

**Wellhouse Housing Association Limited**

**Report and Financial Statements**

**For the year ended 31st March 2011**

**Registered Housing Association No.HAC281**

**FSA Reference No. 2469R (S)**

**Scottish Charity No. SC036552**

# WELLHOUSE HOUSING ASSOCIATION LIMITED

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**MANAGEMENT COMMITTEE, EXECUTIVES AND ADVISERS**  
**YEAR ENDED 31st MARCH 2011**

**MANAGEMENT COMMITTEE**

Willie Mulligan	Chair
Eddie Andrews	Vice Chair
Maureen McCormick	Secretary
Lesley Copeland	Treasurer
Mary Cawley	
Linda Granger	
Irene Blackwood	
Wilma Strang	
Carol Torrie	
Michelle Barratt	Elected September 2010
Wendy Wilson	Elected September 2010
Christina Rodgers	Elected September 2010
Ina Ferrie	Elected September 2010
Ann Sawers	Resigned September 2010
Betty Lavery	Resigned September 2010
Lynn Toner	Resigned September 2010
Pearl Rose Brolly	Resigned September 2010
John McLaren	Resigned September 2010

**EXECUTIVE OFFICERS**

Joseph Williamson	Director
Yvonne Hague	Housing Service Manager
Emma Shields	Senior Finance Officer

**REGISTERED OFFICE**

49 Wellhouse Crescent  
Wellhouse  
Glasgow  
G33 4LA

**AUDITORS**

Alexander Sloan  
Chartered Accountants  
38 Cadogan Street  
Glasgow  
G2 7HF

**BANKERS**

Clydesdale Bank Plc  
865 Shettleston Road  
Glasgow  
G32 7NS

**SOLICITORS**

TC Young  
7 West George Street  
Glasgow  
G2 1HN

## WELLHOUSE HOUSING ASSOCIATION LIMITED

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### REPORT OF THE MANAGEMENT COMMITTEE FOR THE YEAR ENDED 31ST MARCH 2011

The Management Committee presents its report and the Financial Statements for the year ended 31st March 2011.

#### **Legal Status**

The Association is a registered non-profit making organisation under the Industrial and Provident Societies Act 1965 No.2469R (S). The Association is constituted under its Rule Book. The Association is a registered Scottish Charity with the charity number SC036552.

#### **Principal Activities**

The principal activities of the Association are the provision and management of affordable rented accommodation and the development of new build and refurbished housing.

#### **Review of Business and Future Developments**

The last year has seen significant changes for Wellhouse Housing Association. The completion of Second Stage Transfer from Glasgow Housing Association has resulted in a near doubling in size. Subsequently a number of new staff members have been recruited. Early 2011 saw the drafting of a new Business Plan, which articulates our vision and values as an organisation.

- We are creating a legacy
- We will be representative and accountable to local people
- We will deliver services that are customer focussed
- We will always recognise the resources of the Association belong to the tenants and we will strive to ensure value for money at all times.

We have retained our Investors in People accreditation and we will be seeking to enhance our award in the coming year.

We have established new service standards which will be complemented by a new Choice Based Lettings Policy. The aim of the new allocations system is to introduce choice and control for customers and to allow us to develop a balanced and sustainable community.

With the acquisition of Glasgow Housing Association stock, we have an increased investment programme with a focus on a new Asset Management strategy. At the time of writing, we have submitted a IFF bid for 50 new build units to facilitate a clearance project. It is hoped we will be on site March 2012.

In respect of governance, the next year will see a review of structure to ensure the most efficient use of our resources.

We will continue to deliver our positive psychology project 'Wellhouse Futures' which seeks to increase confidence and self-esteem, with the result that our residents can improve their quality of life, through a number of avenues better health, better employment possibilities or in general more control or choice over what they want to achieve.

In summary, the last year has seen significant changes over the next year we will make a number of decisions that will secure the long-term success of the organisation and the community of Wellhouse.

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**REPORT OF THE MANAGEMENT COMMITTEE  
FOR THE YEAR ENDED 31ST MARCH 2011**

**Management Committee and Executive Officers**

The members of the Management Committee and the Executive Officers are listed on Page 1.

Each member of the Management Committee holds one fully paid share of £1 in the Association. The Executive Officers 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 Management Committee.

The members of the Management Committee are also Trustees of the Charity. Members of the Management Committee are appointed by the members at the Association's Annual General Meeting.

**Statement of Management Committee's Responsibilities**

The Industrial and Provident Societies Acts 1965 to 2002 require 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 surplus or deficit of the Association for that period. In preparing those Financial Statements, the Management Committee is required to:-

- select suitable accounting policies and then apply them consistently;
- make judgments 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 the going concern basis unless it is inappropriate to presume that the Association will continue in business;
- prepare a statement on Internal Financial Control.

The Management Committee is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Association and to enable them to ensure that the Financial Statements comply with the Industrial and Provident Societies Act 1965 to 2002, the Housing (Scotland) Act 2001 and the Registered Social Landlords Accounting Requirements (Scotland) Order 2007. They are 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. It is also responsible for ensuring the Association's suppliers are paid promptly.

The Management Committee must in determining how amounts are presented within items in the income and expenditure account and balance sheet, have regard to the substance of the reported transaction or arrangement, in accordance with generally accepted accounting practices.

In so far as the Management Committee are aware:

- There is no relevant audit information (information needed by the Housing Association's auditors in connection with preparing their report) of which the Association's auditors are unaware, and
- The Management Committee have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the Housing Association's auditors are aware of that information.

## WELLHOUSE HOUSING ASSOCIATION LIMITED

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### REPORT OF THE MANAGEMENT COMMITTEE FOR THE YEAR ENDED 31ST MARCH 2011

#### Statement on Internal Financial Control

The Management Committee acknowledges its ultimate responsibility for ensuring that the Association has in place a system of controls that is appropriate for the business environment in which it operates. These controls are designed to give reasonable assurance with respect to:

- the reliability of financial information used within the Association, or for publication;
- the maintenance of proper accounting records;
- the safeguarding of assets against unauthorised use or disposition.

It is the Management Committee's responsibility to establish and maintain systems of Internal Financial Control. Such systems can only provide reasonable and not absolute assurance against material financial mis-statement or Loss. Key elements of the Association's systems include ensuring that:

- formal policies and procedures are in place, including the ongoing documentation of key systems and rules relating to the delegation of authority, which allow the monitoring of controls and restrict the unauthorised use of Association's assets;
- experienced and suitably qualified staff take responsibility for important business functions and annual appraisal procedures have been established to maintain standards of performance;
- forecasts and budgets are prepared which allow the management team and the Management Committee to monitor key business risks, financial objectives and the progress being made towards achieving the financial plans set for the year and for the medium term;
- regular financial management reports are prepared promptly, providing relevant, reliable and up to date financial and other information, with significant variances from budget being investigated as appropriate;
- all significant new initiatives, major commitments and investment projects are subject to formal authorisation procedures, through the Management Committee;
- the Management Committee receive reports from management and from the external and internal auditors to provide reasonable assurance that control procedures are in place and are being followed and that a general review of the major risks facing the Association is undertaken;
- formal procedures have been established for instituting appropriate action to correct any weaknesses identified through internal or external audit reports.

#### Donations

During the year the Association made charitable donations amounting to £2,610 (2010 £1,110).

#### Auditors

A resolution to re-appoint the Auditors, Alexander Sloan, Chartered Accountants, will be proposed at the Annual General Meeting.

By order of the Management Committee



MAUREEN MCCORMICK

Secretary

25 August 2011

WELLHOUSE HOUSING ASSOCIATION LIMITED

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REPORT BY THE AUDITORS TO THE MANAGEMENT COMMITTEE OF  
WELLHOUSE HOUSING ASSOCIATION LIMITED  
ON CORPORATE GOVERNANCE MATTERS

In addition to our audit of the Financial Statements, we have reviewed your statement on Page 4 concerning the Association's compliance with the information required by the section on Internal Financial Control within SFHA's publication "Raising Standards in Housing".

**Basis of Opinion**

We carried out our review having regard to the requirements relating to corporate governance matters within Bulletin 2006/5 issued by the Auditing Practices Board. The Bulletin does not require us to review the effectiveness of the Association's procedures for ensuring compliance with the guidance notes, nor to investigate the appropriateness of the reasons given for non-compliance.

**Opinion**

In our opinion the Statement on Internal Financial Control on page 4 has provided the disclosures required by the section on Internal Financial Control within SFHA's publication "Raising Standards in Housing" and is consistent with the information which came to our attention as a result of our audit work on the Financial Statements.

Through enquiry of certain members of the Management Committee and Officers of the Association, and examination of relevant documents, we have satisfied ourselves that the Management Committee's Statement on Internal Financial Control appropriately reflects the Association's compliance with the information required by the section on Internal Financial Control within SFHA's "Raising Standards in Housing".



ALEXANDER SLOAN  
Chartered Accountants

GLASGOW  
25 August 2011

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

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We have audited the financial statements of Wellhouse Housing Association Limited for the year ended 31st March 2011 which comprise an income and expenditure account, balance sheet, cash flow statement and related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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 auditors' 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 Statement of Management Committee's Responsibilities the Association's Management Committee are responsible for the preparation of the Financial Statements that 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 on 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 Management Committee's report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications of our report.

### **Opinion on the financial statements**

In our opinion the Financial Statements:

- give a true and fair view of the state of the Association's affairs as at 31st March 2011 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
- have been properly prepared in accordance with the Industrial and Provident Societies Acts 1965 to 2002, the Housing (Scotland) Act 2001 and the Registered Social Landlords Accounting Requirements (Scotland) Order 2007.

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

We are required to report to you under the Industrial and Provident Societies Acts 1965 to 2002 if, in our opinion:

- proper books of account have not been kept by the Association in accordance with the requirements of the legislation.
- a satisfactory system of control over transactions has not been maintained by the Association in accordance with the requirements of the legislation.
- the Income and Expenditure Account to which our report relates, and the Balance Sheet are not in agreement with the books of the Association.
- we have not received all the information and explanations necessary for the purposes of our audit.

We have nothing to report in respect of these matters.



**ALEXANDER SLOAN**  
Chartered Accountants  
Statutory Auditors  
GLASGOW  
25 August 2011



# WELLHOUSE HOUSING ASSOCIATION LIMITED

## INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED 31st MARCH 2011

	Notes	2011 £	2010 £
<b>TURNOVER</b>	2.	2,275,690	1,561,150
Operating Costs	2.	<u>(1,645,946)</u>	<u>(1,085,692)</u>
<b>OPERATING SURPLUS</b>	9.	629,744	475,458
Release of Negative Goodwill	21.	60,825	-
Interest Receivable and Other Income		7,722	5,682
Interest Payable and Similar Charges	8.	<u>(199,319)</u>	<u>(169,687)</u>
		<u>(130,772)</u>	<u>(164,005)</u>
<b>SURPLUS ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		498,972	311,453
Tax on surplus on ordinary activities	10.	-	-
<b>SURPLUS ON ORDINARY ACTIVITIES AFTER TAXATION</b>		<u>498,972</u>	<u>311,453</u>

All recognised surpluses and deficits have been included in the Income & Expenditure Account.  
Historical cost surpluses and deficits are identical to those shown in the accounts.

# WELLHOUSE HOUSING ASSOCIATION LIMITED

## BALANCE SHEET AS AT 31st MARCH 2011

	Notes	£	2011 £	£	2010 £
<b>TANGIBLE FIXED ASSETS</b>					
Housing Properties - Depreciated Cost	11.(a)		33,851,349		30,037,007
Less: Social Housing Grant	11.(a)		(24,261,682)		(23,915,057)
: Other Public Grants	11.(a)		(55,000)		(55,000)
			<hr/>		<hr/>
			9,534,667		6,066,950
Other fixed assets	11.(b)		400,578		390,830
			<hr/>		<hr/>
			9,935,245		6,457,780
<b>CURRENT ASSETS</b>					
Debtors	13.	215,706		95,575	
Cash at bank and in hand		1,655,881		1,096,226	
		<hr/>		<hr/>	
		1,871,587		1,191,801	
<b>CREDITORS: Amounts falling due within one year</b>					
	14.	(829,795)		(567,177)	
		<hr/>		<hr/>	
<b>NET CURRENT ASSETS</b>			1,041,792		624,624
			<hr/>		<hr/>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			10,977,037		7,082,404
<b>CREDITORS: Amounts falling due after more than one year</b>					
	15.		(7,686,472)		(5,710,949)
			<hr/>		<hr/>
<b>NET ASSETS</b>			3,290,565		1,371,455
			<hr/>		<hr/>
<b>CAPITAL AND RESERVES</b>					
Share Capital	17.		180		161
Designated Reserves	18.(a)		1,240,984		866,755
Revenue Reserves	18.(b)		629,282		504,539
Negative Goodwill	21.		1,420,119		-
			<hr/>		<hr/>
			3,290,565		1,371,455
			<hr/>		<hr/>

The Financial Statements were approved by the Management Committee and signed on their behalf on 25 August 2011.

Chairperson

*W Mulligan*

Vice-Chairperson

*Edwin Banks*

Secretary

*M. M. Campbell*

# WELLHOUSE HOUSING ASSOCIATION LIMITED

## CASH FLOW STATEMENT FOR THE YEAR ENDED 31st MARCH 2011

	Notes	£	2011 £	£	2010 £
Net Cash Inflow from Operating Activities	16.		898,175		653,766
<b>Returns on Investment and Servicing of Finance</b>					
Interest Received		7,722		5,858	
Interest Paid		(199,319)		(173,389)	
<b>Net Cash Outflow from Investment and Servicing of Finance</b>			(191,597)		(167,531)
<b>Capital Expenditure and Financial Investment</b>					
Acquisition and Construction of Properties		(295,635)		(42,171)	
Purchase of Other Fixed Assets		(30,777)		(9,537)	
Social Housing Grant Received		397,215		42,068	
Social Housing Grant Repaid		(11,790)		-	
Proceeds on Disposal of Properties		15,649		15,745	
<b>Net Cash Inflow from Capital Expenditure and Financial Investment</b>			74,662		6,105
<b>Net Cash Inflow before use of Liquid Resources and Financing</b>			781,240		492,340
<b>Acquisition and Disposals</b>					
Consideration paid to acquire properties managed by Wellhouse Tenants Direct	22		(2,192,127)		-
<b>Financing</b>					
Loan Advances Received		2,250,000		-	
Loan Principal Repayments		(279,477)		(293,883)	
Share Capital Issued		19		11	
<b>Net Cash Inflow / (Outflow) from Financing</b>			1,970,542		(293,872)
<b>Increase in Cash</b>	16.		559,655		198,468

# WELLHOUSE HOUSING ASSOCIATION LIMITED

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## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2011

### NOTES TO THE FINANCIAL STATEMENTS

#### 1 PRINCIPAL ACCOUNTING POLICIES

##### **Basis Of Accounting**

The Financial Statements have been prepared in accordance with applicable Accounting Standards, the Statement of Recommended Practice - Accounting by Registered Social Landlords 2008, and on the historical cost basis. They also comply with the Registered Social Landlords Accounting Requirements (Scotland) Order 2007. A summary of the more important accounting policies is set out below.

##### **Turnover**

Turnover represents rental and service charge income receivable, fees receivable and revenue grants receivable.

##### **Retirement Benefits**

The Association participates in the Scottish Housing Associations' Defined Benefits Pension Scheme and retirement benefits to employees of the Association are funded by the contributions from all participating employers and employees in the Scheme. Payments are made in accordance with periodic calculations by consulting Actuaries and are based on pension costs applicable across the various participating Associations taken as a whole.

##### **Valuation Of Housing Properties**

Housing Properties are stated at cost, less social housing and other public grants and less accumulated depreciation. Depreciation is charged on a straight line basis over the expected economic useful lives of the properties at an annual rate of 2%. Land is not depreciated. Housing Properties are reviewed for impairment if events or circumstances indicate that the carrying value is higher than the recoverable amount.

##### **Depreciation And Impairment Of Other Fixed Assets**

Other Fixed Assets are stated at cost less accumulated depreciation. Depreciation is charged on a straight line basis over the expected economic useful lives of the assets at the following annual rates:-

Office Premises	- 3 <sup>1</sup> / <sub>3</sub> % & 2%
Office Furniture and Fittings	- 20%
Commercial Properties	- 2%

The carrying value of tangible fixed assets are reviewed for impairment in periods if events or changes in circumstances indicate the carrying value may not be recoverable.

##### **Social Housing Grant And Other Grants In Advance/Arrears**

Where developments have been financed wholly or partly by Social Housing Grant or other capital grant, the cost of those developments has been reduced by the amount of the grant receivable. The amount of the grants receivable is shown separately on the Balance Sheet.

Social Housing Grant received in respect of revenue expenditure is credited to the Income and Expenditure Account in the same period as the expenditure to which it relates.

Although Social Housing Grant is treated as a grant for accounting purposes, it may nevertheless become repayable in certain circumstances, such as the disposal of certain assets. The amount repayable would be restricted to the net proceeds of sale.

# WELLHOUSE HOUSING ASSOCIATION LIMITED

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## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2011

### NOTES TO THE FINANCIAL STATEMENTS (Continued)

#### 1 PRINCIPAL ACCOUNTING POLICIES (Continued.)

##### **Sales Of Housing Properties**

First tranche Shared Ownership disposals are credited to turnover on completion. The cost of construction of these sales is taken to operating cost. In accordance with the Statement of Recommended Practice, disposals of subsequent tranches are treated as fixed asset disposals with the gain or loss on disposal shown in the Income and Expenditure Account.

Disposals of housing property under the Right to Buy scheme are treated as a fixed asset disposal and any gain and loss on disposal accounted for in the Income and Expenditure Account.

Disposals under shared equity schemes are accounted for in the Income and Expenditure Account. The remaining equity in the property is treated as a fixed asset investment, which is matched with the grant received.

##### **Leases/Leased Assets**

Costs in respect of operating leases are charged to the Income and Expenditure Account on a straight line basis over the lease term. Assets held under finance leases and hire purchase contracts are capitalised in the Balance Sheet and are depreciated over their useful lives.

##### **Works to Existing Properties**

The Association capitalises major repairs expenditure where these works result in an enhancement of economic benefits by increasing the net rental stream over the life of the property.

##### **Capitalisation Of Development Overheads**

Directly attributable development administration costs relating to development activities are capitalised in accordance with the Statement of Recommended Practice.

##### **Development Interest**

Interest incurred on financing a development is capitalised up to the date of practical completion of the scheme.

##### **Designated Reserves**

The Association has designated part of its reserves to meet its long term obligations.

The Cyclical Maintenance Reserve has been designated to meet future repair and maintenance obligations which are cyclical in nature. These are carried out in accordance with a planned programme of works.

The Major Repairs Reserve is based on the Association's liability to maintain housing properties in a state of repair which at least maintains their residual values in prices prevailing at the time of acquisition and construction.

##### **Property Development Cost**

The proportion of the development cost of shared ownership properties expected to be disposed of as a first tranche sale is held in current assets until it is disposed of. The remaining part of the development cost is treated as a fixed asset. Surpluses made on the disposal of first tranche sales are taken to the Income and Expenditure Account in accordance with the Statement of Recommended Practice.

Property developments that are intended for resale are included in current assets until disposal.

##### **Negative Goodwill**

Negative goodwill created through transfer of engagements is written off to the Income and Expenditure account on the following basis: the non-cash assets acquired are depreciated or sold.

# WELLHOUSE HOUSING ASSOCIATION LIMITED

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2011

### NOTES TO THE FINANCIAL STATEMENTS (Continued)

#### 2. PARTICULARS OF TURNOVER, COST OF SALES, OPERATING COSTS AND OPERATING SURPLUS

	Notes	2011			2010		
		Turnover £	Operating Costs £	Operating Surplus / (Deficit) £	Turnover £	Operating Costs £	Operating Surplus / (Deficit) £
Social Lettings	3.	2,095,876	1,483,431	612,445	1,329,124	858,961	470,163
Other Activities	4.	179,814	162,515	17,299	232,026	226,731	5,295
<b>Total</b>		<b>2,275,690</b>	<b>1,645,946</b>	<b>629,744</b>	<b>1,561,150</b>	<b>1,085,692</b>	<b>475,458</b>

The following element of the above relates to acquisitions within the year:

	Turnover £	Operating Costs £	Operating Surplus £	Turnover £	Operating Costs £	Operating Surplus £
Acquisition	741,640	536,371	205,269	-	-	-

#### 3. PARTICULARS OF INCOME & EXPENDITURE FROM SOCIAL LETTINGS

	General Needs Housing £	Supported Housing £	Shared ownership £	2011 Total £	2010 Total £
<b>Income from Lettings</b>					
Rent Receivable Net of Identifiable Service Charges	2,042,729	-	-	2,042,729	1,301,089
Service Charges Receivable	79,238	-	-	79,238	29,949
<b>Gross Rents Receivable</b>	<b>2,121,967</b>	<b>-</b>	<b>-</b>	<b>2,121,967</b>	<b>1,331,038</b>
<b>Less: Rent losses from voids</b>	<b>26,091</b>	<b>-</b>	<b>-</b>	<b>26,091</b>	<b>1,914</b>
<b>Net Rents Receivable</b>	<b>2,095,876</b>	<b>-</b>	<b>-</b>	<b>2,095,876</b>	<b>1,329,124</b>
<b>Total Income From Social Letting</b>	<b>2,095,876</b>	<b>-</b>	<b>-</b>	<b>2,095,876</b>	<b>1,329,124</b>
<b>Expenditure on Social Letting Activities</b>					
Service Costs	65,307	-	-	65,307	29,949
Management and maintenance administration costs	591,759	-	-	591,759	414,560
Reactive Maintenance	271,874	-	-	271,874	137,697
Bad Debts - Rents and Service Charges	30,683	-	-	30,683	26,104
Planned and Cyclical Maintenance, including Major Repairs	317,261	-	-	317,261	115,991
Depreciation of Social Housing	206,547	-	-	206,547	134,660
<b>Operating Costs of Social Letting</b>	<b>1,483,431</b>	<b>-</b>	<b>-</b>	<b>1,483,431</b>	<b>858,961</b>
<b>Operating Surplus on Social Letting Activities</b>	<b>612,445</b>	<b>-</b>	<b>-</b>	<b>612,445</b>	<b>470,163</b>
<b>2010</b>	<b>470,163</b>	<b>-</b>	<b>-</b>		

# WELLHOUSE HOUSING ASSOCIATION LIMITED

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2011

### NOTES TO THE FINANCIAL STATEMENTS (Continued)

#### 4. PARTICULARS OF TURNOVER, OPERATING COSTS AND OPERATING SURPLUS OR DEFICIT FROM OTHER ACTIVITIES

	Grants From Scottish Ministers £	Other Revenue Grants £	Supporting People Income £	Other Income £	Total Turnover £	Operating Costs Bad Debts £	Operating Costs Other £	Operating Surplus /(Deficit) 2011 £	Operating Surplus /(Deficit) 2010 £
Wider Role Activities	-	-	-	-	-	-	29,441	(29,441)	(11,567)
Other Agency or Management Services	-	-	-	43,830	43,830	-	-	43,830	45,989
Hub Rental Income	-	-	-	12,416	12,416	-	24,187	(11,771)	(1,461)
Commercial	-	-	-	25,180	25,180	-	2,333	22,847	16,025
Other Income	-	-	-	98,388	98,388	-	106,554	(8,166)	(43,691)
<b>Total From Other Activities</b>	-	-	-	179,814	179,814	-	162,515	17,299	5,295
<b>2010</b>	-	-	-	232,026	232,026	-	226,731	5,295	

# WELLHOUSE HOUSING ASSOCIATION LIMITED

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2011

### NOTES TO THE FINANCIAL STATEMENTS (Continued)

#### 5. OFFICERS' EMOLUMENTS

The Officers are defined in s74 of the Industrial and Provident Societies Act 1965 as the members of the Management Committee, managers or servants of the Association.

	2011	2010
	£	£

Aggregate Emoluments payable to Officers with Emoluments greater than £60,000 (excluding Pension Contributions)	68,538	68,286
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Pension contributions made on behalf on Officers with emoluments greater than £60,000	9,563	9,181
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Emoluments payable to Chief Executive (excluding pension contributions)	68,538	68,286
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The number of Officers, including the highest paid Officer, who received emoluments (excluding pension contributions) over £60,000 was in the following ranges:-

	Number	Number
	1	1

£60,001 to £70,000

#### 6. EMPLOYEE INFORMATION

	2011	2010
	No.	No.
The average monthly number of full time equivalent persons employed during the year was	10	9
The average total number of Employees employed during the year was	11	12
Staff Costs were:	£	£
Wages and Salaries	334,617	331,184
Social Security Costs	29,686	28,478
Other Pension Costs	24,537	28,666
	388,840	388,328



# WELLHOUSE HOUSING ASSOCIATION LIMITED

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2011

### NOTES TO THE FINANCIAL STATEMENTS (Continued)

#### 7. GAIN ON SALE OF HOUSING STOCK

	2011	2010
	£	£
Sales Proceeds	15,649	15,745
Cost of Sales	<u>15,649</u>	<u>15,745</u>
Gain On Sale Of Housing Stock	<u>-</u>	<u>-</u>

#### 8. INTEREST PAYABLE

	2011	2010
	£	£
On Bank Loans & Overdrafts	<u>199,319</u>	<u>169,687</u>

#### 9. SURPLUS ON ORDINARY ACTIVITIES BEFORE TAXATION

	2011	2010
	£	£
Surplus on Ordinary Activities before Taxation is stated after charging:-		
Depreciation - Tangible Owned Fixed Assets	227,576	150,674
Auditors' Remuneration - Audit Services	6,866	5,629
- Other Services	740	840
Operating Lease Rentals - Land & Buildings	12,079	11,574
Operating Lease Rentals - Other	<u>(37,596)</u>	<u>(34,846)</u>

#### 10. TAX ON SURPLUS ON ORDINARY ACTIVITIES

The Association is a Registered Scottish Charity and is not liable to United Kingdom Corporation Tax on its charitable activities.

# WELLHOUSE HOUSING ASSOCIATION LIMITED

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2011

### NOTES TO THE FINANCIAL STATEMENTS (Continued)

#### 11. TANGIBLE FIXED ASSETS

a) Housing Properties	Housing Properties Held for Letting £	Housing Properties In course of Construction £	Total £
<b>COST</b>			
As at 1st April 2010	30,870,865	54,916	30,925,781
Additions	142,376	333,962	476,338
Acquired at Fair Value	3,599,000	-	3,599,000
Disposals	(54,449)	-	(54,449)
Schemes Completed	34,017	(34,017)	-
As at 31st March 2011	34,591,809	354,861	34,946,670
<b>DEPRECIATION</b>			
As at 1st April 2010	888,774	-	888,774
Charge for Year	206,547	-	206,547
As at 31st March 2011	1,095,321	-	1,095,321
<b>SOCIAL HOUSING GRANT</b>			
As at 1st April 2010	23,894,158	20,899	23,915,057
Additions	63,980	333,235	397,215
Disposals	(50,590)	-	(50,590)
As at 31st March 2011	23,907,548	354,134	24,261,682
<b>OTHER CAPITAL GRANTS</b>			
As at 1st April 2010	55,000	-	55,000
As at 31st March 2011	55,000	-	55,000
<b>NET BOOK VALUE</b>			
As at 31st March 2011	9,533,940	727	9,534,667
As at 31st March 2010	6,032,933	34,017	6,066,950

Additions to housing properties includes capitalised development administration costs of £26,540 (2010 - £16,359) and capitalised major repair costs to existing properties of £nil (2010 £nil)

All land and housing properties are freehold.

In accordance with the Statement of Recommended Practice, housing properties acquired from Glasgow Housing Association Ltd were introduced on the Existing Use Value for Social Housing (EUV-SH) on 28 June 2011. The valuation was carried out by DTZ. This valuation was undertaken in accordance with the Practice Statements within the RICS Appraisal and Valuation Manual.

# WELLHOUSE HOUSING ASSOCIATION LIMITED

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2011

### NOTES TO THE FINANCIAL STATEMENTS (Continued)

#### 11. TANGIBLE FIXED ASSETS (Continued)

##### b) Other Tangible Assets

	Commercial Premises £	Office Premises £	Office Furniture & Equipment £	Total £
<b>COST</b>				
As at 1st April 2010	163,295	1,395,550	162,564	1,721,409
Additions	4,380	-	26,397	30,777
As at 31st March 2011	167,675	1,395,550	188,961	1,752,186
<b>GRANTS RECEIVED</b>				
As at 1st April 2010	-	1,085,240	-	1,085,240
As at 31st March 2011	-	1,085,240	-	1,085,240
<b>AGGREGATE DEPRECIATION</b>				
As at 1st April 2010	63,992	37,834	143,513	245,339
Charge for year	4,486	6,200	10,343	21,029
As at 31st March 2011	68,478	44,034	153,856	266,368
<b>NET BOOK VALUE</b>				
As at 31st March 2011	99,197	266,276	35,105	400,578
As at 31st March 2010	99,303	272,476	19,051	390,830

#### 12. COMMITMENTS UNDER OPERATING LEASES

At the year end, the annual commitments under operating leases were as follows:-	2011 £	2010 £
Other		
Expiring between two and five years	27,446	12,079

# WELLHOUSE HOUSING ASSOCIATION LIMITED

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2011

### NOTES TO THE FINANCIAL STATEMENTS (Continued)

#### 13. DEBTORS

	2011 £	2010 £
Arrears of Rent & Service Charges	185,000	72,094
Less: Provision for Doubtful Debts	(39,558)	(22,612)
	<u>145,442</u>	<u>49,482</u>
Other Debtors	70,264	46,093
	<u>215,706</u>	<u>95,575</u>

#### 14. CREDITORS: Amounts falling due within one year

	2011 £	2010 £
Housing Loans	287,500	292,500
Trade Creditors	462,565	132,569
Rent in Advance	11,337	24,340
Scheme Costs	-	57,938
Other Taxation and Social Security	9,236	6,990
Other Creditors	59,157	52,840
	<u>829,795</u>	<u>567,177</u>

At the balance sheet date there were pension contributions outstanding of £3,812 (2010 £2,870)

#### 15. CREDITORS: Amounts falling due after more than one year

	2011 £	2010 £
Housing Loans	<u>7,686,472</u>	<u>5,710,949</u>
Housing Loans are secured by specific charges on the Association's housing properties and are repayable at varying rates of interest in instalments, due as follows:-		
Within one year	287,500	292,500
Between one and two years	291,500	296,000
Between two and five years	898,500	921,000
In five years or more	<u>6,496,472</u>	<u>4,493,949</u>
	<u>7,973,972</u>	<u>6,003,449</u>
Less: Amount shown in Current Liabilities	287,500	292,500
	<u>7,686,472</u>	<u>5,710,949</u>

# WELLHOUSE HOUSING ASSOCIATION LIMITED

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2011

### NOTES TO THE FINANCIAL STATEMENTS (Continued)

#### 16. CASH FLOW STATEMENT

<i>Reconciliation of operating surplus to net cash inflow from operating activities</i>	2011 £	2010 £
Operating Surplus	629,744	475,458
Depreciation	227,576	150,674
Change in Debtors	(46,060)	10,521
Change in Creditors	86,915	17,125
Share Capital Written Off	-	(12)
Net Cash Inflow from Operating Activities	<u>898,175</u>	<u>653,766</u>

<i>Reconciliation of net cash flow to movement in net debt</i>	2011 £	£	2010 £	£
Increase in Cash	559,655		198,468	
Cash flow from change in debt	<u>(1,970,523)</u>		<u>293,881</u>	
Movement in net debt during year		(1,410,868)		492,349
Net debt at 1st April 2010		<u>(4,907,223)</u>		<u>(5,399,572)</u>
Net debt at 31st March 2011		<u><u>(6,318,091)</u></u>		<u><u>(4,907,223)</u></u>

<i>Analysis of changes in net debt</i>	At 01.04.10 £	Cash Flows £	Other Changes £	At 31.03.11 £
Cash at bank and in hand	1,096,226	559,655		1,655,881
Debt: Due within one year	(292,500)	292,500	(287,500)	(287,500)
Due after more than one year	<u>(5,710,949)</u>	<u>(2,263,023)</u>	<u>287,500</u>	<u>(7,686,472)</u>
Net Debt	<u><u>(4,907,223)</u></u>	<u><u>(1,410,868)</u></u>	<u><u>-</u></u>	<u><u>(6,318,091)</u></u>

# WELLHOUSE HOUSING ASSOCIATION LIMITED

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2011

### NOTES TO THE FINANCIAL STATEMENTS (Continued)

#### 17. SHARE CAPITAL

Shares of £1 each Issued and Fully Paid	£
At 1st April 2010	161
Issued in year	19
Cancelled in year	-
At 31st March 2011	<u>180</u>

Each member of the Association holds one share of £1 in the Association. These shares carry no rights to dividend or distributions on a winding up. When a shareholder ceases to be a member, that person's share is cancelled and the amount paid thereon becomes the property of the Association. Each member has a right to vote at members' meetings.

#### 18. RESERVES

(a) Designated Reserves	Cyclical Maintenance £	Major Repairs £	Total £
At 1st April 2010	142,188	724,567	866,755
Transfer from Revenue Reserves	-	374,229	374,229
At 31st March 2011	<u>142,188</u>	<u>1,098,796</u>	<u>1,240,984</u>

(b) Revenue Reserves	Total £
At 1st April 2010	504,539
Surplus for the year	498,972
Transfer (to) Designated Reserves	(374,229)
At 31st March 2011	<u>629,282</u>

#### 19. HOUSING STOCK

The number of units of accommodation in management at the year end was:-	2011 No.	2010 No.
General Needs - New Build	301	301
- Rehabilitation	528	140
	<u>829</u>	<u>441</u>

# WELLHOUSE HOUSING ASSOCIATION LIMITED

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## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2011

### NOTES TO THE FINANCIAL STATEMENTS (Continued)

#### 20. RELATED PARTY TRANSACTIONS

Members of the Management Committee are related parties of the Association as defined by Financial Reporting Standard 8.

The related party relationships of the members of the Management Committee is summarised as follows:

12 members are tenants of the Association

1 member is a factored owner

Those members that are tenants of the Association have tenancies that are on the Association's normal tenancy terms and they cannot use their positions to their advantage.

Governing Body Members cannot use their position to their advantage. Any transactions between the Association and any entity with which a Governing Body Member has a connection with is made at arm's length and is under normal commercial terms.

#### 21. NEGATIVE GOODWILL

	2011 £
Balance as at 1st April 2010	-
Arising on acquisition in the year (note 22)	1,480,944
Release during the year	(60,825)
As at 31st March 2011	<u>1,420,119</u>

# WELLHOUSE HOUSING ASSOCIATION LIMITED

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2011

### NOTES TO THE FINANCIAL STATEMENTS (Continued)

#### 22. SECOND STAGE TRANSFER

On 28 June 2011 the Association acquired housing assets and the related rent arrears from Glasgow Housing Association Limited as part of a Second Stage Transfer. The Association acquired 388 housing units that were managed by Wellhouse Tenants Direct. The identifiable assets and liabilities have been incorporated in the balance sheet of the Association at their fair value on acquisition.

##### Analysis of Acquisition

	Book Value £	Adjustment to Fair Value £	Fair Value £
Housing Properties	2,149,899 a)	1,449,101	3,599,000
Debtors - Rent Arrears	46,679 b)	31,843	78,522
Creditors - Rent Prepaid	( 4,451) c)	-	( 4,451)
	<u>2,192,127</u>	<u>1,480,944</u>	<u>3,673,071</u>
Consideration - at fair value			<u>2,192,127</u>
Negative Goodwill Arising on Acquisition			<u>1,480,944</u>

##### Adjustments

- a) Housing Property has been recognised at its fair value, being its value using the EUV-SH basis at acquisition
- b) The rent arrears acquired has been re-assessed and fair value adjustments made where appropriate
- c) The rent prepaid acquired has been re-assessed and fair value adjustments made where appropriate



FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2011

NOTES TO THE FINANCIAL STATEMENTS (Continued)

**23. RETIREMENT BENEFIT OBLIGATIONS**

**General**

Wellhouse Housing Association Limited participates in the Scottish Housing Association 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.

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
- Career average revalued earnings with a 1/70th accrual rate
- Career average revalued earnings with a 1/80th accrual rate
- Career average revalued earnings with 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.

Wellhouse Housing Association Limited has elected to operate the final salary with a 1/60th accrual rate benefit structure for active members as at 31st March 2008 and the final salary with a 1/60th accrual rate benefit structure for new entrants from 1st April 2008.

The Trustee commissions an actuarial valuation of the Scheme every three 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 values. 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 Wellhouse Housing Association Limited paid contributions at the rate of 15.4% of pensionable salaries. Member contributions were 7.7%.

As at the balance sheet date there were 5 active members of the Scheme employed by Wellhouse Housing Association Limited. The annual pensionable payroll in respect of these members was £185,936. Wellhouse 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 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.

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2011

NOTES TO THE FINANCIAL STATEMENTS (Continued)

**23. RETIREMENT BENEFIT OBLIGATIONS (Continued)**

The last formal valuation of the Scheme was performed as at 30th 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 £295m. The valuation revealed a shortfall of assets compared with the value of liabilities of £160m (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 30th 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%.

**Financial Assumptions**

The financial assumptions underlying the valuation as at 30th September 2009 were as follows:

	% p.a.
- Investment return pre-retirement	7.4
- Investment return post-retirement - non pensioners	4.6
- Investment return post-retirement - pensioners	4.8
- Rate of Salary increases	4.5
- Rate of pension increases:	
pension accrued pre 6 April 2005 in excess of GMP	2.9
pension accrued from 6 April 2005	2.2
(for leavers before 1 October 1993 pension increases are 5.0%)	
- Rate of price inflation	3.0

The valuation was carried out using the SAPS (S1PA) All pensioners Year of Birth Long Cohort with 1% p.a. minimum improvement for non-pensioners and pensioners. The table below illustrates the assumed life expectancy in years for pension scheme members at age 65 using these mortality assumptions:

	<i>Males</i>	<i>Females</i>
	<i>Assumed life expectancy in years at age 65</i>	<i>Assumed life expectancy in years at age 65</i>
Non-pensioners	18.1	20.6
Pensioners	18.1	20.6

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2011

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

**23. RETIREMENT BENEFIT OBLIGATIONS (Continued)****Valuation Results**

The long-term joint contribution rates required from employers and members to meet the cost of future benefit accrual were assessed as:

<i>Benefit Structure</i>	<i>Long-term joint contribution rate (% of pensionable</i>
Final salary - 60ths	19.2
Career average 60ths	17.1
Career average 70ths	14.9
Career average 80ths	13.2
Career average 120ths	9.4

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 £160m would be dealt with by the payment of additional contributions of 10.4% of pensionable salaries per annum with effect from 1st April 2011, increasing each 1 April in line with the rate of salary increases assumption.

As a result of Pension Scheme legislation 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 currently participating 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.