountants
Statutory Auditor
25 Bothwell Street
Glasgow
G2 6NL

Dated: 3 July 2013

Income and Expenditure Account
For the year ended 31 March 2012

	Notes	2012 £	2011 £
Turnover	2	6,890,196	6,697,624
Operating costs	2	(5,773,346)	(5,257,474)
Operating surplus	2	1,116,850	1,440,150
Gain on disposal of fixed assets		156,969	192,754
Interest receivable and other income	5	25,072	23,559
Interest payable and similar charges	6	(579,951)	(443,984)
Gift aid	23	-	30,000
Surplus on ordinary activities before taxation		718,940	1,242,479
Tax on surplus on ordinary activities	24	-	-
Surplus for the year		<u>718,940</u>	<u>1,242,479</u>

The results for the year relate wholly to continuing activities.

The notes form part of these financial statements

**Statement of Total Recognised Gains and Losses
For the year ended 31 March 2012**

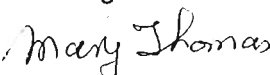
	2012 £	2011 £
Retained surplus for the year	718,940	1,242,479
Actuarial (loss)/gain recognised in the retirement benefit scheme (Note 19)	<u>(100,000)</u>	<u>88,000</u>
Total recognised gains and losses relating to the year	<u><u>618,940</u></u>	<u><u>1,330,479</u></u>

The notes form part of these financial statements

Balance Sheet
As at 31 March 2012

	Notes	2012 £	2011 £
Tangible fixed assets			
Housing properties – cost less depreciation	9	73,435,219	66,716,496
Less SHG and other grants	9	(47,613,044)	(45,806,218)
		<u>25,822,175</u>	<u>20,910,278</u>
Other fixed assets	9	3,269,468	3,407,564
		<u>29,091,643</u>	<u>24,317,842</u>
Investments			
Investments in subsidiaries	10	2	2
Retirement benefit scheme asset			
	19	-	53,000
Current assets			
Debtors	11	878,578	966,549
Cash at bank and in hand		1,290,196	2,008,938
		<u>2,168,774</u>	<u>2,975,487</u>
Creditors: amounts falling due within one year	12	(1,159,329)	(1,488,183)
Net current assets		<u>1,009,445</u>	<u>1,487,304</u>
Total assets less current liabilities		<u>30,101,090</u>	<u>25,858,148</u>
Creditors: amounts falling due after more than one year	13	(17,100,000)	(13,500,000)
Retirement benefit scheme liability	19	(24,000)	-
Net assets		<u>12,977,090</u>	<u>12,358,148</u>
Capital and reserves			
Share capital	14	295	309
Designated reserves	7	6,886,760	6,947,359
Revenue reserve	8	6,113,552	5,357,013
Pension reserve	8	(24,000)	53,000
Capital redemption reserve		483	467
		<u>12,977,090</u>	<u>12,358,148</u>

The financial statements on pages 10 to 35 were authorised for issue by the Management Committee on 3/7/2012 and were signed on its behalf by:

Mary Thomas  Chairperson

Annie McAllister  Vice-Chairperson

John Hastie  Secretary

The notes form part of these financial statements

Cash Flow Statement
For the year ended 31 March 2012

	Notes	2012 £	2011 £
Net cash inflow from operating activities	1	1,852,443	2,653,497
Returns on investments and servicing of finance	2	(567,879)	(427,425)
Taxation		-	-
Capital expenditure	2	(5,603,308)	(2,715,832)
		<u>(4,318,744)</u>	<u>(489,760)</u>
Financing	2	3,600,002	30,007
Decrease in cash	4	<u>(718,742)</u>	<u>(459,753)</u>

The notes form part of these financial statements

**Notes to the Cash Flow Statement
For the year ended 31 March 2012**

1) Reconciliation of Surplus for year to Net Cash Inflow from Operating Activities

	2012	2011
	£	£
Operating surplus	1,116,850	1,440,150
Depreciation	986,476	873,444
Decrease/(increase) in debtors	87,971	(77,950)
(Decrease)/increase in creditors	(328,854)	475,853
Non cash FRS 17 pension movement in staff costs	(10,000)	(58,000)
	<u>1,852,443</u>	<u>2,653,497</u>

2) Gross Cash Flows

	2012	2011
	£	£
Returns on investments and servicing of finance		
Interest received on deposits	12,072	16,559
Interest paid	(579,951)	(443,984)
	<u>(567,879)</u>	<u>(427,425)</u>

	2012	2011
	£	£
Capital expenditure		
Purchase and development of housing properties	(7,544,289)	(3,908,023)
SHG and other grants received	1,806,826	1,206,821
Sale of properties	156,969	192,754
Payments to acquire other tangible fixed assets	(22,814)	(207,384)
	<u>(5,603,308)</u>	<u>(2,715,832)</u>

	2012	2011
	£	£
Financing		
Issue of ordinary share capital	2	7
Gift aid	-	30,000
Loans received	3,600,000	-
	<u>3,600,002</u>	<u>30,007</u>

Notes to the Cash Flow Statement
For the year ended 31 March 2012

3) Analysis of Changes in Net Debt	At 31 March 2011 £	Cash Flow £	At 31 March 2012 £
Cash in hand, at bank	2,008,938	(718,742)	1,290,196
	<u>2,008,938</u>	<u>(718,742)</u>	<u>1,290,196</u>
Debt due within 1 year	-	-	-
Debt due after 1 year	(13,500,000)	(3,600,000)	(17,100,000)
	<u>(11,491,062)</u>	<u>(4,318,742)</u>	<u>(15,809,804)</u>

4) Reconciliation of Net Cash Flow to Movement in Net Debt (Note 3)

	2012 £	2011 £
Decrease for the year	(718,742)	(459,753)
Loan received	(3,600,000)	-
	<u>(4,318,742)</u>	<u>(459,753)</u>
Change in net debt	(4,318,742)	(459,753)
Net debt at 1 April 2011	(11,491,062)	(11,031,309)
Net debt at 31 March 2012	(15,809,804)	(11,491,062)

**Notes on the Financial Statements
For the year ended 31 March 2012**

1. Accounting policies

(a) Introduction and accounting basis

The principal accounting policies of the Association are set out in paragraphs (b) to (k) below.

The financial statements have been prepared in accordance with applicable Accounting Standards, the Statement of Recommended Practice - Accounting by registered social housing providers issued in 2010, and comply with the Registered Social Landlords Accounting Requirements (Scotland) Order 2007. The principal accounting policies are set out below.

(b) Going concern

The Management Committee anticipate that a surplus will be generated in the year to 31 March 2013 and the year to 31 March 2014. The Association has a healthy cash position and thus the Management Committee is satisfied that there are sufficient resources in place to continue operating for the foreseeable future. Thus the Management Committee continue to adopt the going concern basis of accounting in preparing the annual financial statements.

(c) Turnover

Turnover represents rental and service charge income, factoring service income, and fees or revenue grants receivable from local authorities and from the Scottish Government. Also included is any income from first tranche shared ownership disposals.

(d) Loans

Mortgage loans are advanced by Private Lenders under the terms of individual mortgage deeds in respect of each property or housing scheme. Advances are available only in respect of those developments which have been given approval by The Scottish Government.

(e) Social Housing Grant (SHG)

Social Housing Grant, at amounts approved by the Scottish Government, is paid directly to the Association as required to meet its liabilities during the development process.

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

SHG received as a contribution towards the capital cost of housing development is deducted from the cost of those developments. SHG received as a contribution towards revenue expenditure is included in turnover.

(f) Fixed assets - Housing properties

Housing properties are stated at cost, less Social Housing Grants (SHG) and other public grants and less accumulated depreciation. The development cost of housing properties includes:-

1. Cost of acquiring land and buildings
2. Development expenditure including administration costs

These costs are either termed "qualifying costs" by the Scottish Government for approved social housing grant schemes or are considered for mortgage loans by the relevant lending authorities or are met out of the Association's reserves.

**Notes on the Financial Statements
For the year ended 31 March 2012**

1. Accounting policies (continued)

(f) Fixed assets – Housing properties (continued)

All invoices and architects' certificates relating to capital expenditure incurred in the year at gross value before retentions are included in the accounts for the year, provided that the dates of issue or valuation are prior to the year-end.

Expenditure on schemes which are subsequently aborted is written off in the year in which it is recognised that the schemes will not be developed to completion.

All costs and grants relating to the share of property sold are removed from the financial statements at the date of sale. Any grants received that cannot be repaid from the proceeds of sale are abated.

(g) Depreciation

- Housing properties are stated at cost, less social housing and other public grants and less accumulated depreciation. Each housing unit has been split between its major component parts. Each major component is depreciated on a straight line basis over its expected economic useful life. The following major components and useful lives have been identified by the Association;

Land	- not depreciated
Structure	- over 50 years
Heating	- over 15 years
Digital	- over 15 years
Kitchen	- over 15 years
Bathroom	- over 30 years
Doors	- over 30 years
Windows	- over 30 years
Cladding	- over 50 years
Roof	- over 50 years
Gutters	- over 30 years
Electrical	- over 30 years

2. Other fixed assets

Depreciation is charged on other fixed assets so as to write off the asset cost less any recoverable value over its anticipated useful life.

The following rates have been used:-

Computer Equipment	- 33% on cost
Furniture & Fittings	- 20% on cost
Office and Commercial Property	- 2% on cost

A full year's depreciation is charged in the year of purchase.

No charge is made in the year of disposal.

**Notes on the Financial Statements
For the year ended 31 March 2012**

1. Accounting policies (continued)

(h) Designated Reserves (Note 7)

(i) Cyclical maintenance

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

(ii) Furniture Reserve

The reserve is based on the Association's requirement to furnish certain properties. The reserve represents amounts set aside in respect of future costs and will be transferred to Revenue Reserves as appropriate.

(iii) SST Properties Reserve

The reserve comprises the dowry provided by Glasgow Housing Association as part of the second stage transfer. This dowry is a contribution towards the cost of the future major repairs and improvements expenditure which will be incurred by Shettleston Housing Association Limited to bring the stock transferred up to the requirements of the Scottish Housing Quality Standard. The major repairs and improvements expenditure is capitalised and thus the SST Properties Reserve is released to the Revenue Reserve in line with the depreciation rate in respect of these capital repairs and improvements.

(i) Apportionment of management expenses

Direct employee, administration and operating costs have been apportioned to the relevant sections of the Income and Expenditure account on the basis of costs of staff directly attributable to the operations dealt with in the financial statements.

(j) Pensions (note 19)

SHA Pension Scheme

The Association contributes to a defined benefit scheme, the cost of which is written off to the Income and Expenditure account on an accruals basis. The assets of the scheme are held separately from those of the Association in an independently administered fund.

Strathclyde Pension Fund

In accordance with 'FRS 17 – Retirement Benefits', the operating and financing costs of pension and post retirement schemes (determined by a qualified actuary) are recognised separately in the Income and Expenditure account. Service costs are systematically spread over the service lives of the employees and financing costs are recognised in the period in which they arise.

The difference between actual and expected returns on assets during the year, including changes in the actuarial assumptions, are recognised in the Total Statement of Recognised Gains and Losses.

**Notes on the Financial Statements
For the year ended 31 March 2012**

1. Accounting policies (continued)

(k) Financial Commitments

Assets held under finance leases where substantially all the risks and rewards of ownership of the asset have passed to the Association, and hire purchase contracts are capitalised in the Balance Sheet and are depreciated in the Income and Expenditure account over the period of their useful lives.

Rentals paid under operating leases are charged to the Income and Expenditure account on a straight line basis over the lease term.

Notes on the Financial Statements
For the year ended 31 March 2012

2. Particulars of Turnover, Operating Costs and Operating Surplus

	Turnover £	2012 Operating Costs £	Operating Surplus £	Turnover £	2011 Operating Costs £	Operating Surplus £
Income and Expenditure From lettings						
Social Lettings (Note 3)	6,649,586	5,296,578	1,353,008	6,376,998	4,773,483	1,603,515
Other activities (Note 4)	240,610	476,768	(236,158)	320,626	483,991	(163,365)
	<u>6,890,196</u>	<u>5,773,346</u>	<u>1,116,850</u>	<u>6,697,624</u>	<u>5,257,474</u>	<u>1,440,150</u>

Notes to the financial statements
For the year ended 31 March 2012

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

	General Needs Housing £	Supported Housing Accommodation £	Shared Ownership Accommodation £	2012 Total £	2011 Total £
Income from rent and service charges					
Rent receivable net of service charges	6,327,519	-	96,936	6,424,455	6,087,578
Service charges	283,019	-	7,644	290,663	292,980
Gross income from rents and service charges	6,610,538	-	104,580	6,715,118	6,380,558
Less voids	(65,532)	-	-	(65,532)	(41,912)
Net income from rents and service charges	6,545,006	-	104,580	6,649,586	6,338,646
Grants from the Scottish Ministers	-	-	-	-	-
Other revenue grants	-	-	-	-	38,352
Total turnover from social letting activities	6,545,006	-	104,580	6,649,586	6,376,998
Expenditure					
Management and maintenance administration costs	1,922,425	-	33,150	1,955,575	1,864,266
Service charges	625,047	-	9,987	635,034	692,444
Planned cyclical maintenance including major repairs	726,707	-	11,612	738,319	643,782
Reactive maintenance costs	854,943	-	13,661	868,604	703,030
Bad debts – rents and service charges	125,831	-	-	125,831	3,754
Depreciation of social housing	817,185	-	8,381	825,566	716,615
Property insurance	145,327	-	2,322	147,649	149,592
Operating costs for social letting activities	5,217,565	-	79,113	5,296,578	4,773,483
Operating Surplus/(Deficit) on letting activities, 2012	1,327,541	-	25,467	1,353,008	
Operating Surplus/(Deficit) on letting activities, 2011	1,642,594	-	(39,079)		1,603,515

Notes to the financial statements for the year ended 31 March 2012

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

	Grants from Scottish Ministers		Other revenue grants	Supporting people income	Other income	Total Turnover		Operating costs - bad debts	Other operating costs	Operating Surplus or (deficit)	
	£	£				2012	2011			2012	2011
Wider role activities #											
Care and repair of property			-								
Factoring			-		49,288	49,288	370	93,089	(44,171)	(69,604)	
Development and construction of property activities	50,735				50,735	50,735		13,044	37,691		
Support activities				86,509		86,509		340,414	(253,905)	74,883	
Care activities						86,070			(263,797)		
Agency/management services for RSLs											
Furniture Packages								16,107	(16,107)	(15,586)	
Development and improvements for sale to non RSLs											
Commercial rent					54,078	54,078		13,744	40,334	56,448	
RTB allowance											
Seedcorn funding						5,288				5,288	
Management charge from subsidiary						43,900				43,900	
Other						5,103				5,103	
Total from other activities, 2012	50,735			86,509	103,366	240,610	370	476,398	(236,158)		
Total from other activities, 2011	80,171			86,070	154,385	320,626	28,527	455,464	(163,365)		

Undertaken to support the community, other than the provision, construction, improvement and management of housing

Notes on the Financial Statements
For the year ended 31 March 2012

5. Interest Receivable and Other Income	2012	2011	
	£	£	
Interest receivable on deposits	12,072	16,559	
FRS 17 finance charge (Note 19)	13,000	7,000	
	<u>25,072</u>	<u>23,559</u>	
	<u><u>25,072</u></u>	<u><u>23,559</u></u>	
6. Interest Payable and Similar Charges	2012	2011	
	£	£	
On private loans	579,951	443,984	
	<u>579,951</u>	<u>443,984</u>	
	<u><u>579,951</u></u>	<u><u>443,984</u></u>	
7. Designated Reserves	Opening Balance	Transfers	Closing Balance
	£	£	£
Cyclical maintenance	1,412,079	-	1,412,079
Furniture Reserve	107,902	(16,107)	91,795
SST Properties Reserve	5,427,378	(44,492)	5,382,886
	<u>6,947,359</u>	<u>(60,599)</u>	<u>6,886,760</u>
	<u><u>6,947,359</u></u>	<u><u>(60,599)</u></u>	<u><u>6,886,760</u></u>
8. Revenue Reserves	2012	2011	
	£	£	
At 1 April 2011	5,410,013	4,035,042	
Statement of total recognised gains and losses	618,940	1,330,479	
	<u>6,028,953</u>	<u>5,365,521</u>	
Transfer from designated reserves	60,599	44,492	
	<u>6,089,552</u>	<u>5,410,013</u>	
At 31 March 2012	<u><u>6,089,552</u></u>	<u><u>5,410,013</u></u>	
Split as:			
At 31 March 2012			
Revenue reserve (excluding pension reserve)	6,113,552	5,357,013	
Pension reserve	(24,000)	53,000	
	<u>6,089,552</u>	<u>5,410,013</u>	
	<u><u>6,089,552</u></u>	<u><u>5,410,013</u></u>	

Notes on the Financial Statements
For the year ended 31 March 2012

9. Tangible Fixed Assets	Housing stock for let		Shared Ownership		Commercial Properties £	Office Premises £	Furniture & Fittings £	Computer Equipment £	Total £
	Completed £	Under Construction £	Completed £	Under Construction £					
Cost									
At start of year	66,031,606	2,388,652	3,696,502	-	967,502	2,480,277	213,316	135,617	75,913,472
Additions during year	6,943,583	598,427	2,279	-	430	10,172	1,313	10,899	7,567,103
Transfers	1,726,579	(1,726,579)	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-	-	-
At end of year	74,701,768	1,260,500	3,698,781	-	967,932	2,490,449	214,629	146,516	83,480,575
Depreciation									
At start of year	5,063,423	-	336,841	-	34,505	96,105	168,142	90,396	5,789,412
Charge for year	817,185	-	8,381	-	19,350	49,809	42,926	48,825	986,476
On disposals	-	-	-	-	-	-	-	-	-
At end of year	5,880,608	-	345,222	-	53,855	145,914	211,068	139,221	6,775,888
SHG and other Grants									
At start of year	41,826,495	700,000	3,279,723	-	-	-	-	-	45,806,218
Received during year	1,680,703	126,123	-	-	-	-	-	-	1,806,826
Transfers	700,000	(700,000)	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-	-	-
At end of year	44,207,198	126,123	3,279,723	-	-	-	-	-	47,613,044
Net Book Value									
At end of year	24,613,962	1,134,377	73,836	-	914,077	2,344,535	3,561	7,295	29,091,643
At beginning of year	19,141,688	1,688,652	79,938	-	932,997	2,384,172	45,174	45,221	24,317,842

Development Administration costs capitalised amount to £312,296 (2011: £309,132) for which Social Housing of £Nil (2011: £Nil) was received in the year.

Notes on the Financial Statements
For the year ended 31 March 2012

10. Investments	2012	2011
	£	£
Investment in subsidiary undertakings	<u>2</u>	<u>2</u>
<p>Shettleston Housing Association Limited owns 1 ordinary £1 share in Upkeep Shettleston Community Enterprises Limited. This represents a 100% shareholding in Upkeep Shettleston Community Enterprises Limited, a company registered in Scotland, whose principal activity is the provision of estate caretaker services. Upkeep Shettleston Community Enterprises Limited made a profit of £31,312 for the year ended 31 March 2011 and had net assets of £51,005. The results for 31 March 2012 are not yet available.</p> <p>Shettleston Housing Association Limited owns 1 ordinary £1 share in East End Housing Development Company Limited. This represents a 100% shareholding in East End Housing Development Company Limited, a company registered in Scotland. This company rents out property. East End Housing Development Company Limited made a profit of £1,162 for the year ended 31 March 2011 and had net assets of £1,202. The results for 31 March 2012 are not yet available.</p>		
11. Debtors	2012	2011
	£	£
Amounts falling due within one year:		
Rental arrears	336,246	305,082
Less: provision for bad debts	(159,600)	(60,884)
	<u>176,646</u>	<u>244,198</u>
Amounts owed by subsidiaries	306,603	288,433
Social Housing Grant receivable	28,355	36,449
Other debtors and prepayments	345,727	391,177
Taxation recoverable	6,292	6,292
VAT Debtor	14,955	-
	<u>878,578</u>	<u>966,549</u>
12. Creditors – Amounts falling due within one year	2012	2011
	£	£
Trade creditors	151,326	577,621
Amounts owed to subsidiaries	149,421	164,509
Other creditors	395,732	352,268
Rent in advance	272,992	265,245
Capital works and retentions	189,858	128,540
	<u>1,159,329</u>	<u>1,488,183</u>
13. Creditors – Amounts falling due outwith one year	2012	2011
	£	£
Loans:		
Due between one and two years	-	-
Due between two and five years	-	-
Due in five years or more	17,100,000	13,500,000
	<u>17,100,000</u>	<u>13,500,000</u>

Loans are secured by specific charges on the Association's properties and are repayable at varying rates of interest in instalments.

Notes on the Financial Statements
For the year ended 31 March 2012

14. Share Capital		2012	2011
		£	£
At beginning of year		309	316
Shares of £1 each fully paid and issued during the year		2	7
Shares forfeited in year		(16)	(14)
		<u>295</u>	<u>309</u>

15. Directors' Emoluments

The directors are defined as the members of the Management Committee, the Chief Executive and any other person reporting directly to the Chief Executive or the Management Committee. Only the Chief Executive's total emoluments exceeded £60,000 per year. No emoluments were paid to any member of the Management Committee during the year.

	2012	2011
	£	£
Emoluments (excluding pension contributions) of Chief Executive	<u>70,524</u>	<u>70,051</u>

Numbers of Directors whose emoluments exceed £60,000 during the year were as follows (excluding pension contributions):-

£70,001 - £75,000	<u>1</u>	<u>1</u>
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The Chief Executive is an ordinary member of the Scottish Housing Association Pension Scheme (SHAPS) described in note 19. No enhanced or special terms apply to membership and he has no other pension arrangements to which the Association contributes. The Association's contribution for the Chief Executive in the year amounted to £6,672 (2011: £10,619). In addition to this pension contribution, the Association has made a past service contribution to the Scottish Housing Association Pension Scheme (SHAPS) in the year. Part of this past service contribution relates to the Chief Executive (see note 19).

**Notes on the Financial Statements
For the year ended 31 March 2012**

16. Employee Information	2012 Number	2011 Number
The average number of persons employed by the Association during the year	51	51
	<u>51</u>	<u>51</u>
	2012 £	2011 £
Staff costs (including directors' emoluments):		
Wages and salaries	1,526,924	1,498,464
Social security costs	129,822	121,263
Pension costs	225,318	172,011
FRS 17 pension charge (Note 19)	(10,000)	(58,000)
	<u>1,872,064</u>	<u>1,733,738</u>
	<u>1,872,064</u>	<u>1,733,738</u>
	2012 £	2011 £
17. Operating Surplus		
Operating surplus is stated after charging:		
Depreciation	986,476	873,444
Auditor's remuneration (excluding VAT)		
- In their capacity as auditors	10,250	10,250
- In respect of other services	3,000	1,300
	<u>999,726</u>	<u>884,994</u>
	<u>999,726</u>	<u>884,994</u>
	2012 £	2011 £
18. Capital Commitments		
Contracted for but not provided in these accounts	6,249,632	6,272,200
This is to be funded by:		
HAG	-	1,867,528
Private Finance	4,479,632	4,404,672
Owners' grants	1,450,000	-
Owners' contributions	320,000	-
	<u>6,249,632</u>	<u>6,272,200</u>
	<u>6,249,632</u>	<u>6,272,200</u>
Approved by the management committee but not contracted for	-	3,550,000
	<u>-</u>	<u>3,550,000</u>

Notes on the Financial Statements
For the year ended 31 March 2012

19. Pensions

Scottish Housing Association Pension Scheme (SHAPS)

Shettleston Housing Association Limited (the "Association") participates in the Scottish Housing Association Pension Scheme (SHAPS) (the "Scheme"). The Scheme is a multi-employer defined benefit scheme. The Scheme is funded and is contracted out of the state scheme and from April 2008 there are three benefit structures available, namely:

- (a) Final salary with a 1/60th accrual rate;
- (b) Career average revalued earnings with a 1/60th accrual rate; and
- (c) Career average revalued earnings with a 1/70th accrual rate.

An employer can elect to operate different benefit structures for their active members (as at the first day of April in any given year) and their new entrants. An employer can only operate one open benefit structure at any one time. An open benefit structure is one which new entrants are able to join. The Association has chosen to operate the Final salary with a 1/60th accrual rate structure.

The Trustee commissions an actuarial valuation of the Scheme every 3 years. The main purpose of the valuation is to determine the financial position of the Scheme in order to determine the level of future contributions required so that the Scheme can meet its pension obligations as they fall due.

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

During the accounting period, Shettleston Housing Association Limited paid contributions at the rate of 9.6%. Member contributions were 9.6%. A past service deficit contribution of £92,878 (2011: £nil) was paid by the Association in the year ended 31 March 2012 in order to address the deficit that exists in the Scheme.

As at the balance sheet date there were 33 active members of the Scheme employed by Shettleston Housing Association Limited. Shettleston Housing Association Limited continues to offer membership of the Scheme to its employees.

It is not possible in the normal course of events to identify the share of underlying assets and liabilities belonging to individual participating employers. Accordingly, due to the nature of the Plan, the accounting charge for the period under FRS17 represents the employer contribution payable.

The last formal valuation of the Scheme was performed as at 30 September 2009 by a professionally qualified actuary using the "projected unit credit" method. The market value of the Scheme's assets at the valuation date was £295 million. The valuation revealed a shortfall of assets compared to liabilities of £160 million (equivalent to a past service funding level of 64.8%).

**Notes on the Financial Statements
For the year ended 31 March 2012**

19. Pensions (continued)

Financial Assumptions

The financial assumptions underlying the valuation were as follows:-	% pa
- Investment return pre retirement	7.4
- Investment return post retirement – Non pensioners	4.6
Pensioners	4.8
- Rate of salary increases	4.5
-	
Rate of pension increases -pension accrued pre 6 April 2005	2.9
-pension accrued from 6 April 2005	2.2
(for leavers before 1 October 1993 pension increases are 5%)	
- Rate of price inflation	3.00
(for leavers before 1 October 1993 pension increases are 5.0% pa)	
-Rate of price inflation	2.6

The valuation was carried out using the PA92C2025 short cohort mortality table for non- pensioners and PA92C2013 short cohort mortality table for pensioners. Using these tables the assumed life expectancy in years for pension scheme members at age 65 are as follows;

	Males	Females
Non Pensioners	21.6 years	24.4 years
Pensioners	20.7 years	23.6 years

The next full actuarial valuation will be carried out as at 30 September 2012.

Following a change in legislation in September 2005 there is a potential debt on the employer that could be levied by the Trustee of the Scheme. The debt is due in the event of the employer ceasing to participate in the Scheme or the Scheme winding up. The debt for the Scheme as a whole is calculated by comparing liabilities for the Scheme (calculated in a buyout basis i.e. the cost of securing benefits by purchasing annuity policies from an insurer, plus an allowance for expenses) with the assets of the Scheme. If the liabilities exceed assets there is a buy-out debt.

The Association has been notified by the Pensions Trust of the estimated employer debt on withdrawal from the Scheme based on the financial position of the Scheme as at 30 September 2011. As of this date the estimated employer debt for the Association has been calculated as £7,454,152.

The Association does not intend to withdraw from the scheme and the trustee has confirmed that there is no intention to wind up the Scheme.

**Notes on the Financial Statements
For the year ended 31 March 2012**

22. Legislative Provisions

The Association is incorporated under the Industrial and Provident Societies Act 1965.

23. Related Party Transactions

Upkeep Shettleston Community Enterprises Limited

During the year, Shettleston Housing Association Limited incurred salary costs of £137,400 (2011: £97,839) on behalf of Upkeep Shettleston Community Enterprises Limited. This was recharged by the Association to Upkeep Shettleston Community Enterprise Limited.

Shettleston Housing Association Limited charged a management fee of £nil (2011: £43,900) to Upkeep Shettleston Community Enterprises Limited. Shettleston Housing Association Limited also received £nil (2011: £30,000) in Gift Aid from Upkeep Shettleston Community Enterprises Limited at the year end.

The balance owed to the Association by Upkeep Shettleston Community Enterprises Limited at 31 March 2012 was £71,713 (2011: £93,586). This is included within debtors at the year end.

Upkeep Shettleston Community Enterprises Limited provided services of £1,203,395 (2011: £943,678) in the year to Shettleston Housing Association Limited. These services included close and backcourt cleaning, void property clearance and environmental works. The balance owed by the Association to Upkeep Shettleston Community Enterprises Limited at 31 March 2012 was £149,421 (2011: £162,621).

East End Housing Development Company Limited

Shettleston Housing Association Limited has another subsidiary, East End Housing Development Company Limited. This company acquired one property during the year for market rent financed by a commercial loan of £41,210 from the Association. The balance owed to the Association at 31 March 2012 in respect of this and previous loans was £228,210 (2011: £187,000). Interest on these loans due to the Association at 31 March 2012 was £9,670 (2011: £7,554).

During the year, Shettleston Housing Association Limited incurred expenditure of £nil (2011: £2,937) on behalf of East End Housing Development Company Limited.

Shettleston Housing Association collected rental income on behalf of East End Housing Development Company Limited. This was paid over to East End Housing Development Company Limited throughout the year.

The balance owed by the Association at 31 March 2012 was £nil (2011: £1,888). This is included in creditors at the year end.

**Notes on the Financial Statements
For the year ended 31 March 2012**

24. Taxation

As a charity, Shettleston Housing Association Limited's charitable activities are not subject to taxation. However the surpluses from non charitable activities are subject to taxation. These non-charitable activities generated a loss in the year and as a result no corporation tax was due.

