

Accounts – 2010 - 183

(Shettleston Housing Association Ltd)

SHETTLESTON HOUSING ASSOCIATION LIMITED

Report and Financial Statements

For the year ended 31 March 2010

SHETTLESTON HOUSING ASSOCIATION LIMITED

**Report and Financial Statements
For the year ended 31 March 2010**

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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 2010**

Members, Executives and Advisers

Committee of Management

Mary Thomas	(Chairperson)
Annie McAllister	(Vice-Chairperson)
John Hastie	(Secretary)
Frank Quinn	
Betty Finnen	
Nan Sangster	
Gillian Johnston	
Jemima Pryce	
Christina Brown	
Lesley Scoffield	
James Tominey	
Caroline Boyle	
Tom McDonald	
Alex McWhinnie	
Eleanor McFadyen	(Resigned 7.4.2009)
Morag Allan	(Appointed 17.9.2009)
Mary Hain	(Appointed 17.9.2009)
James Dick	(Appointed 17.9.09 & Resigned 4.5.2010)

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 2010**

The Committee of Management present their report and the audited financial statements for the year ended 31st March 2010.

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 2009/10 financial year, the Association 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 Committee each quarter.

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

- The completion of Helen McGregor House was a landmark achievement, becoming a quality standard for Housing Association office facilities.
- The clearance of GHA properties at Pettigrew Street was completed in December 2009 when the remaining tenants were moved to the new development at Vesalius Street.
- The demolition and clearance of the vacant tenements at Pettigrew Street was completed in March 2010 leaving a cleared site.

**Report of the Management Committee
For the year ended 31 March 2010**

- The completion of 28 high quality homes, two shop units and bank premises at Vesalius Street in December 2009.
- The completion of 9 homes in Killin Drive, on the site of the former John Wheatley College, in February 2010.
- The pilot scheme for the re-cladding of 4 houses in Springboig was completed in February 2010. A building warrant based on the re-cladding treatment, but which does not require ground consolidation work, is now in place for the whole of phase 5 and 6.
- The rendering contract at North Shettleston Phase 1 was completed.
- Work started on the rendering and window replacement contract on 232 houses in North Shettleston Phase 2.
- The staff structure review was complete and all former GHA staff were fully integrated into the Association structure prior to the return to Helen McGregor House in December 2009.
- The review of the Committee structure was complete prior to the return to Helen McGregor House and the operation of the new structure commenced in January 2010.
- The Fuse youth centre was formally opened following the conversion of the former Sheiling bar.
- The Association acquired two properties under the Mortgage to Rent Scheme.
- The East End Development Company, a subsidiary of the Association started trading and acquired two flats for market rent.
- Upkeep (Shettleston Community Enterprise Ltd, a subsidiary of the Association) continued to expand its staff and services and operates for a number of other Housing Associations in addition to Shettleston HA Ltd.
- A special letting initiative has been set up for a small number of properties in Cockenzie Street.
- Performance on all repair categories exceeded all the annual KPI targets at the end of 2009/10.
- The number of days a property is void is showing an average of 16 days, well below the annual KPI target of 20 days. Performance has improved significantly and consistently since the 2006 figure of 50 days.
- All financial targets and covenant requirements were met or improved on during 2009/10.
- Current Tenant rent arrears fell below target to 3.42%, the lowest figure and best performance for some years. These results reflect an intensive campaign of arrears control during 2009/10.
- The numbers and attendance on the Management Committee remained positive and members of the LHO formally joined the Management Committee in September 2009.
- The Association held a Special General Meeting and succeeded in changing its Rules to allow for the continuation of up to 18 members on its Management Committee.

**Report of the Management Committee
For the year ended 31 March 2010**

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

- All Statutory compliance requirements were met on time.
- Financial Management was robust and audited.
- Sound and consistent governance by the governing body.

Although the Association generally met its targets for 2009/10 and fulfilled its actions there were a number of areas where work has either not been completed within target timescales or performance was below target. The main issues where there has been a lack of attainment are detailed below:

- There was disappointment that there was little progress with the cladding contract at Springboig. However, with the successful completion of the pilot scheme in February 2010, there is optimism that a way forward is now identified and that progress will be possible during 2010/2011.
- There were no Tenant Satisfaction surveys carried out during 2009/10. It was considered that it would be more appropriate to assess satisfaction on the integration of the GHA stock after a full year of operation. It is intended that surveys will be initiated in the first quarter of 2010/11.
- Gas safety checks have not been completed 100% within timescales in 2009/10 but the position has not deteriorated following the increase in stock numbers. A new reporting procedure is in place following the Committee restructuring which will provide a clearer picture of the position and allow for focused action.
- The revision and updating of a number of key policies was not complete.
- The detailed review of procedures continues in progress, covering all the functions of the Association, but has not been finalised.
- Performance in meeting sickness targets deteriorated throughout 2009/10 with the sickness levels consistently over the target of 5%. The performance was influenced by a number of long term sickness cases which have now been resolved.

New proposals to address all these outstanding issues are included in the actions for the coming year 2010/11.

The AGM was held in September 2009 and Morag Allan, Mary Hain and James Dick were elected to the Management Committee, having been co-opted in May 2009 following the demise of the LHO Committee on which they had all served. Five members retired by rotation and, having offered themselves for re-election, were duly re-elected for a further term.

The staff team remained fairly constant throughout the year. As part of SST, the Association welcomed 12 members of staff from GHA under TUPE.

After a full and exhausting year, the Association is in good heart and the Committee and staff look forward with confidence to the many new challenges which lie ahead.

**Report of the Management Committee
For the year ended 31 March 2010**

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 mis-statement 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.

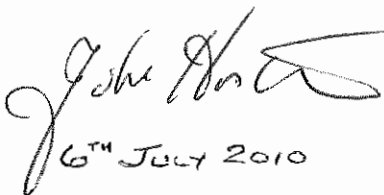
Auditors

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:



6th July 2010

Statement of the Management Committee's responsibilities

Housing Association legislation requires the committee to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Association and of the 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;
- * Prepare the financial statements on a going concern basis unless it is inappropriate to presume that the Association will continue in business.

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

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

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

We have audited the financial statements on pages 10 to 33, which have been prepared under the accounting policies set out on pages 16 to 18, and the Statement of Recommended Practice (SORP) Accounting by Registered Social Landlords 2008.

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 described on page 6 the Association's Committee of Management is responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards.

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

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Industrial and Provident Societies Acts 1965 to 2002, Schedule 7 of the Housing (Scotland) Act 2001 and the Registered Social Landlords Accounting Requirements (Scotland) Order 2007. We also report to you if, in our opinion, the Management Committee Report is not consistent with the financial statements, 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 directors' remuneration and transactions with the company is not disclosed.

We report to you whether in our opinion the information given in the Management Committee Report is consistent 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 irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Group accounts Section 14 (2) of the Friendly and Provident Societies Act 1968

We agree with the opinion of the Committee of Management of the Association that it would be of no real value to the members of the Association to consolidate or include the accounts of the Association's subsidiaries in group accounts required to be prepared under Section 13 of the Friendly and Industrial and Provident Societies Act 1968 for the year ended 31 March 2010, because of the immaterial nature of the subsidiaries' transactions in the year.

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

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the Association at 31 March 2010 and of its income and expenditure for the year then ended and have been properly prepared in accordance with the Industrial and Provident Societies Acts 1965 to 2002, Schedule 7 the Housing (Scotland) Act 2001 and the Registered Social Landlords Accounting Requirements (Scotland) Order 2007.

Scott - Moncrieff

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

Dated: *6/7/10*

**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

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

Dated: 6/7/10

Income and Expenditure Account
For the year ended 31 March 2010

	Notes	2010 £	2009 £
Turnover	2	6,573,411	4,465,465
Operating costs	2	(5,085,862)	(3,727,013)
Operating surplus	2	1,487,549	738,452
Gain on disposal of fixed assets		83,417	123,631
Re-financing costs		-	-
Interest receivable and other income	5	4,356	22,088
Interest payable and similar charges	6	(610,508)	(577,549)
Surplus on ordinary activities before taxation		964,814	306,622
Tax on surplus on ordinary activities	24	6,292	(6,338)
Surplus for the year		<u>971,106</u>	<u>300,284</u>

The results for the year relate wholly to continuing activities.

The notes form part of these financial statements

SHETTLESTON HOUSING ASSOCIATION LIMITED
Statement of Total Recognised Gains and Losses
For the year ended 31 March 2010

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	2010	2009
	£	£
Retained surplus for the year	971,106	300,284
Actuarial loss recognised in the retirement benefit scheme (Note 19)	(41,000)	(71,000)
Total recognised gains and losses relating to the year	<u>930,106</u>	<u>229,284</u>

Balance Sheet
As at 31 March 2010

	Notes	2010 £	2009 £
Tangible fixed assets			
Housing properties – cost less depreciation	9	63,525,089	60,029,797
Less SHG and other grants	9	(44,599,397)	(43,581,668)
		<u>18,925,692</u>	<u>16,448,129</u>
Other fixed assets	9	3,357,008	827,593
		<u>22,282,700</u>	<u>17,275,722</u>
Investments			
Investments in subsidiaries	10	2	2
Current assets			
Debtors	11	888,599	931,573
Cash at bank and in hand		2,468,691	3,840,607
		<u>3,357,290</u>	<u>4,772,180</u>
Creditors: amounts falling due within one year	12	(1,012,330)	(1,170,607)
Net current assets		<u>2,344,960</u>	<u>3,601,573</u>
Total assets less current liabilities		<u>24,627,662</u>	<u>20,877,297</u>
Creditors: amounts falling due after more than one year	13	(13,500,000)	(12,500,000)
Retirement benefit scheme deficit	19	(100,000)	(71,000)
Net assets		<u><u>11,027,662</u></u>	<u><u>8,306,297</u></u>
Capital and reserves			
Share capital	14	316	330
Designated reserves	7	6,991,851	5,200,594
Revenue reserve	8	4,135,042	3,175,936
Pension reserve	8	(100,000)	(71,000)
Capital redemption reserve		453	437
		<u>11,027,662</u>	<u>8,306,297</u>

The financial statements on pages 10 to 33 were authorised for issue by the Committee of Management on 6th JULY 2010 and were signed on its behalf by:

M Thomas *Mary Thomas*

Chairperson

A McAllister *Aunie McAllister*

Vice-Chairperson

J Hastie *J Hastie*

Secretary

The notes form part of these financial statements

Cash Flow Statement
For the year ended 31 March 2010

	Notes	2010 £	2009 £
Net cash inflow from operating activities	1	2,177,082	1,321,205
Returns on investments and servicing of finance	2	(606,152)	(555,461)
Taxation		(6,338)	-
Capital expenditure	2	(5,727,767)	(3,071,493)
		(4,163,175)	(2,305,749)
Financing	2	2,791,259	5,680,621
(Decrease) / increase in cash	4	<u>(1,371,916)</u>	<u>3,374,872</u>

Notes to the Cash Flow Statement
For the year ended 31 March 2010

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

	2010 £	2009 £
Operating surplus	1,487,549	738,452
Depreciation	804,206	612,979
Decrease in debtors	49,266	(165,406)
(Decrease) / increase in creditors	(151,939)	135,180
FRS 17 pension movement	(12,000)	-
	<u>2,177,082</u>	<u>1,321,205</u>

2) Gross Cash Flows

	2010 £	2009 £
Returns on investments and servicing of finance		
Interest received	4,356	22,088
Interest paid	(610,508)	(577,549)
	<u>(606,152)</u>	<u>(555,461)</u>

Capital expenditure

Purchase and development of housing properties	(4,867,909)	(3,792,539)
SHG and other grants received	1,017,729	953,787
SHG repaid	-	(72,135)
Sale of properties	88,929	209,586
Payments to acquire other tangible fixed assets	(1,966,516)	(370,192)
	<u>(5,727,767)</u>	<u>(3,071,493)</u>

Financing

Issue of ordinary share capital	2	8
Loan finance received	1,000,000	2,000,000
Financing costs with regards loan facility	-	-
GHA Dowry at SST	1,791,257	3,680,613
	<u>2,791,259</u>	<u>5,680,621</u>

Notes to the Cash Flow Statement
For the year ended 31 March 2010

3) Analysis of Changes in Net Debt	At 31 March 2009 £	Cash Flow £	At 31 March 2010 £
Cash in hand, at bank	3,840,607	(1,371,916)	2,468,691
Overdraft	-	-	-
	<u>3,840,607</u>	<u>(1,371,916)</u>	<u>2,468,691</u>
Debt due within 1 year	-	-	-
Debt due after 1 year	(12,500,000)	(1,000,000)	(13,500,000)
	<u>(8,659,393)</u>	<u>(2,371,916)</u>	<u>(11,031,309)</u>

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

	2010 £	2009 £
(Decrease) / increase for the year	(1,371,916)	3,374,872
Loan received	(1,000,000)	(2,000,000)
Change in net debt	<u>(2,371,916)</u>	<u>1,374,872</u>
Net debt at 1 April 2009	<u>(8,659,393)</u>	<u>(10,034,265)</u>
Net debt at 31 March 2010	<u><u>(11,031,309)</u></u>	<u><u>(8,659,393)</u></u>

**Notes on the Financial Statements
For the year ended 31 March 2010**

1. Accounting policies

(a) Introduction and accounting basis

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

These financial statements are prepared in accordance with applicable accounting standards and comply with the requirements of the Industrial and Provident Societies Acts 1965 to 2002, Schedule 7 of the Housing (Scotland) Act 2001, the Registered Social Landlords Accounting Requirements (Scotland) Order 2007 and the Statement of Recommended Practice (SORP) Accounting by Registered Social Landlords 2008.

(b) 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.

(c) Loans

Mortgage loans are advanced by Private Lenders or the Scottish Government 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.

(d) 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.

(e) 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.

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.

**Notes on the Financial Statements
For the year ended 31 March 2010**

1. Accounting policies (continued)

(e) Fixed assets - Housing properties (continued)

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.

(f) Depreciation

1. Housing properties

Housing properties at cost, less grants received, less land, are depreciated over their expected useful lives of between 11 and 50 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 & Equipment	- 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.

(g) 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) Major Repairs

The reserve is based on the Association's requirement to maintain housing properties in a state of repair which at least maintains their residual value in prices prevailing at the time of acquisition and construction. The reserve represents amounts set aside in respect of future costs and will be transferred to General Reserves as appropriate.

(iii) 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 General Reserves as appropriate.

1. **Accounting policies** (continued)

(g) **Designated Reserves (Note 7)** (continued)

(iv) **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 reserve will be transferred to the General Reserves as these costs are incurred.

(h) **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.

(i) **Pensions (note 19)**

SFHA 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.

(j) **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.

(k) **Consolidation**

The Association and its subsidiary undertakings comprise a group. The Financial Services Authority has granted exemption from preparing group financial statements. The accounts therefore represent the results of the Association and not of the group.

Notes on the Financial Statements
For the year ended 31 March 2010

2. Particulars of Turnover, Operating Costs and Operating Surplus

Income and Expenditure From lettings	2010		2009	
	Turnover £	Operating Costs £	Turnover £	Operating Costs £
Social Lettings (Note 3)	6,225,603	4,534,796	4,112,699	(3,257,275)
Other activities (Note 4)	347,808	551,066	352,766	(469,738)
	<u>6,573,411</u>	<u>5,085,862</u>	<u>4,465,465</u>	<u>(3,727,013)</u>
				<u>738,452</u>
				<u>855,424</u>
				<u>(116,972)</u>

Notes to the financial statements
For the year ended 31 March 2010

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

	General Needs Housing £	Supported Housing Accommodation £	Shared Ownership Accommodation £	2010 Total £	2009 Total £
Income from rent and service charges					
Rent receivable net of service charges	5,905,756	-	92,280	5,998,036	3,936,871
Service charges	280,258	-	7,632	287,890	223,869
Gross income from rents and service charges	<u>6,186,014</u>	<u>-</u>	<u>99,912</u>	<u>6,285,926</u>	<u>4,160,740</u>
Less voids	(60,323)	-	-	(60,323)	(48,041)
Net income from rents and service charges	<u>6,125,691</u>	<u>-</u>	<u>99,912</u>	<u>6,225,603</u>	<u>4,112,699</u>
Grants from the Scottish Ministers	-	-	-	-	-
Other revenue grants	-	-	-	-	-
Total turnover from social letting activities	<u>6,125,691</u>	<u>-</u>	<u>99,912</u>	<u>6,225,603</u>	<u>4,112,699</u>
Expenditure					
Management and maintenance administration costs	1,695,860	-	28,794	1,724,654	1,349,921
Service charges	606,481	-	9,892	616,373	202,805
Planned cyclical maintenance including major repairs	599,096	-	9,402	608,498	474,007
Reactive maintenance costs	658,056	-	10,733	668,789	499,825
Bad debts – rents and service charges	32,662	-	-	32,662	30,783
Depreciation of social housing	608,148	-	73,930	682,078	589,656
Property insurance	198,504	-	3,238	201,742	110,278
Operating costs for social letting activities	<u>4,398,807</u>	<u>-</u>	<u>135,989</u>	<u>4,534,796</u>	<u>3,257,275</u>
Operating Surplus/(Deficit) on letting activities, 2010	<u>1,726,884</u>	<u>-</u>	<u>(36,077)</u>	<u>1,690,807</u>	
Operating Surplus/(Deficit) on letting activities, 2009	<u>901,790</u>	<u>-</u>	<u>(46,366)</u>		<u>855,424</u>

**Notes on the Financial Statements
For the year ended 31 March 2010**

5. Interest Receivable and Other Income		2010	2009
		£	£
Interest receivable on deposits		4,356	22,088
		<u> </u>	<u> </u>
6. Interest Payable and Similar Charges			
On private loans		610,508	577,549
		<u> </u>	<u> </u>
7. Designated Reserves			
	Opening Balance	Transfers	Closing Balance
	£	£	£
Cyclical maintenance	1,412,079	-	1,412,079
Furniture Reserve	107,902	-	107,902
SST Properties Reserve	3,680,613	1,791,257	5,471,870
Major Repair Reserve	-	-	-
	<u> </u>	<u> </u>	<u> </u>
	5,200,594	1,791,257	6,991,851
	<u> </u>	<u> </u>	<u> </u>

An additional dowry of £1,791,257 was received on 31st March 2010 in respect of the SST which took place in 2008/09.

8. Revenue Reserves		2010	2009
		£	£
At 1 April 2009		3,104,936	2,902,793
Statement of total recognised gains and losses		930,106	229,284
		<u> </u>	<u> </u>
Transfer to designated reserves		4,035,042	3,132,077
		-	(27,141)
		<u> </u>	<u> </u>
At 31 March 2010		4,035,042	3,104,936
		<u> </u>	<u> </u>
Split as:			
At 31 March 2010			
Revenue reserve (excluding pension reserve)		4,135,042	3,175,936
Pension reserve		(100,000)	(71,000)
		<u> </u>	<u> </u>
		4,035,042	3,104,936
		<u> </u>	<u> </u>

Notes on the Financial Statements
For the year ended 31 March 2010

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	48,373,555	11,963,672	3,696,502	-	282,475	579,731	445,903	123,764	65,465,602
Additions during year	748,113	4,119,796	-	-	-	1,870,547	40,881	55,088	6,834,425
Transfers	14,798,196	(15,483,223)	-	-	685,027	-	-	-	-
Disposals	(7,874)	-	-	-	-	(125,494)	(277,630)	(90,964)	(501,962)
At end of year	63,911,990	600,245	3,696,502	-	967,502	2,324,784	209,154	87,888	71,798,065
Depreciation									
At start of year	3,814,951	-	188,981	-	15,155	125,494	360,533	103,098	4,608,212
Charge for year	608,148	-	73,930	-	-	46,496	42,576	33,056	804,206
On disposals	(2,362)	-	-	-	-	(125,494)	(277,630)	(90,964)	(496,450)
At end of year	4,420,737	-	262,911	-	15,155	46,496	125,479	45,190	4,915,968
SHG and other Grants									
At start of year	34,964,897	5,337,048	3,279,723	-	-	-	-	-	43,581,668
Received during year	123,664	894,065	-	-	-	-	-	-	1,017,729
Transfers	6,231,113	(6,231,113)	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-	-	-
At end of year	41,319,674	-	3,279,723	-	-	-	-	-	44,599,397
Net Book Value									
At end of year	18,171,579	600,245	153,868	-	952,347	2,278,288	83,675	42,698	22,282,700
At beginning of year	9,593,707	6,626,624	227,798	-	267,320	454,237	85,370	20,666	17,275,722

Development Administration costs capitalised amounting to £216,571 (2009 – £161,091) for which Social Housing Grant amounting to £Nil (2009 – £Nil) was received in the year.

Notes on the Financial Statements
For the year ended 31 March 2010

10. Investments	2010	2009
	£	£
Investment in subsidiary undertakings	2	2
	<u>2</u>	<u>2</u>

Shettleston Housing Association Limited owns 1 ordinary £1 share in Shettleston Community Enterprises Limited. This represents a 100% shareholding in Shettleston Community Enterprises Limited, a company registered in Scotland, whose principal activity is the provision of estate caretaker services.

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.

11. Debtors	2010	2009
	£	£
Amounts falling due within one year:		
Rental arrears	335,566	269,801
Less: provision for bad debts	(115,498)	(92,173)
	<u>220,068</u>	<u>177,628</u>
Amounts owed by subsidiary	177,386	33,142
Social Housing Grant receivable	71,121	85,762
Other debtors and prepayments	413,732	635,041
Taxation recoverable	6,292	-
	<u>888,599</u>	<u>931,573</u>

12. Creditors – Amounts falling due within one year		
Capital works and retentions	139,817	100,276
Corporation tax	-	6,338
Amounts owed to subsidiary	37,915	5,997
Other creditors	591,668	855,653
Rent in advance	242,930	202,343
	<u>1,012,330</u>	<u>1,170,607</u>

13. Creditors – Amounts falling due outwith one year		
Loans:		
Due between one and two years	-	-
Due between two and five years	-	-
Due in five years or more	13,500,000	12,500,000
	<u>13,500,000</u>	<u>12,500,000</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 2010**

14. Share Capital	2010	2009
	£	£
At beginning of year	330	355
Shares of £1 each fully paid and issued during the year	2	8
Shares forfeited in year	(16)	(33)
	<u>316</u>	<u>330</u>
At end of year	<u>316</u>	<u>330</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.

	2010	2009
	£	£
Emoluments (excluding pension contributions) of Chief Executive	<u>66,934</u>	<u>67,261</u>
Numbers of Directors whose emoluments exceed £60,000 during the year were as follows (excluding pension contributions):-		
£60,001 - £70,000	<u>1</u>	<u>1</u>

The Chief Executive is an ordinary member of the Association's pension scheme 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 £10,213 (2009: £9,699)

**Notes on the Financial Statements
For the year ended 31 March 2010**

16. Employee Information

	2010 Number	2009 Number
The average number of persons employed by the Association during the year	42	34
	<u> </u>	<u> </u>
	£	£
Staff costs (including directors' emoluments):		
Wages and salaries	1,417,286	1,106,923
Social security costs	114,077	88,648
Pension costs	180,811	129,172
FRS 17 pension charge (Note 19)	(12,000)	-
	<u>1,700,174</u>	<u>1,324,743</u>

17. Operating Surplus

	2010 £	2009 £
Operating surplus is stated after charging:		
Depreciation	804,206	612,979
Auditor's remuneration (including VAT)		
- In their capacity as auditors	12,580	12,305
- In respect of other services	600	4,600
	<u> </u>	<u> </u>

18. Capital Commitments

	2010 £	2009 £
Contracted for but not provided in these accounts	1,168,375	4,963,000
This is to be funded by:		
HAG	-	602,000
Private Finance	1,168,375	4,361,000
	<u>1,168,375</u>	<u>4,963,000</u>
Approved by the management committee but not contracted for	<u>3,956,000</u>	<u>Nil</u>

**Notes on the Financial Statements
For the year ended 31 March 2010**

19. Pensions

SFHA Pension Scheme

Shettleston Housing Association Limited (the "Association") participates in the SFHA Pension Scheme (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;
- (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 15.4%. Member contributions were 7.7%.

As at the balance sheet date there were 23 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 2006 by a professionally qualified actuary using the "projected unit credit" method. The market value of the Scheme's assets at the valuation date was £268 million. The valuation revealed a shortfall of assets compared to liabilities of £54 million (equivalent to a past service funding level of 83%).

Financial Assumptions

The financial assumptions underlying the valuation were as follows:-	% pa
- Investment return pre retirement	7.2
- Investment return post retirement	4.9
- Rate of salary increases	4.6
- Rate of pension increases -pension accrued pre 6 April 2005	2.6
-pension accrued from 6 April 2005	2.25

Notes on the Financial Statements
For the year ended 31 March 2010

19. Pensions (continued)

(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 long term joint contribution rates required from employers and members to meet the cost of future benefit accrual for the final salary 60ths benefit structure were assessed as 17.8%, being employer contributions of 10.1% and member contributions of 7.7%. If an actuarial valuation reveals a shortfall of assets compared to liabilities the Trustee must prepare a recovery plan setting out the steps to be taken to make up the shortfall. Following consideration of the results of the valuation it was agreed that the shortfall of £54 million would be dealt with by the payment of additional contributions of 5.3% of pensionable salaries with effect from 1 April 2008.

With effect from 1 April 2008, the joint contribution rates for the Final salary 60ths benefit structure is a total of 23.1% being employer contributions of 15.4% and a member contributions of 7.7% pensionable salaries.

A small number of employers that have closed the Scheme to new entrants are required to pay an additional contribution loading of 3.5% to reflect the higher costs of a closed arrangement.

If the valuation assumptions are borne out in practice this pattern of contributions should be sufficient to eliminate the past service deficit, on an on-going funding basis, by March 2020.

The next full actuarial valuation will be carried out as at 30 September 2010.

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 2006. As of this date the estimated employer debt for the Association was £3,193,284.

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.

The actuarial results for the triennial valuation performed as at 30 September 2009 are due out in the autumn. The provisional results show a deficit of £160.1 million. The funding position of the Scheme has deteriorated to 64.8% as at 30 September 2009.

**Notes on the Financial Statements
For the year ended 31 March 2010**

19. Pensions (continued)

Strathclyde Pension Fund

As a result of the second stage transfer, 12 employees were transferred from Glasgow Housing Association Limited to Shettleston Housing Association Limited. Of these 12 employees, 5 are members of the Strathclyde Pension Fund which is a statutory multi-employer defined benefit scheme. It is administered by Glasgow City Council in accordance with the Local Scheme (Scotland) Regulations 1998, as amended.

An initial valuation of the Strathclyde Pension Fund was done at 31 March 2010, with the first formal valuation due as at 31 March 2011.

The main financial assumptions used by the Council's Actuary, Hymans Robertson, in their FRS 17 calculations are as follows;

Assumptions as at	31 March 2010	31 March 2009
Price increases	3.8%	3.1%
Salary increases	5.3%	4.6%
Expected return on assets	7.2%	5.9%
Discount rate	5.5%	6.9%

Mortality

Life expectancy is based on the PFA92 and PMA92 tables, with mortality improvements projected based on members individual year of birth. Based on these assumptions, the average future life expectancies at age 65 are summarised below:

	Males	Females
Current Pensioners	20.6 years	23.9 years
Future Pensioners	22.6 years	25.0 years

Notes on the Financial Statements
For the year ended 31 March 2010

Scheme assets

The assets in the scheme and the expected rate of return were:

	Long term rate of return 31 March 2010	Value at 31 March 2010	Long term rate of return 31 March 2009	Value at 31 March 2009
		£000		£000
Equities	7.8%	426	7.0%	264
Government securities	5.0%	72	5.4%	58
Property	5.8%	39	4.9%	29
Cash	4.8%	17	4.0%	11
Total		<u>554</u>		<u>362</u>
Present value of scheme liabilities		(654)		(433)
Net pension liability		<u>(100)</u>		<u>(71)</u>

Reconciliation of defined benefit obligation

Year Ended:	31 Mar 2010
	(£(000))
Opening Defined Benefit Obligation	433
Current Service Cost	20
Interest Cost	25
Contributions by Members	10
Actuarial Losses / (Gains)	161
Past Service Costs / (Gains)	5
Liabilities Extinguished on Settlements	-
Liabilities Assumed in a Business Combination	-
Exchange Differences	-
Estimated Unfunded Benefits Paid	-
Estimated Benefits Paid	-
Closing Defined Benefit Obligation	654

Notes on the Financial Statements
For the year ended 31 March 2010

Reconciliation of fair value of employer assets

Year Ended:	31 Mar 2010
	£(000)
Opening Fair Value of Employer Assets	362
Expected Return on Assets	25
Contributions by Members	10
Contributions by the Employer	37
Contributions in respect of Unfunded Benefits	-
Actuarial Gains / (Losses)	120
Assets Distributed on Settlements	-
Assets Acquired in a Business Combination	-
Exchange Differences	-
Estimated Unfunded Benefits Paid	-
Estimated Benefits Paid	-
Closing Fair Value of Employer Assets	554

Net pension liability	(100)
------------------------------	--------------

Analysis of amounts included in Income & Expenditure

	2010
Expected return on pension scheme assets	25
Interest on pension scheme liabilities	(25)
Net Return – finance charge	-

	2010
	£000
Current service cost	20
Past service cost	5
Contribution by employers	(37)
Charge to staff costs	(12)

Notes on the Financial Statements
For the year ended 31 March 2010

Analysis of amount recognised in Statement of Total Recognised Gains and Losses

	2010
	£
Actual return less expected return on scheme assets	120,000
Changes in assumptions underlying the present value of scheme liabilities	<u>(161,000)</u>
Actuarial loss recognised in statement of recognised gains and losses	<u>(41,000)</u>

20. Housing Stock

The number of units of accommodation in management was as follows:-

	Units in Management	
	2010	2009
General Needs Housing	2,230	2,211
Supported Housing Accommodation	-	-
Shared Ownership Accommodation	<u>50</u>	<u>50</u>
	<u>2,280</u>	<u>2,261</u>

21. Other property

The other property held by the Association was as follows:-

	2010	2009
Commercial units	10	9
Garages	16	16
Main Office	<u>1</u>	<u>1</u>
	<u>27</u>	<u>26</u>

**Notes on the Financial Statements
For the year ended 31 March 2010**

22. Legislative Provisions

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

23. Related Party

During the year, Shettleston Housing Association Limited incurred expenditure of £71,772 (2009: £25,000) on behalf of Shettleston Community Enterprises Limited. This was recharged by the Association to Shettleston Community Enterprise Limited. The balance owed to the Association by Shettleston Community Enterprises Limited at 31 March 2010 in respect of this was £63,064 (2009: £33,142). This is included within debtors at the year end.

Shettleston Community Enterprises Limited provided services of £649,747 (2009: £240,668) 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 Shettleston Community Enterprises Limited at 31 March 2010 was £37,915 (2009: £5,997). This is included within creditors at the year end.

Shettleston Housing Association Limited has another subsidiary, East End Housing Development Company Limited, (formerly Shettleston Housing Association Services Limited). This company was dormant until 31 March 2009, but acquired two properties during the year for market rent financed by a commercial loan from the Association. The balance owed to the Association at 31 March 2010 in respect of this loan was £114,000 (2009: £nil). During the year, Shettleston Housing Association Limited incurred expenditure of £322 (2009: £nil) on behalf of East End Housing Development Company Limited. This was recharged by the Association to East End Housing Development Company Limited and the balance owed to the Association at 31 March 2010 in respect of this was £322 (2009: £nil). This is included within debtors at the year end.

24. Taxation

	2010 £	2009 £
Provision has been made for corporation tax at 21% as follows:		
UK corporation tax (to be reclaimed) / charge	(6,292)	6,338

As a charity, Shettleston Housing Association'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 previously paid corporation tax is to be reclaimed.