

TOLLCROSS HOUSING ASSOCIATION LIMITED

Report and Financial Statements

For the year ended 31 March 2011

TOLLCROSS HOUSING ASSOCIATION LIMITED

Report and Financial Statements For the year ended 31 March 2011

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Registration information

Financial Services Authority	Industrial and Provident Societies 1965 Registered number 1798(R)S
The Scottish Housing Regulator	Housing (Scotland) Act 2001 Registered number HCB 197
Charity Number	SC040876

Members, Executive and Advisers

Committee of Management

Mr W Dougan - Chairperson
Mr I Smith - Vice Chairperson
Mrs I McEwing
Mr C Sweeney - Secretary
Mr H Wak-Williams
Ms E Skimins
Ms E Barrowman
Ms C Newton
Mr M Clarke (resigned 10 October 2010)
Mrs A Philips
Mr C Cassidy
Mr T Cleary
Mrs E Garscadden (appointed 28 June 2010)
Mrs M Gildea (appointed 28 June 2010)
Mrs P Anderson (appointed 23 August 2010)

Executive Officers

Mr C Douglas	Chief Executive
Mr T Hastings	Finance Director
Mr D McGoldrick	Maintenance Director
Mrs A Evan	Housing Manager (resigned 30 September 2010)
Mr M Byrne	Housing Director (appointed 20 December 2010)

Registered Office
84 Braidfauld Street
Glasgow
G32 8PJ

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

Bankers
Clydesdale Bank plc
865 Shettleston Road
Glasgow
G32 7NS

Solicitors
Brechin Tindal Oatts
Glasgow
G2 5HS

**Report of the Management Committee
For the year ended 31 March 2011**

The Committee of Management presents their report and the audited financial statements for the year ended 31 March 2011.

Principal activities

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

Review of business and future developments

The results for the year are set out in the income and expenditure account on page 7.

During the year to 31 March 2011, the Association has continued its main business of providing rented accommodation for people in housing need. The Association has also carried out a programme of maintenance and improvements to its properties.

During the year the association was involved in negotiations regarding a second stage transfer with Glasgow Housing Association. The results of these negotiations were revealed on 13 May 2011, which subsequently gave rise to the confirmation that the association would receive approximately 1,500 housing units on 27 June 2011.

In 2011/12 the Association will continue in its main business and will also seek opportunities in terms of development, wider action and other initiatives.

Changes in fixed assets

Details of fixed assets are set out in Notes 9 and 10.

The committee of management and executive officers

The committee of management and executive officers of the Association are listed on page 1.

Each member of the committee of management holds one fully paid share of £1 in the Association. The executive officers of the Association hold no interest in the Association's share capital and although not having the legal status of directors they act as executives within the authority delegated by the committee.

Statement of committee's responsibilities

Housing association legislation requires the committee to prepare financial statements for each financial period 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 period 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 Management Committee
For the year ended 31 March 2011**

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.

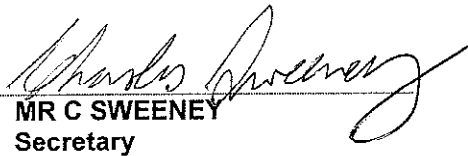
Any system can only provide reasonable and not absolute assurance against material mis-statement or loss.

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 and authorisation of all expenditure by senior staff and Committee.

Auditors

A resolution to re-appoint Scott-Moncrieff, Chartered Accountants, as auditors will be put to the members at the annual general meeting.

By order of the committee


MR C SWEENEY
Secretary

Dated: 22 August 2011

**Report of the Auditors to the Members of Tollcross Housing Association Limited
For the year ended 31 March 2011**

We have audited the financial statements of Tollcross Housing Association Limited for the year ended 31 March 2011 which comprise the income and expenditure account, 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 Landlords issued in 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 committee and auditors

As explained more fully in the Management Committee Responsibilities statement set out on page 2, the committee members are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

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

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 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 2011 and of its surplus for the year ended;
- have been properly prepared in accordance with the United Kingdom Generally Accepted Accounting Practice and the Statement of Recommended Practice – Accounting by Registered Social Landlords issued in 2008;

**Report of the Auditors to the Members of Tollcross Housing Association Limited
For the year ended 31 March 2011**

- have been prepared in accordance with the requirements of 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.

In our opinion the information given in the Report of the Management Committee for the financial year for which the financial statements are prepared is consistent with the financial statements.

Scott - Moncrieff

Scott- Moncrieff
Chartered Accountants
Statutory Auditor
25 Bothwell Street
Glasgow
G2 6NL
22 August 2011

**Report of the Auditors to the Management Committee of
Tollcross Housing Association Limited on Corporate Governance Matters
For the year ended 31 March 2011**

In addition to our audit of the Financial Statements, we have reviewed your Statement on Page 3 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 3 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: 22 August 2011

Income and Expenditure Account
For the year ended 31 March 2011

	Notes	2011 £	2010 £
Turnover	2	2,027,358	1,899,696
Less: Operating costs	2	1,953,195	1,863,004
Operating surplus	2	74,163	36,692
Gain on disposal of fixed assets		12,903	61,483
Interest receivable and other income	5	9,876	14,012
Interest payable and similar charges	6	(5,151)	(6,815)
Surplus on ordinary activities before taxation		91,791	105,372
Tax on surplus on ordinary activities	18	-	-
Surplus for the year		91,791	105,372

The results for the year relate wholly to continuing activities.


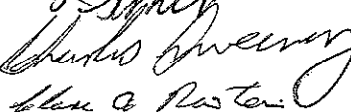

The Association has no recognised gains and losses other than those included in the surplus above, and therefore no separate statement of total recognised gains and losses has been presented.

There is no material difference between the surplus on ordinary activities for the year and the retained surplus for the period stated above and their historical cost equivalents.

Balance Sheet
As at 31 March 2011

	Notes	2011 £	2010 £
Tangible fixed assets			
Housing properties – cost less depreciation	9	24,052,437	20,129,794
Less SHG and other grants	9	21,171,185	18,927,172
		<u>2,881,252</u>	<u>1,202,622</u>
Other fixed assets	10	-	1,954
		<u>2,881,252</u>	<u>1,204,576</u>
Current assets			
Debtors	11	189,740	464,143
Cash at bank and in hand		1,021,821	292,687
Cash held in deposit accounts		1,060,385	1,049,045
		<u>2,271,946</u>	<u>1,805,875</u>
Creditors: amounts falling due within one year	12	1,111,252	688,215
		<u>1,160,694</u>	<u>1,117,660</u>
Net current assets			
Total assets less current liabilities		<u>4,041,946</u>	<u>2,322,236</u>
Creditors: amounts falling due after more than one year	13	1,980,804	352,883
Net assets		<u>2,061,142</u>	<u>1,969,353</u>
Capital and reserves			
Share capital	14	165	167
Designated reserves	7	1,346,000	1,346,000
Revenue reserve	8	714,977	623,186
		<u>2,061,142</u>	<u>1,969,353</u>

The financial statements on pages 7 to 24 were authorised for issue by the Committee of Management on 22 August 2011 and were signed on its behalf by:

Mr I Smith		Vice Chairman
Mr C Sweeney		Secretary
Ms C Newton		Committee Member

The notes on pages 12 to 24 form part of these financial statements

Cash Flow Statement
For the year ended 31 March 2011

	Notes	2011 £	2010 £
Net cash movement from Operating activities	1	942,107	2,429
Returns on investments and servicing of finance	2	4,725	7,197
Taxation	2	-	(356)
Investing activities	2	(1,725,327)	35,925
		(778,500)	45,195
Management of liquid resources	2	(11,340)	85,675
Financing	2	1,518,974	(83,617)
Increase/(decrease)	4	729,134	47,253

Notes to the Cash Flow Statement
For the year ended 31 March 2011

1) Reconciliation of Surplus for year to Net Cash Movement from Operating Activities	2011 £	2010 £
Operating surplus	74,163	36,692
Depreciation	61,554	23,722
Decrease/(increase) in debtors	274,406	(209,994)
Increase in creditors	531,984	152,009
	<u>942,107</u>	<u>2,429</u>
2) Gross Cash Flows		
Returns on investments and servicing of Finance		
Interest received	9,876	14,012
Interest paid	(5,151)	(6,815)
	<u>4,725</u>	<u>7,197</u>
Management of liquid resources		
Cash (lodged in)/lodged out business term deposit	(8,443)	183,510
Cash (lodged in)/lodged out 3 month deposit	(2,897)	2,164
Cash (lodged in) 1 month deposit	-	(99,999)
	<u>(11,340)</u>	<u>85,675</u>
Investing activities		
Payment for purchase and development of property	(4,006,529)	(511,100)
HAG received	2,268,299	482,595
Sale of housing properties	37,189	115,121
HAG repaid and abated	(24,286)	(50,691)
	<u>(1,725,327)</u>	<u>35,925</u>

Notes to the Cash Flow Statement
For the year ended 31 March 2011

		2011 £	2010 £
2)	Gross Cash Flows (contd)		
	Taxation		
	Corporation tax paid	-	(356)
	Financing		
	Issue of ordinary share capital	3	3
	Loans repaid/acquired	1,518,971	(83,620)
		1,518,974	(83,617)

	At 31 March 2010 £	Cash Flow £	Other Changes £	At 31 March 2011 £
3) Analysis of Changes in Net Funds				
Cash in hand, at bank	292,687	729,134	-	1,021,821
Current asset investments	1,049,045	11,340	-	1,060,385
Debt due within 1 year	(85,763)	62,107	-	(23,656)
Debt due after 1 year	(352,883)	(1,581,081)	-	(1,933,964)
	903,086	(778,500)	-	124,586

		2011 £	2010 £
4)	Reconciliation of Net Cash Flow to Movement in Net Funds (Note 3)		
	Increase in cash in year	729,134	47,253
	Cash flow to increase debt	(1,518,974)	83,620
	Cash inflow from increase in liquid resources	11,340	(85,675)
	Change in net funds	(778,500)	45,198
	Net funds at 1 April 2010	903,086	857,888
	Net funds at 31 March 2011	124,586	903,086

**Notes to the Financial Statements
For the year ended 31 March 2011**

1. Accounting policies

(a) Introduction and accounting basis

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

These financial statements are prepared in accordance with applicable accounting standards and statements of recommended practice, and comply with the requirements of the Registered Social Landlords Accounting Requirements (Scotland) Order 2007 and the Statement of Recommended Practice (SORP) Accounting by Registered Social Landlords 2008.

The Committee of Management anticipate that a surplus will be generated in the year to 31 March 2012. The Association has a healthy cash and net current asset position and thus the Committee of Management are satisfied that there is sufficient resources in place to continue operating for the foreseeable future. Thus the Committee of Management continue to adopt the going concern basis of accounting in preparing the annual financial statement.

(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. Mortgage loans in the balance sheet include amounts due but not received.

(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.

Notes to the Financial Statements
For the year ended 31 March 2011

1. Accounting policies (continued)

(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
3. Interest charged on the mortgage loans raised to finance the scheme
4. Amounts equal to acquisition and development allowances received
5. Administration costs relating to private finance

These costs are either termed "qualifying costs" by The Scottish Government for approved social housing grant schemes and 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.

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.

Interest is capitalised from first draw down of private finance according to the funding arrangements agreed by The Scottish Government. This will normally occur after SHG has been claimed up to the agreed limit.

All costs and grants relating to the share of property sold are removed from the financial statements at the date of sale, except for first tranche sales. 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 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 at the following rates:-

Fixtures & Fittings	- 15% straight line
Office Property	- Over 15 years
Commercial Premises	- Over 15 years
Computer Equipment	- Over 5 years

A full year's depreciation is charged in the year of purchase.
 No charge is made in the year of disposal.

**Notes to the Financial Statements
For the year ended 31 March 2011**

1. Accounting policies (continued)

(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.

(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)

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.

Notes to the financial statements
For the year ended 31 March 2011

2. Particulars of Turnover, Operating Costs and Operating Surplus/(deficit)

	2011		2010	
	Turnover	Operating Costs	Operating Costs	Operating surplus/(deficit)
	£	£	£	£
Income and Expenditure From lettings				
Social Lettings	1,896,952	(1,738,214)	1,774,094	116,059
Other activities	130,406	(214,981)	125,602	(79,367)
	<u>2,027,358</u>	<u>1,953,195</u>	<u>1,899,696</u>	<u>36,692</u>

Notes to the financial statements
For the year ended 31 March 2011

3. Particulars of turnover, operating costs and operating surplus/(deficit) from social letting activities

	General Needs Housing £	Supported Housing £	Shared Ownership £	Other £	2011 Total £	2010 Total £
Income from rent and service charges						
Rent receivable net of service charges	1,596,398	95,140	39,713	-	1,731,251	1,663,699
Service charges	37,271	-	-	-	37,271	37,138
Gross income from rents and service charges	1,633,669	95,140	39,713	-	1,768,522	1,700,837
Less voids	(7,745)	-	-	-	(7,745)	(8,648)
Net income from rents and service charges	1,625,924	95,140	39,713	-	1,760,777	1,692,189
Grants from the Scottish Ministers	-	-	-	-	-	-
Other revenue grants	96,551	39,624	-	-	136,175	81,905
Total turnover from social letting activities	1,722,475	134,764	39,713	-	1,896,952	1,774,094
Expenditure						
Management and maintenance administration costs	808,443	28,168	3,830	-	840,441	806,999
Service charges	78,729	-	-	-	78,729	93,201
Planned cyclical maintenance including major repairs	527,318	-	-	-	527,318	495,308
Reactive maintenance costs	217,587	-	-	-	217,587	229,696
Bad debts – rents and service charges	14,539	-	-	-	14,539	15,532
Depreciation of social housing	55,346	4,254	-	-	59,600	17,299
Impairment of social housing	-	-	-	-	-	-
Operating costs for social letting activities	1,701,962	32,422	3,830	-	1,738,214	1,658,035
Operating Surplus on letting activities, 2011	20,513	102,342	35,883	-	158,738	-
Operating (Deficit)/Surplus on letting activities, 2010	(7,679)	89,983	33,755	-		116,059

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

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Notes to the Financial Statements
For the year ended 31 March 2011

5.	Interest Receivable and Other Income	2011	2010
		£	£
	Interest receivable on deposits	9,876	14,012
6.	Interest Payable and Similar Charges		
	Other interest payable	5,151	6,815
7.	Designated Reserves		
		Transfer	Transfer
		between	from
		Reserves	Revenue
			Reserve
	Opening	Transfer	Transfer
	Balance	to	from
	£	Revenue	Revenue
		Reserve	Reserve
		£	£
	Cyclical maintenance	-	-
	Major repairs reserve	-	-
	1,346,000	-	-
8.	Revenue Reserves	2011	2010
		£	£
	At 1 April 2010	623,186	517,814
	Surplus for the year	91,791	105,372
		714,977	622,186
	Transfer from designated reserves	-	-
	At 31 March 2011	714,977	622,186

Notes to the Financial Statements
For the year ended 31 March 2011

9. Tangible Fixed Assets –
Housing properties

	Housing Properties Held for Letting £	Shared Ownership Properties Held for Letting £	Mortgage to Rent Properties £	Total £
Cost				
At start of year	18,816,394	1,516,188	47,458	20,380,040
Additions during year	3,923,627	82,902	-	4,006,529
Disposals	(24,286)	-	-	(24,286)
At end of year	22,715,735	1,599,090	47,458	24,362,283
Depreciation				
At start of year	229,245	20,052	949	250,246
Charge for year	60,689	4,254	-	64,943
On disposals	(5,343)	-	-	(5,343)
At end of year	284,591	24,306	949	309,846
SHG and other Grants				
At start of year	17,511,975	1,381,047	34,150	18,927,172
Received during year	2,223,959	44,340	-	2,268,299
Repaid/abated during year	(24,286)	-	-	(24,286)
At end of year	19,711,648	1,425,387	34,150	21,171,185
Net Book Value				
At 31 March 2011	2,719,496	149,397	12,359	2,881,252
At 31 March 2010	1,075,174	115,089	12,359	1,202,622

10. Tangible Fixed Assets - Other fixed assets

	Office Premises £	Fixtures Fittings & Equipment £	Total £
Cost			
At start of year	179,696	198,700	378,396
Additions during year	-	-	-
Disposals	-	-	-
At end of year	179,696	198,700	378,396
Depreciation			
At start of year	179,696	196,746	376,442
Charge for year	-	1,954	1,954
On disposals	-	-	-
At end of year	179,696	198,700	378,396
Net Book Value			
At 31 March 2011	-	-	-
At 31 March 2010	-	1,954	1,954

Notes to the Financial Statements
For the year ended 31 March 2011

11. Debtors	2011	2010
	£	£
Rental debtors	59,327	66,123
Technical arrears	89,027	76,397
Provision for bad debts	(38,284)	(37,523)
	<hr/>	<hr/>
	110,070	104,997
Prepayments and accrued income	70,486	301,484
Amounts due from owners	9,184	57,662
	<hr/>	<hr/>
	189,740	464,143
	<hr/>	<hr/>

12. Creditors – Amounts falling due within one year	2011	2010
	£	£
Loans	23,656	85,763
Trade creditors	916,942	135,825
Accruals and deferred income	21,204	25,731
Deferred grants	-	342,343
Other creditors	46,840	-
Rents in advance	102,610	98,553
	<hr/>	<hr/>
	1,111,252	688,215
	<hr/>	<hr/>

13. Creditors – Amounts falling due outwith one year	2011	2010
	£	£
Housing Loans	1,933,964	352,883
Other Creditors	46,840	-
	<hr/>	<hr/>
	1,980,804	352,883
	<hr/>	<hr/>

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

	2011	2010
	£	£
Between one and two years	19,565	69,844
Between two and five years	116,507	147,452
In five years or more	1,797,892	135,587
	<hr/>	<hr/>
	1,933,964	352,883
	<hr/>	<hr/>

Notes to the Financial Statements
For the year ended 31 March 2011

14. Share Capital	2011	2010
	£	£
At beginning of year	167	164
Shares of £1 each fully paid and issued during the year	3	3
Shares forfeited	(5)	-
	<u>165</u>	<u>167</u>
Active shareholders at 31 March 2011	<u>165</u>	<u>167</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 whose total emoluments exceed £60,000 per year. No employees fell within this category in either this year or last. No emoluments were paid to any member of the Management Committee during the year.

16. Employee Information

The average monthly number of persons employed during the year was:

	2011	2010
	No	No
Office staff	14	14
Wardens	<u>1</u>	<u>1</u>
Staff costs (including director's emoluments):		
Wages and salaries	511,685	528,253
Social security costs	42,306	37,814
Pension costs (Note 19)	58,795	53,203
	<u>612,786</u>	<u>619,270</u>

17. Operating Surplus

Operating surplus is stated after charging:

Depreciation	66,897	34,271
Auditor's remuneration		
- In their capacity as auditors	8,750	8,750
- In respect of other services	-	4,336
	<u>75,647</u>	<u>47,357</u>

18. Taxation

There is no tax liability due as the Association is a registered charity.

**Notes to the Financial Statements
For the year ended 31 March 2011**

19. Pensions

General

Tollcross Housing Association Limited (the Association) participates in the Scottish Housing Associations' Pension Scheme (formerly known as 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 Pension scheme. The Scheme offers five benefit structures to employers, namely:

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

An employer can elect to operate different benefit structures for their active members (as at the first day of April in any given year) and their new entrants. An employer can only operate one open benefit structure at any one time. An open benefit structure is one which new entrants are able to join. The Association has elected to operate the Final salary with 1/60th accrual rate benefit option for active members and new entrants from 1 April 2011.

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.

During the accounting period the Association paid contributions at the rate of 15.4% of pensionable salaries. Member contributions were 7.7%.

As at the balance sheet date there were 12 active members of the Scheme employed by the Association. The Association 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 as the Scheme is a multi-employer arrangement where the assets are co-mingled for investment purposes, benefits are paid from the total Scheme assets, and the contribution rate for all employers is set by reference to the overall financial position of the Scheme rather than by reference to individual employer experience. Accordingly, due to the nature of the Scheme, the accounting charge for the period under FRS17 represents the employer contribution payable.

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

The Scheme Actuary has prepared an Actuarial Report that provides an approximate update on the funding position of the Scheme as at 30 September 2010. Such a report is required by legislation for years in which a full actuarial valuation is not carried out. The funding update revealed an increase in the assets of the Scheme to £335 million and indicated an increase in the shortfall of assets compared to liabilities to approximately £162 million, equivalent to a past service funding level of 67.4%.

Notes to the Financial Statements
For the year ended 31 March 2011

19. Pensions (cont'd)

General (cont'd)

The key valuation assumptions used to determine the assets and liabilities of the Scheme as at 30th September 2009 were as follows:-

- Investment return pre retirement		7.40% per annum
- Investment return post retirement	- Non-pensioners	4.60% per annum
- Investment return post retirement	- Pensioners	4.80% per annum
- Rate of salary increases		4.50% per annum
- Rate of pension increases	- Pension accrued pre 6 April 2005	2.90% per annum
	- Pension accrued from 6 April 2005	2.20% per annum
(for leavers before 1 October 1993 pension increases are 5%)		
- Rate of price inflation		3.00% per annum

The valuation was carried out using the SAPS (S1PA) All Pensioners Year of Birth Long Cohort with 1% minimum improvement mortality tables for pensioners and non-pensioners.

The joint contribution rates required from employers and members to meet the cost of future benefit accrual for the final salary 60ths benefit structure was assessed as 19.2%.

This is split equally between employers and members. Accordingly the contribution rates for the Final salary 60ths benefit structure from 1 April 2011 is 9.6% employer contributions and 9.6% member contributions.

There is an additional employer rate for deficit contributions of 10.4% expressed in nominal pound terms for each employer increasing each 1 April in line with the rate of salary increases assumption. Earnings as at 30 September 2009 are used as the reference point for calculating the additional contributions.

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 the liabilities for the Scheme (calculated on 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 leaving employer's share of the buy-out debt is the proportion of the Scheme's liability attributable to employment with the leaving employer compared to the total amount of the Scheme's liabilities (relating to employment with all the employers). The leaving employer's debt therefore includes a share of any 'orphan' liabilities in respect of previously participating employers. The amount of the debt therefore depends on many factors including total Scheme liabilities, Scheme investment performance, the liabilities in respect of current and former employees of the employer, financial conditions at the time of the cessation event and the insurance buy-out market. The amounts of debt can therefore be volatile over time.

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 2010. As of this date the estimated employer debt for the Association was £2,966,749.

**Notes to the Financial Statements
For the year ended 31 March 2011**

20. Housing Stock

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

	Units in Management	
	2011	2010
General needs	653	640
Shared ownership	25	25
Supported housing	30	30
	<hr/>	<hr/>
	708	695
	<hr/>	<hr/>

21. Legislative Provisions

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

22. Related Party Transactions

The membership of the Management Committee at the Association is drawn from the local community, with some members also being tenants. Members of the Management Committee who are tenants receive no favourable treatment and such transactions are carried out at arms length.