



**West
Granton**

HOUSING CO-OPERATIVE

Rebuilding a Community

WEST GRANTON HOUSING CO-OPERATIVE LIMITED

FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31st MARCH 2011

WEST GRANTON HOUSING CO-OPERATIVE LIMITED

26 Granton Mill Crescent, Edinburgh EH4 4UT

Tel: 0131 551 5035 Fax: 0131 551 7235 Email: mail@westgrantonhc.co.uk

West Granton Housing Co-operative Ltd. is a fully mutual co-operative housing association registered as a social landlord with the Scottish Housing Regulator (HAC 225) and as a co-operative with the Financial Services Authority - No. 2357RS.

WEST GRANTON HOUSING CO-OPERATIVE LIMITED

FINANCIAL STATEMENTS

For the year ended 31st March 2011

Registered Office : 26 Granton Mill Crescent
 Edinburgh
 EH4 4UT

Directors : Lorna Brown
 Alistair Burnett
 John Cavers
 Marilyn Dickson
 Mary Fergus
 William Keegan
 Leslie Llewellyn
 Joseph Moir
 George Thomson
 Stuart Thomson

Secretary : Gerard Gillies

Bankers : Royal Bank of Scotland plc

Lenders : Nationwide Building Society (trading as Dunfermline Building Society)

Solicitors : T C Young
 Aitken Nairn WS

Auditors : Chiene + Tait
 Chartered Accountants & Statutory Auditor
 61 Dublin Street
 Edinburgh
 EH3 6NL

WEST GRANTON HOUSING CO-OPERATIVE LIMITED

FINANCIAL STATEMENTS

For the year ended 31st March 2011

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WEST GRANTON HOUSING CO-OPERATIVE LIMITED
REPORT OF THE COMMITTEE OF MANAGEMENT

The Committee have pleasure in presenting their report on the Co-operative's affairs for the year ended 31st March 2011.

Membership of the Management Committee

Members of the Management Committee during the year and to the date of this report were:

Lorna Brown (Chairperson);

Stuart Thomson (Vice Chairperson)

Marilyn Dickson (Treasurer);

Carole-Anne Black (co-opted until September 2010 AGM);

Alistair Burnett;

John Cavers;

Mary Fergus;

William Keegan;

Leslie Llewellyn;

Joseph E. Moir;

George Thomson.

Principal Activity

The Co-operative's principal activity is the ownership and management of rented housing.

Financial Results

The operating surplus for the year to 31 March 2011 is £459,990 (2010: £464,815).

WEST GRANTON HOUSING CO-OPERATIVE LIMITED

REPORT OF THE COMMITTEE OF MANAGEMENT (continued)

OPERATING & FINANCIAL REVIEW

Business, Objectives & Strategy

West Granton Housing Co-operative Limited (WGHC) is a Registered Social Landlord (RSL) operating in north west Edinburgh to provide affordable general needs rented housing. We receive capital subsidies towards building new stock but operate without (or with immaterial) revenue subsidies.

The principal objects of WGHC are to provide, construct, improve & manage housing for occupation by its members. To that end it may carry out any other activities which help it achieve these objects and/or are permitted by section 58(3) of the Housing Scotland Act 2001.

WGHC was founded in 1994. Almost all of our housing stock of 380 houses and flats are new build. The first were completed in 1996, the most recent in October 2009. There was no housing development in the year under review, April 2010 to March 2011, and the Committee of Management of WGHC believe further additions to the housing stock are unlikely in the medium term. This is due to reduced grant funding and competition from larger social landlords.

The Committee is confident that WGHC can continue to thrive as an independent social landlord at current stock levels. However WGHC will be prepared to undertake further housing development within the local area as and when prospects improve.

The focus in the past year was on consolidation and in the medium term we will continue to focus on the management and maintenance of our existing stock and on reviewing and renewing internal procedures and financial controls. We will also introduce changes to meet new legislative and regulatory requirements including the Scottish Housing Quality Standard, the Housing (Scotland) Act 2010 and the introduction of component accounting.

WGHC employs staff to carry out most day to day operations from our office premises in Granton Mill Crescent, Edinburgh which is at the heart of our stock. In addition we have approved lists of contractors, consultants and suppliers for maintenance works and specialist services.

WGHC uses a range of measures to assess achievement of our objectives. These include: financial performance in relation to budgets and prior years; management and maintenance administration costs; staff costs as percentage of turnover; average time to relet; rent lost to voids; arrears, especially non technical arrears; and reactive repair completion times. Last but perhaps most important are indicators of tenant satisfaction.

Our performance targets and benchmarks are based on our own past performance, desired targets and the performance of other Registered Social Landlords (RSLs) published by the Scottish Housing Regulator (SHR).

Operations Review – Social Lettings

The past year was much more stable than its predecessor during which staff absences, coinciding with completion of new housing, had led to the use of temporary staff and considerable disruption to work patterns.

By contrast in the past year there was no staff turnover and no housing completions. This allowed us to integrate the new stock, review internal procedures and improve some key areas of performance. During the year the accountancy firm Baker Tilly were engaged to carry out internal audit of four key areas: Financial Regulations; Treasury Management; Void Management and Tenant Participation. No significant problems were found but a number of suggestions were made to improve processes.

Income and Expenditure relating to social letting activities in 2010/11 and the previous year are broken down in Note 2 on page 16 of these financial statements. Turnover increased by 6% compared with the previous year. Rents were not increased in April 2010. The decision to freeze rents was based on an analysis of costs and inflation. Both inflation rates and interest rates were extremely low at the time rents were set and most RSL's set low or no increases. The increase in turnover was mainly due to a full year's rent and service charges from the 45 flats completed in 2009.

WEST GRANTON HOUSING CO-OPERATIVE LIMITED
REPORT OF THE COMMITTEE OF MANAGEMENT (continued)

Turnover was also boosted by less rents lost to voids. This dropped from £5,203 to £2,710 due to a reduction in the number of lets and a reduction in the void period between lets. The average time to relet was reduced from 20 days in 2009/10 to 14 days in 2010/11.

Operating costs for social letting activities rose by 10%. This was mainly due to a larger planned maintenance programme in comparison to the previous year. Expenditure on planned maintenance rose from £94,648 to £161,822. The main variation was an extensive external painterwork programme in 2010. Planned maintenance is concentrated in some years more than others and the spend was well within budget.

Expenditure on housing related services (stair cleaning, garden aid, furnished tenancies etc.) rose by 43% to £42,107. This was due to the new flats being let for the full financial year and was covered by the increased income from service charges within turnover.

Other operating costs were relatively stable. Management and maintenance administration costs fell slightly due to lower staff costs as can be seen in Note 6 on page 18. The need for temporary staff had pushed staff costs up in the previous year. WGHC's management and administration costs in 2010/11 were £1,017 per house which was slightly less than the previous year (2010: £1,023). The reported average for Scottish RSLs for 2009/10 was £1,107 so WGHC's administration costs are well below average. (Quoted average is from the benchmarking tables on the SHR website).

Total arrears at 31st March 2011 were 4.2% of rent due compared with 3.2% the previous year. However this figure includes fluctuating "technical" arrears such as housing benefit payments paid in arrears by the local authority and is of limited use as a performance indicator.

Our key performance indicator is "non technical" arrears which is rents due from tenants and former tenants but withheld. At 31st March 2011 they amounted to 0.59% of rents due in the year (2009: 1.25%). This was well within our internal performance benchmark of 1%. This considerable improvement reflected the more stable staffing and workload during the year as well as the hard work of the housing management staff.

The only aspect of performance which declined in the year was in relation to repair response and completion targets. We set tight timescales and aim to achieve them 95% of the time. During the year 95% of routine repairs were completed within two weeks and 100% of urgent repairs within 2 days. However only 88% of emergency repairs were responded to within 3 hours compared to 96% the previous year. We class all central heating boiler failures as emergencies and it was in this area that the targets were missed in some cases. In most cases the delay was no more than an hour. Part of the reason for delays was the exceptional winter weather conditions. Nevertheless we are working with our central heating contractor to ensure performance improves.

WGHC is fortunate in that most of our stock was built in the past 20 years. The Housing Quality Standard does not cause concern since all stock comfortably meets the standard. This was confirmed by an independent survey of a sample of our stock carried out for us by Matheson Ltd (Surveyors) in 2010. We will be surveying all houses on a regular cycle in future to update and improve our records of the condition of the housing stock.

WGHC regularly surveys tenants to measure satisfaction across a range of activities. In the year under review 100% of tenants surveyed again declared themselves satisfied or very satisfied with WGHC as a landlord (2009: 100%). Within this 87% said they were "very satisfied" (2009: 82%) and 77% were also "very satisfied" with the repairs service (2009: 70%).

We will be reviewing the way we survey tenants in the coming year and trying to improve the information available to them. This means improving the web site as well as continuing to issue regular newsletters. As a fully mutual co-operative WGHC is also fortunate that our board consists entirely of tenants which gives us continual input and feedback. This helps us to quickly identify and respond to problems.

Overall the year under review was a very successful one. Performance was improved in areas which had been a concern the previous year including relet times and arrears. Costs were controlled and continue to compare well with other RSLs. Most importantly, levels of tenant satisfaction remain high.

WEST GRANTON HOUSING CO-OPERATIVE LIMITED
REPORT OF THE COMMITTEE OF MANAGEMENT (continued)

Operations Review – Other Activities

Turnover and costs relating to activities other than social letting are broken down in note 3 on page 17. Of this £17 (2010: £19) arises from memberships ending during the year. WGHC retains the £1 share value at the cessation of memberships.

One new item is shown for the year under review. WGHC sponsored a youth club at the Prentice Centre in West Granton during the year and we were able to secure Wider Role grant from the Scottish Government to finance this. WGHC is committed to supporting non housing activities which improve opportunities and the quality of life in our local area and this is an example of this.

Financial Review

The Co-operative's long term funding structure at 31st March 2011 was as follows:

Loan finance (repayable in more than one year)	£	5,709,983
Share capital	£	380
Reserves	£	1,506,988
	£	<u>7,217,351</u>

All our loan funding is from the Dunfermline Building Society (which is now a trading arm of the Nationwide Building Society). The total borrowing at 31st March 2011 was £5,873,027 which is the loan finance shown in the table together with £163,044 repayable in the coming year. The loans are secured on 302 units of our housing stock of 380 units.

The external economy remains unpredictable. Inflation rates are now relatively high. From below zero in 2009 the Retail Price Index had risen to 4% in March 2011. This was reflected in the Committee's decision to raise rents by 5% in April 2011.

Interest rates remained relatively low but variable rates have been rising slightly since a low point in October 2009. Around 39% of WGHC's funding had been on a three year fixed rate which expired in February 2011. With rates starting to rise the Committee authorised a new fix and £2,808,000 was fixed for 10 years at 4.49% including margin from February 2011. This should provide some security and stability in the medium term for WGHC amidst continuing financial uncertainty.

However, since 53% of our debt remains on variable rates WGHC will still benefit while rates remain low. Our average cost of borrowing in 2010/11 was only 2.7%. This contributed to the surplus for the year which, at £300,995, was £139,000 more than budget.

Reserves at the end of the period amounted to £1,506,988 of which £888,000 is designated for use for future planned maintenance.

Interest cover at 31st March 2011 was 288% (2010: 271%) using the definition of the ratio agreed with our lenders, Dunfermline Building Society. This ratio reflects our ability to cover the interest on our loans. This level is well above our covenanted interest cover of 110% (the "covenanted" level is the minimum we have agreed to maintain in loan agreements with the Dunfermline Building Society). This high level of interest cover is partly due to low interest rates but we would comfortably meet the covenant even with considerably higher rates.

Overall, despite the continuing uncertain external financial environment WGHC's financial position remains strong.

WEST GRANTON HOUSING CO-OPERATIVE LIMITED
REPORT OF THE COMMITTEE OF MANAGEMENT (continued)

Conclusions

The year to March 31st 2011 was less eventful than its predecessor and WGHC was able to consolidate. Considerable improvements were made in relation to some key performance indicators. WGHC continued to maintain excellent levels of service to our tenants. High standards continued to ensure high satisfaction with and demand for our housing. Performance indicators, comparisons with other RSLs and cost control are generally very favourable.

We continue to take steps to minimise risk across all our activities with particular emphasis on treasury management. This contributed to substantial savings on interest payable in the year. We also continue to make substantial provision for future maintenance.

We believe that the Co-operative remains organisationally and financially in a very strong position.

Post Balance Sheet Events

There were no significant post balance sheet events.

Going Concern

After making enquiries, the management committee has a reasonable expectation that the Co-operative has adequate resources to continue in operational existence for the foreseeable future. For this reason they continue to adopt the going concern basis in preparing the accounts.

Internal Financial Control

The Management Committee are pleased to report that the Co-operative has been in full compliance throughout the year with Chapter 5 "Internal Audit" of "Raising Standards in Housing" which is published by the SFHA and sets out best practice for Housing Associations.

The Management Committee acknowledge their ultimate responsibility for ensuring that the Co-operative has in place a system of controls that is appropriate to the various business environments in which it operates. These controls are designed to give reasonable assurance with regard to:

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

It is the responsibility of the Management Committee to establish and maintain systems of internal financial control. Such systems can only provide reasonable, and not absolute, assurance against financial misstatement or loss. Key elements include ensuring that:

- formal policies and procedures are in place, including the documentation of key systems and rules relating to the delegation of authorities, which allow the monitoring of controls and restrict the unauthorised use of the Co-operative's assets;
- experienced and qualified staff take responsibility for important business functions;
- forecasts and budgets are prepared to allow the Committee and management to monitor the key business risks and financial objectives, and progress towards financial plans set for the year and the medium term;
- regular financial reports are prepared promptly, providing up to date financial and other information and significant variances are investigated as appropriate;

WEST GRANTON HOUSING CO-OPERATIVE LIMITED
REPORT OF THE COMMITTEE OF MANAGEMENT (continued)

- all significant new initiatives, major commitments and investment projects are subject to formal authorisation by the Management Committee;
- the Management Committee reviews reports from management, and from the external auditor to provide reasonable assurance that control procedures are in place and are being followed. This includes a general review of the major risks facing the Co-operative;
- formal procedures have been established for instituting appropriate action to correct weaknesses identified from the above reports.

The Management Committee has reviewed the effectiveness of the system of internal financial control in existence in the Co-operative for the year ended 31 March 2011 and until 3 August 2011. No weaknesses were found in internal financial controls which resulted in material losses, contingencies, or uncertainties which require disclosure in the financial statements or in the auditor's report on the financial statements.

Statement of the Management Committee's Responsibilities in Respect of the Financial Statements

Housing Association legislation requires the Committee of Management to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Co-operative and of the income and expenditure of the Co-operative for that period. In preparing those financial statements the Committee is required to:

- select suitable accounting policies and then apply them consistently,
- make judgements and estimates that are reasonable and prudent,
- state whether applicable accounting standards have been followed subject to any material departures disclosed and explained in the financial statements, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Co-operative will continue in business.

The Committee is responsible for ensuring that arrangements are made for keeping proper books of account with respect to the Co-operative's transactions and its assets and liabilities and for maintaining a satisfactory system of control over the Co-operative's books of account and transactions. The Committee is also responsible for safeguarding the assets of the Co-operative and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Auditor

A resolution to re-appoint Chiene + Tait as auditor for the ensuing year will be proposed at the Annual General Meeting.

BY ORDER OF THE COMMITTEE



Gerard Gillies B.Sc. M.Phil. MCIH

Secretary & CEO

3 August 2011

WEST GRANTON HOUSING CO-OPERATIVE LIMITED
INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF
WEST GRANTON HOUSING CO-OPERATIVE LIMITED

We have audited the financial statements of West Granton Housing Co-operative Limited for the year ended 31 March 2011 set out on pages 11 to 23. These financial statements have been prepared under the accounting policies set out therein. 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 co-operative'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 co-operative'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 co-operative, the co-operative's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Management Committee and the auditor

As more fully explained in the Statement of the Management Committee's responsibilities on page 8, the Management Committee is responsible for the preparation of financial statements which give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the accounts

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 co-operative'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 nonfinancial information in the Report of the Committee of Management 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 accounts

In our opinion the financial statements:

- give a true and fair view of the state of the co-operative's affairs as at 31 March 2011 and of the co-operative's income and expenditure for the period then ended; and
- have been properly prepared in accordance with the Industrial and Provident Societies Acts 1965 to 2002, the Housing (Scotland) Act 2001 and the The Registered Social Landlords Accounting Requirements (Scotland) Order 2007.

Matters on which we are required to report by exception

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

- a satisfactory system of control over transactions has not been maintained; or
- the co-operative has not kept proper accounting records; or
- the financial statements are not in agreement with the books of account; or
- we have not received all the information and explanations we require for our audit; or
- the information given in the Report of the Committee of Management is inconsistent in any material respect with the financial statements.

WEST GRANTON HOUSING CO-OPERATIVE LIMITED
INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF
WEST GRANTON HOUSING CO-OPERATIVE LIMITED (continued)

Corporate Governance Matters

In addition to our audit of the financial statements, we have reviewed the Committee of Management's statement concerning internal financial control made under "The Code of Audit Practice" contained within the publication "Raising Standards in Housing" which is the guidance issued by the Scottish Federation of Housing Associations. The object of our review is to draw attention to non-compliance with the guidance.

Basis of Opinion

We carried out our review in accordance with guidance issued by the Auditing Practices Board. That guidance does not require us to perform the additional work necessary to, and we do not, express any opinion on the effectiveness of either the co-operative's system of internal financial control or its corporate governance procedures.

Opinion

With respect to the Committee of Management's statements on internal financial control, in our opinion the Committee of Management has provided the disclosures required by the guidance and such statements are not inconsistent with the information of which we are aware from our audit work on the financial statements.



CHIENE + TAIT

Chartered Accountants and Statutory Auditor

61 Dublin Street

Edinburgh EH3 6NL

22 AUGUST 2011

WEST GRANTON HOUSING CO-OPERATIVE LIMITED

INCOME & EXPENDITURE ACCOUNT

FOR THE YEAR ENDING 31 MARCH 2011

	Note	2011 £	2010 £
Turnover	1	1,323,319	1,248,132
less: operating costs	1	<u>(863,329)</u>	<u>(783,317)</u>
Operating surplus	1	459,990	464,815
Interest receivable		1,640	1,842
Interest payable	8	(160,291)	(173,030)
Other finance costs		<u>-</u>	<u>(4,075)</u>
		<u>(158,651)</u>	<u>(175,263)</u>
Surplus on ordinary activities before taxation		301,339	289,552
Tax on surplus on ordinary activities	9	<u>(344)</u>	<u>(387)</u>
Surplus for the year	18	<u>300,995</u>	<u>289,165</u>

There were no recognised gains or losses other than the surplus for the year.

The above results relate wholly to continuing activities.

The notes on pages 14 to 23 form part of the financial statements.

WEST GRANTON HOUSING CO-OPERATIVE LIMITED

BALANCE SHEET AT 31 MARCH 2011

	Notes	2011 £	2010 £
Tangible fixed assets			
Housing properties - depreciated cost	10	26,742,969	26,898,246
less: HAG		(18,405,006)	(18,403,412)
less: Other public grants		<u>(1,573,734)</u>	<u>(1,573,734)</u>
		6,764,229	6,921,100
Other fixed assets	10	<u>303,346</u>	<u>300,310</u>
		7,067,575	7,221,410
Current assets			
Debtors	11	63,277	60,939
Cash in hand and in bank		<u>462,736</u>	<u>245,282</u>
		526,013	306,221
Creditors: amounts falling due within one year	12	<u>(237,646)</u>	<u>(390,780)</u>
Net current assets / (liabilities)		<u>288,367</u>	<u>(84,559)</u>
Total assets less current liabilities		7,355,942	7,136,851
Creditors: amounts falling due after more than one year	13	<u>(5,848,574)</u>	<u>(5,930,478)</u>
		<u>1,507,368</u>	<u>1,206,373</u>
Capital and reserves			
Share capital	14	380	380
Designated reserves	18	888,000	741,500
Revenue reserve	18	<u>618,988</u>	<u>464,493</u>
		<u>1,507,368</u>	<u>1,206,373</u>

The financial statements were approved by the Management Committee on 3 April 2011

.....  Secretary

..... L. Brown Chairperson

..... M. Dobson Treasurer

The notes on pages 14 to 23 form part of the financial statements.

WEST GRANTON HOUSING CO-OPERATIVE LIMITED

CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 MARCH 2011

	Note	2011		2010	
		£	£	£	£
Net cash inflow from operating activities	19		621,602		583,845
Returns on investments & servicing of finance					
Interest paid & other finance costs		<u>(160,291)</u>		<u>(177,105)</u>	
Net cash outflow from returns on investments & servicing of finance			(160,291)		(177,105)
Taxation					
Corporation tax paid		<u>(387)</u>		<u>(2,731)</u>	
Net cash outflow on taxation			(387)		(2,731)
Capital expenditure and financial investment					
Acquisition and construction of properties		(20,462)		(1,538,959)	
Purchase of other fixed assets		(11,920)		(10,682)	
Capital grants received		<u>-</u>		<u>290,087</u>	
Net cash outflow from capital expenditure			(32,382)		(1,259,554)
Net cash inflow / (outflow) before use of liquid resources			428,542		(855,545)
Management of liquid resources			1,640		1,842
Financing					
Share capital issued		-		45	
Loan advances received		-		725,270	
Loan repayments	20	<u>(212,728)</u>		<u>(194,850)</u>	
Net cash (outflow) / inflow from financing			(212,728)		530,465
Increase / (decrease) in cash for the period	21		<u>217,454</u>		<u>(323,238)</u>

The notes on pages 14 to 23 form part of the financial statements.

WEST GRANTON HOUSING CO-OPERATIVE LIMITED

PRINCIPAL ACCOUNTING POLICIES

Introduction and accounting basis

These accounts are prepared under the historical cost convention and in accordance with applicable accounting standards and the *Statement of Recommended Practice (SORP): Accounting by registered social landlords* as updated in October 2010 and with *The Registered Social Landlords Accounting Requirements (Scotland) Order 2007*. A summary of the principal accounting policies is set out below.

Turnover

Turnover represents rental income, revenue based grants and miscellaneous income. Grants are recognised from the date a claim is submitted and miscellaneous income from date of receipt. Rents are charged weekly and are generally recognised in the accounts as of the Monday.

Retirement Benefits

WGHC participates in the centralised SFHA defined benefits scheme which is administered by the Pension Trust. Retirement benefits to employees are funded by contributions from all participating employers and employees. Contributions are made in accordance with periodic calculations by consulting actuaries and are based on pension costs applicable across all participants taken as a whole. The charge to the Income & Expenditure Account is the actual contribution payable in the year.

Housing Properties

Housing properties including land are shown at historic cost net of depreciation and Housing Association Grant (HAG) and other capital grants.

One WGHC development, at Forthquarter, includes land purchased for £1 on condition it was developed for social housing. The 2010 Statement of Recommended Practice (SORP) Accounting by Registered Social Housing Providers recommends that in such cases the land is shown at current value. An indicative current value for the land has been estimated at £675,000 however inclusion of this current value is not supported by professional market values provided for the development as a whole.

WGHC has taken the view that to show the current value of the land would crystallise a similar impairment and introduce unnecessary complexities into the financial statements while making no material difference to the financial position shown in the statements. Therefore all housing properties including land continues to be shown at historic cost.

Depreciation

Depreciation is charged quarterly on a straight line balance over the expected remaining useful life of fixed assets.

The amount depreciated is the historical cost of construction net of any grants and net of the residual land value (the historical cost of the land net of attributable grants).

Housing Properties	over 25 to 50 years
Office	over 50 years from practical completion
Fixtures & Fittings	over 4 years from acquisition
Office Equipment	over 4 years from acquisition
Flat Furnishings	over 6 years from acquisition
Playground Equipment	over 10 years from acquisition

Individual items of less than approximately £100 are charged to operating costs and not depreciated.

WEST GRANTON HOUSING CO-OPERATIVE LIMITED

PRINCIPAL ACCOUNTING POLICIES

Works to Existing Housing Properties & Capitalisation of Major Works

Works which improve housing properties or prolong their life or significantly reduce the maintenance costs may be capitalised and added to the historic costs. Where these works add to or significantly improve the properties this will be reflected in an increase in rents. Works to adapt properties for the use of people with disabilities are not capitalised and are not reflected in rents.

Housing Association Grant & other grants

Housing Association Grant and other grants received are usually paid direct to the Co-operative and are reflected in the accounts when due to be recovered. These grants are deducted from the cost of fixed assets where they contribute to capital expenditure on either housing properties or other fixed assets. HAG is repayable under certain circumstances, primarily following sale of property, but will normally be restricted to net proceeds of sale.

Grants are credited to the Income and Expenditure Account as part of Turnover where they contribute to revenue expenditure.

Capitalisation of Development Overheads

Costs arising from the construction or acquisition of housing properties are capitalised. These include fees, staff costs and other directly attributable costs necessary to bring the property to its intended use.

Capitalisation of Interest

Interest on loans financing developments are capitalised up to the date of practical completion. After that date interest is charged to the Income & Expenditure Account.

Designated Reserves

The Co-operative carries out programmes of cyclical maintenance and major repairs over the lives of its properties. Expenditure varies from year to year in accordance with this programme. Funds are set aside in designated reserves for future major repairs and cyclical maintenance expenditure on all housing properties.

An annual provision is agreed by Committee for both major repairs and cyclical maintenance. Where expenditure in the year will be less than provision Committee will agree a transfer to designated reserves. Where expenditure is more than provision Committee will agree a transfer from designated reserves to the revenue reserve.

Furnished Flats and Service Charge Sinking Fund

The Co-operative has a number of part furnished flats. Most of the initial cost of furnishings (which may include white goods and/or carpets and/or window blinds) was grant funded. In accordance with grant conditions a sinking fund was established within designated reserves for first replacement of the furnishings over 6 years. The last grant funded furnishings were installed in 2005. The balance of the fund was transferred to free reserves on 31st March 2011. Replacement furnishings are now shown at cost and depreciated over 6 years.

Taxation

As a fully mutual co-operative housing association, under s488 of the Income & Corporation Tax Act the Co-operative is only liable for tax on investment income. The Co-operative is not eligible for grant towards corporation tax.

WEST GRANTON HOUSING CO-OPERATIVE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

1 TURNOVER, OPERATING COSTS AND OPERATING SURPLUS OR DEFICIT

	Turnover 2011 £	Operating Costs 2011 £	Operating Surplus 2011 £	Operating Surplus 2010 £
Social lettings	1,322,198	862,225	459,973	464,796
Other activities	1,121	1,104	17	19
Total 2011	<u>1,323,319</u>	<u>863,329</u>	<u>459,990</u>	<u>464,815</u>
Total 2010	1,248,132	783,317	464,815	

2 PARTICULARS OF TURNOVER, OPERATING COSTS AND OPERATING SURPLUS OR DEFICIT FROM SOCIAL LETTING ACTIVITIES

	2011 £	2010 £
Rents receivable net of service charges	1,281,785	1,217,021
Service charges	<u>41,768</u>	<u>35,858</u>
Gross income from rents and service charges	1,323,553	1,252,879
Less voids	<u>(2,710)</u>	<u>(5,203)</u>
Net income from rents and service charges	1,320,843	1,247,676
Grants from Scottish Ministers	<u>1,355</u>	<u>437</u>
Total turnover from social letting activities	<u>1,322,198</u>	<u>1,248,113</u>
Management and maintenance administration costs	386,416	388,751
Service costs	42,107	29,507
Planned and cyclical maintenance including major repairs costs	161,822	94,648
Reactive maintenance costs including voids	118,073	115,088
Bad debts - rents and service charges	2,081	1,673
Depreciation of social housing	<u>151,726</u>	<u>153,650</u>
Operating costs for social letting activities	<u>862,225</u>	<u>783,317</u>
Operating surplus for social letting	459,973	464,796

Turnover from social lettings includes £1,355 of grant (2010: £437) towards administration costs arising from carrying out "stage 3" adaptations to houses for elderly or disabled tenants.

The only activity undertaken is General Needs Housing. There is no Supported Housing Accommodation, Shared Ownership Housing or Other Activities in relation to Social Letting Activities. Within General Needs Housing no Other Revenue Grants were received nor Impairment of Social Housing recognised.

WEST GRANTON HOUSING CO-OPERATIVE LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)

3 PARTICULARS OF TURNOVER, OPERATING COSTS AND OPERATING SURPLUS OR DEFICIT FROM OTHER ACTIVITIES

	Turnover 2011 £	Operating Costs 2011 £	Operating Surplus 2011 £	Operating Surplus 2010 £
Wider role activities	1,104	1,104	-	-
Expired shares retained	17	-	17	19
Total from other activities 2011	1,121	1,104	17	19
Total from other activities 2010	19	-	19	

£1,040 was expended in sponsoring a youth club in West Granton operated by the West Granton Community Trust. This was funded by Wider Role Grant from the Scottish Government.

The only other turnover not from social letting was £1 shares the value of which are retained by the Co-operative when a membership ceases.

4 ESTABLISHMENT OF REGISTERED SOCIAL LANDLORD

West Granton Housing Co-operative Limited (WGHC) was founded in 1990. It is a fully mutual co-operative housing association and is registered under the Housing Scotland Act 2001 as a Registered Social Landlord (RSL) with the Scottish Housing Regulator (Registration No. 225).

WGHC is a not for profit company registered as a co-operative with the Financial Services Authority (Registration No. 2357R(S)).

WGHC's principal objects are to provide, construct, improve & manage housing for occupation by its members. To that end it may carry out any other activities which help it achieve these objects and/or are permitted by section 58(3) of the Housing Scotland Act 2001.

5 OFFICER'S EMOLUMENTS

There were no officers with emoluments of more than £60,000 during the period of account. The emoluments of the chief executive officer were £50,661 (2010: £44,973). In addition pensions contributions of £7,802 were paid to the SFHA pension fund (2010: £6,769). No expenses were paid to officers which were chargeable to United Kingdom tax.

No compensation was paid to officers or former officers for loss of office nor was any consideration payable to third parties for making available any person to perform the role of officer.

WEST GRANTON HOUSING CO-OPERATIVE LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)

6 EMPLOYEE INFORMATION	2011	2010
	No.	No.
Average full time equivalent employees in the year	7	7
Average total number of employees in the year	9	9
Staff costs during the year	2011	2010
Wages and salaries	217,951	199,208
Social security costs	16,832	8,279
Pension costs	25,376	22,898
Temporary, seconded and agency staff	-	<u>47,624</u>
	<u>260,159</u>	<u>278,009</u>
7 AUDITORS	2011	2010
	£	£
Remuneration payable to Chiene + Tait as auditors	4,302	4,194
Remuneration payable to Chiene + Tait for IT services	-	161
Remuneration payable to Chiene + Tait for tax advice	-	1,288
8 INTEREST PAYABLE	2011	2010
	£	£
On building society mortgage.	160,291	173,030
There was no deferred interest.		
Taxes were paid on time therefore there was no interest charged for late payment of taxation.		
9 TAX ON SURPLUS ON ORDINARY ACTIVITIES	2011	2010
	£	£
Tax charged represents UK corporation tax on bank interest.	344	387
There was no under provision in the previous periods and there was no charge to deferred tax.		

WEST GRANTON HOUSING CO-OPERATIVE LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)

10 TANGIBLE FIXED ASSETS

	Houses held for letting	Office	office equipment	Office furniture & fittings	flats white goods & fittings	playground equipment	Total
At 31st March 2010	27,797,686	309,913	26,478	11,712	14,150	-	28,159,939
Additions during year	(3,551)	-	6,164	187	2,744	7,697	13,241
Disposals	-	-	-	-	(2,136)	-	(2,136)
At 31st March 2011	27,794,135	309,913	32,642	11,899	14,758	7,697	28,171,044
Housing Development Grants:							
At 31st March 2010	19,977,146	-	-	-	1,756	-	19,978,902
Additions during year	1,594	-	-	-	-	-	1,594
Disposals	-	-	-	-	(1,756)	-	(1,756)
At 31st March 2011	19,978,740	-	-	-	-	-	19,978,740
Depreciation							
At 31st March 2010	899,440	24,900	20,804	9,341	5,143	-	959,628
Provided in the year	151,726	6,600	3,735	1,107	2,121	192	165,481
Disposals	-	-	-	-	(380)	-	(380)
At 31st March 2011	1,051,166	31,500	24,539	10,448	6,884	192	1,124,729
Net book value:							
At 31st March 2011	6,764,229	278,413	8,103	1,451	7,874	7,505	7,067,575
Net book value:							
At 31st March 2010	6,921,100	285,013	5,674	2,371	7,252	-	7,221,410

All land included in fixed assets is owned by the Co-operative. Land is included at historic cost.

This includes a plot of land at Forthquarter bought for £1 upon which 45 flats were built. The 2010 Statement of Recommended Practice (SORP) Accounting by Registered Social Housing Providers recommends that in such cases the land is shown at current value. An indicative current value for the land has been estimated at £675,000 however inclusion of this current value is not supported by professional market values provided for the development as a whole.

WGHC has taken the view that to show the current value of the land would crystallise a similar impairment and introduce unnecessary complexities into the financial statements while making no material difference to the financial position shown in the statements. Therefore all housing properties including land continues to be shown at historic cost.

Houses held for letting at 31st March 2011 consisted of 380 units (2010:380). There were no additions in the year.

Changes to the historic cost of houses held for letting results from adjustments to final accounts of works and fees for completed projects.

During the year to 31st March 2011 a total of £279,895 was spent on works to existing properties (2010: £209,736). All of this was planned or reactive maintenance charged as operating costs. No works were capitalised.

WEST GRANTON HOUSING CO-OPERATIVE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

11 DEBTORS

	2011	2010
	£	£
Gross rent arrears	55,121	56,466
Provision for bad and doubtful debts	<u>(2,500)</u>	<u>(2,500)</u>
Net rent arrears	52,621	53,966
Revenue Grants	528	-
Other debtors	2,898	2,571
Prepayments & accrued income	<u>7,230</u>	<u>4,402</u>
	<u>63,277</u>	<u>60,939</u>

In 2011 other debtors are shown net of a provision for doubtful debts of £4,000 (2010: £2,000).

12 CREDITORS - amount falling due within one year

	2011	2010
	£	£
Mortgage	163,044	155,277
Social security and other taxes	8,535	7,609
Corporation tax	344	387
Other creditors and accruals	57,204	208,719
Prepayment by DCHA for forthquarter flats	-	5,534
Rent paid in advance	<u>8,519</u>	<u>13,254</u>
	<u>237,646</u>	<u>390,780</u>

13 CREDITORS - amount falling due after more than one year:

	2011	2010
	£	£
Retentions on building contracts	138,591	-
Mortgage	<u>5,709,983</u>	<u>5,930,478</u>
	<u>5,848,574</u>	<u>5,930,478</u>

The housing loans from the Dunfermline Building Society are secured by specific charges on 302 of the 380 housing properties and are repayable in instalments as follows assuming interest rates of 5%.

	2011	2010
	£	£
In one year or less	163,044	155,277
Between one and two years	171,386	163,221
Between two and five years	568,585	541,499
In five years or more	<u>4,970,012</u>	<u>5,225,758</u>
	<u>5,873,027</u>	<u>6,085,755</u>

£2,807,249 of the housing loans is on a fixed rate of 4.49% until February 2021. It will then revert to 3 months LIBOR plus a margin of 35 points which is the rate applying to the remaining loans. The average rate of borrowing in the year to 31st March 2011 was 2.7%.

WEST GRANTON HOUSING CO-OPERATIVE LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)

14 SHARE CAPITAL

	2011	2010
	£	£
Allotted, issued and fully paid ordinary shares of £1 each.	380	380

All Co-operative tenants are members and each has one share. There are no rights to a dividend, the share cannot be redeemed nor can it be distributed on winding up. When a membership ends the Co-operative retains the value of the share. Each shareholder has one vote at general meetings of the Co-operative.

15 ACCOMMODATION OWNED AND MANAGED

	2011	2010
Housing properties owned and managed by the Co-operative	380	380

No housing properties were managed for the Co-operative by another body.

16 CAPITAL COMMITMENTS

There were no capital commitments at 31st March 2011.

17 CONTINGENT LIABILITIES

As highlighted in Note 24 Pension Scheme: in respect of the Scottish Housing Associations' Pension Scheme there is a potential debt on WGHC that could be levied by the Trustee of the Scheme in the event of WGHC ceasing to participate in the Scheme or the Scheme winding up. This debt has been calculated as at 30 September 2010 by the SFHA Pension Scheme at £845,000.

18 DESIGNATED RESERVES

In line with the designated reserves accounting policy, provision is made in designated reserves for cyclical maintenance, major repairs and the furnished flats sinking fund by way of transfers to or from the revenue reserve.

In the year to 31st March 2011 Committee agreed:

- to transfer £165,000 from free reserves to the designated reserve for future major repairs;
- to transfer £7,000 from the designated reserves for future cyclical maintenance to free reserves;
- to wind up the from the furnished flat sinking fund and transfer the balance of £11,500 to the revenue reserve.

	Designated Reserves				Total £
	Revenue reserve £	Cyclical Maintenance £	Major Repairs £	Furnished Flats Sinking fund £	
At 31 March 2010	464,493	112,000	618,000	11,500	1,205,993
Surplus for the year	300,995	-	-	-	300,995
Transfer (from) / to income & expenditure account	(146,500)	(7,000)	165,000	(11,500)	-
At 31 March 2011	<u>618,988</u>	<u>105,000</u>	<u>783,000</u>	<u>-</u>	<u>1,506,988</u>

WEST GRANTON HOUSING CO-OPERATIVE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

19 RECONCILIATION OF OPERATING SURPLUS TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	2011	2010
	£	£
Operating surplus for year	459,990	464,815
Depreciation charges	165,481	167,251
decrease in work in progress	-	90,552
(Increase) / decrease in debtors	(2,339)	182,750
Decrease in creditors	(1,530)	(321,523)
Net cash inflow from operating activities	<u>621,602</u>	<u>583,845</u>

20 RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

	2011	2010
	£	£
Increase / (decrease) in cash	217,454	(323,238)
Cash inflow from loans raised	-	(725,270)
Cash outflow from loan repayments	<u>212,728</u>	<u>194,850</u>
Change in net debt resulting from cash flows	<u>430,182</u>	<u>(853,658)</u>
Net debt at 1 April 2010	<u>(5,840,473)</u>	<u>(4,986,815)</u>
Net debt at 31 March 2011	<u>(5,410,291)</u>	<u>(5,840,473)</u>

21 ANALYSIS OF CHANGES IN NET DEBT

	at 1 April 2010	Cash flows	Other changes	at 31 March 2011
	£	£	£	£
Cash in hand and at bank	245,282	217,454	-	462,736
Debt due within one year	(155,277)	-	(7,767)	(163,044)
Debt due after one year	<u>(5,930,478)</u>	<u>212,728</u>	<u>7,767</u>	<u>(5,709,983)</u>
	<u>(5,840,473)</u>	<u>430,182</u>	<u>-</u>	<u>(5,410,291)</u>

22 RELATED PARTY TRANSACTIONS

All members of the Committee are tenants. Their tenancies are on the Co-operative's normal terms and membership of the Committee confers no additional benefits.

23 POST BALANCE SHEET EVENTS

There were no significant post balance sheet events.

WEST GRANTON HOUSING CO-OPERATIVE LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)

24 PENSION SCHEME

West Granton Housing Co-operative Limited participates in the Scottish Housing Associations' Pension Scheme ('the Scheme'). The Scheme is funded and is contracted-out of the State Pension scheme.

It is not possible in the normal course of events to identify the share of underlying assets and liabilities belonging to an individual participating employer 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 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 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 with the value of 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%.

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 buy-out 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.

West Granton Housing Co-operative Limited has been notified by The Pensions Trust of the estimated employer debt on withdrawal from the Scottish Housing Associations' Pension Scheme based on the financial position of the Scheme as at 30 September 2010. As of this date the estimated employer debt for West Granton Housing Co-operative Limited was £845,000.