

WEST WHITLAWBURN HOUSING CO-OPERATIVE LIMITED

FINANCIAL STATEMENTS

For the year ended 31 March 2013

Registered Housing Association No. C3841

Financial Conduct Authority No. 2308 R S

Charity No SC038737

BAKER TILLY UK AUDIT LLP
Chartered Accountants

Glasgow

WEST WHITLAWBURN HOUSING CO-OPERATIVE LIMITED

FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2013

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 Registration particulars:	
Financial Conduct Authority	Industrial & Provident Societies Act 1965 Registered Number: 2308 R S
Scottish Housing Regulator	Housing (Scotland) Act 2010 Registered Number: C3841
Scottish Charities	Charities and Trustee Investment (Scotland) Act 2005 Recognised Scottish Charity Number SC038737

WEST WHITLAWBURN HOUSING CO-OPERATIVE LIMITED

REPORT OF THE COMMITTEE OF MANAGEMENT

YEAR ENDED 31 MARCH 2013

The Committee of Management present their report and audited financial statements for the year ended 31 March 2013.

Principal activity

The principal activity of the Co-operative is the provision and management of housing accommodation for rent. This is achieved by acquiring properties in order that they can be refurbished and re-let as rented accommodation, funded by Social Housing Grant (SHG) provided for this purpose. The cost of developments not met by SHG is met by a mortgage secured on the properties, which is repaid by the net rental income receivable, derived from those properties.

Legal Status

The Co-operative is a registered non-profit making organisation under the Industrial and Provident Societies Act 1965 No 2308R(S). The Co-operative is constituted under its Rule Book. The Co-operative is a Registered Scottish Charity with the Charity Number SCO38737.

Business review

The Co-operative made a deficit of £70,627 during the year (2012 – surplus £34,108).

The Co-operative is in a strong financial position with over £1.003m deposited as cash funds, and could access loan facilities if required. The Co-operative continues to have a major repair investment programme due in a small proportion of properties which will allow it to meet its commitments under the Scottish Housing Quality Standards during 2013\14. Cash surpluses will continue to be made, subject to our planned major repair programme over the next few years.

Members of Committee of Management

The members of the Committee of Management of the Co-operative during the year to 31 March 2013 were as follows:

Susan Anderson	Chairperson
Anne Anderson	Vice Chairperson
Muriel Alcorn	Treasurer
Cheryl Burnett	Secretary
Phil Welsh	
Sheila Jamieson	
Helen Anderson	
Elizabeth Kerr	Resigned 28 th August 2012, Reappointed 21 st January 2013
Kirsty McElhom	
Muriel M Alcorn	
Mary Fleming	
Louise Wilson	Appointed 20 th May 2013
Andy Duffin	Appointed 20 th May 2013
Susan Stevely	Appointed 29 th July 2013
Billy Hunter	Appointed 29 th July 2013

WEST WHITLAWBURN HOUSING CO-OPERATIVE LIMITED

REPORT OF THE COMMITTEE OF MANAGEMENT

YEAR ENDED 31 MARCH 2013

Each member of the Committee of Management holds one fully paid share of £1 in the Co-operative. The Executive Officers of the Co-operative hold no interest in the Co-operatives share capital and although not having the legal status of "director" they act as Executives within the authority delegated by the Committee.

Executive officers

The Executive Officers of the Co-operative during the year to 31 March 2013 was as follows:

P Farrell	Director
S Marshall	Depute Director
L McVie	Assistant Director (Corporate Services)
R Haughey	Assistant Director (Tenancy Services)
M Brownlie	Assistant Director (Operations)
S McPeake	Community Development Co-ordinator
R Smith	Concierge Manager

Operational Review

1 Corporate Governance

West Whitlawburn has a Committee of Management who are elected by the members of the Co-operative. It is the responsibility of the Committee to undertake the strategy, setting of policy and overall direction for the Co-operative. They also monitor the operational activities of the Co-operative. The members of the Committee of Management are unpaid.

The Executive Team of West Whitlawburn (as listed above) are responsible for achieving the strategy set and undertaking the operational activities in line with the policies set.

Our governing body is our Committee of Management, which is responsible to the wider membership. Committee of Management members serve in a voluntary capacity, and we recognise that this puts even more onus on us to ensure that we set and achieve high standards of professionalism in our work. We take governance very seriously, and in the last year we continued to build on work from previous years which strengthened our governance arrangements.

This report details issues that have arisen during the year relating to the main activities undertaken by the Co-operative.

2 Corporate Issues

Tenant involvement and participation is a major part of the Co-operative's Aims and Objectives, and we continue to review how the Co-operative involves tenants in its activities.

The Co-operative is committed to involving staff in decision making and policy making. In the year just ended we have continued to improve the staff development system and internal management plan process.

WEST WHITLAWBURN HOUSING CO-OPERATIVE LIMITED

REPORT OF THE COMMITTEE OF MANAGEMENT

YEAR ENDED 31 MARCH 2013

2 Corporate Issues (continued)

Best use of resources

We regularly conduct risk assessments, and take any action necessary to reduce or limit risk. We have continued with a programme of major investment in our housing stock, which is by far our most costly asset. This includes both carrying out major repairs, and also considering whether any of our older schemes should be remodelled to meet the changing requirements of tenants in the future. We are updating our stock condition information, to ensure that our long-term financial planning reflects our future investment requirements. We have a programme of best value reviews, to look for efficiencies and economies in the way that we carry out business processes.

Services

We aim to deliver high quality services, and we set ourselves the goal of achieving continuous improvement in what we do. In our housing stock, we are planning to move ahead with some major repairs that have become necessary and will allow us to meet our obligations under the Scottish Housing Quality Standards.

Our rent arrears management was reviewed during the year, and we will continue to seek improvements in our rent collection methods. We continued to deliver many completed adaptations to existing properties, to meet the specific needs of our tenants.

3 Fixed Asset Issues

The year just completed has been steady. We have spent £294k (2012 - £637k) during the year mainly on kitchen and bathroom replacements, of which £95k (2012 - £156k) of Housing Association Grants and other grants were received in funding.

4 Housing Issues

The Co-operative continues to work on reducing the period of time taken to re-let or let new properties and made significant progress with this during the year. This is to ensure that we maximise our effectiveness in housing people in need and reduce our costs. The rent loss due to empty properties was £25,924 (2012 - £27,443). Work is continuing to reduce this level of voids in future years.

5 Component Accounting

West Whitlawburn adopted Component Accounting into its financial statements last year in compliance with the SORP 2010. Major Components (Note 1) of our buildings are identified and depreciated over specific economic life spans. Their replacement is then capitalised in the financial statements as they occur.

WEST WHITLAWBURN HOUSING CO-OPERATIVE LIMITED

REPORT OF THE COMMITTEE OF MANAGEMENT

YEAR ENDED 31 MARCH 2013

6 Other Areas

Risk Management Policy

The Committee have a formal risk management process in place to assess business risks and implement risk management strategies. This involves identifying the types of risks the Co-operative faces, prioritising them in terms of potential impact and likelihood of occurrence, and identifying means of mitigating the risks. As part of this process the Committee have reviewed the adequacy of the Co-operative's current internal controls.

Accordingly they have set policies on internal controls which cover the following:

- consideration of the type of risks the Co-operative faces.
- the level of risks which they regard as acceptable.
- the likelihood of the risks concerned materialising.
- the Co-operative's ability to reduce the incidence and impact on the business of risks that do materialise; and the costs of operating particular controls relative to the benefit obtained.
- clarified the responsibility of management to implement the Committee's policies and to identify and evaluate risks for their consideration.
- communicated that employees have responsibility for internal control as part of their accountability for achieving objectives.
- embedded the control system in the Co-operative's operations so that it becomes part of the culture of the Co-operative.
- developed systems to respond quickly to evolving risks arising from factors within the Co-operative to changes in the external environment.
- included procedures for reporting failings immediately to appropriate levels of management and the Committee together with details of corrective action being undertaken.

Maintenance policies

The Co-operative seeks to maintain its properties to the highest standard. To this end programmes of cyclical repairs are carried out in the medium term to deal with the gradual and predictable deterioration of building components. It is expected that the cost of all these repairs would be charged to the Income and Expenditure account.

In addition, the Co-operative has a long-term programme of major repairs to cover for works which have become necessary since the original developments were completed, including works required by subsequent legislative changes. This includes replacement or repairs to features of the properties, which have come to the end of their economic lives. In line with the SORP 2010, replacements to building components (as identified in Note 1) are capitalised in the financial statements as they occur. All other major repairs are charged to the Income and Expenditure account.

Treasury Management

The Co-operative has an active treasury management function, which operates in accordance with the Treasury Policy approved by the Committee of Management. In this way the Co-operative manages its borrowing arrangements to ensure that it is always in a position to meet its financial obligations as they fall due, whilst maximising the return on excess cash and liquid resources held.

WEST WHITLAWBURN HOUSING CO-OPERATIVE LIMITED

REPORT OF THE COMMITTEE OF MANAGEMENT

YEAR ENDED 31 MARCH 2013

Internal Financial Control

The Committee of Management is responsible for establishing and maintaining the Co-operative's system of internal control. Internal control systems are designed to meet the particular needs of the Co-operative and the risks to which it is exposed, and by their nature can provide reasonable but not absolute assurance against material misstatement or loss. The key procedures which the Committee of Management has established with a view to providing effective internal financial control are detailed on pages 9 and 10.

Quality and Integrity of Personnel

The integrity and competence of personnel are ensured through high recruitment standards and subsequent training courses. High quality personnel are seen as an essential part of the control environment and the ethical standards expected are communicated through the Director.

Management Structure

The Committee of Management has overall responsibility for the Co-operative and there is a formal schedule of matters specifically reserved for decision by the Committee.

Budgetary Process

Each year the Committee of Management approves the annual budget and rolling strategic plan. Key risk areas are identified. Performance is monitored and relevant action taken throughout the year through quarterly reporting to the Committee of variances from the budget, updated forecasts for the year together with information on the key risk areas. Approval procedures are in place in respect of major areas of risk such as major contract tenders, expenditure and treasury management.

Rental Income

The Co-operative's Rent Policy is a points system based on the size, type and facilities of the accommodation. The policy ensures that the rent structure is easy to administer and covers the wide variations within the Co-operative's properties. This policy follows the generally accepted practice/principles of the Housing Movement.

Employee Involvement and Health & Safety

The Co-operative encourages employee involvement in all major initiatives. The Co-operative's Health and Safety Systems are subject to regular external H & S audit and always achieves excellent outcomes at such audits. At its external Health and Safety Audit in February 2013 the Co-operative achieved 100% satisfaction across all areas of Health and Safety with no recommendations for improvement required.

Disabled Employees

Applications for employment by disabled persons are given full and fair consideration for all vacancies in accordance with their particular aptitudes and abilities. In the event of employees becoming disabled, every effort is made to retrain them in order that their employment with the Co-operative may continue. It is the policy of the Co-operative that training, career development and promotion opportunities should be available to all employees.

WEST WHITLAWBURN HOUSING CO-OPERATIVE LIMITED

REPORT OF THE COMMITTEE OF MANAGEMENT

YEAR ENDED 31 MARCH 2013

Credit Payment Policy

The Co-operative's policy concerning the payment of its trade creditors complies with the Confederation of British Industry guidelines. The average payment period is thirty days.

Whitcomm Co-operative Ltd

West Whitlawburn Housing Co-operative (WWHC) established Whitcomm Co-operative Ltd in 2009 as a wholly separate private limited company to further its charitable aims as well as WWHC's organisational objectives for its tenants in WWHC homes. Through a close working relationship and support WWHC has acted as a business incubator for Whitcomm Co-operative Ltd. WWHC has two official appointees on the board of directors of Whitcomm Co-operative Ltd however both organisations have a number of other shared committee members.

WWHC worked with the local community to develop Whitcomm Co-operative Ltd. WWHC has installed a fibre optic infrastructure as part of the 100 home New Build development previously undertaken. The fibre optic infrastructure makes the neighbourhood the first Fibre to the Home project in Scotland and the largest in the UK.

In addition to the infrastructure Whitcomm Co-operative Ltd provides phone and broadband services to New Build tenants at a lower rate than can be found with commercial providers.

This will meet the following objectives:

- **Reduce digital exclusion in West Whitlawburn**
By providing low cost access to the internet through access to high speed next generation broadband Whitcomm supports the community to become more proficient at using ICT technology.
- **Reduce financial exclusion in West Whitlawburn**
Cheaper broadband services help those on lower incomes. Furthermore, by increasing access to financial advice and advocacy, financial services and cheaper consumer goods over the internet, Whitcomm Co-operative is helping those on lower incomes make their money stretch further.

Social Accounts

West Whitlawburn Housing Co-operative completed its first set of social accounts covering the 2007-2008 periods and is now planning for the next set of accounts.

Social accounting has provided West Whitlawburn Housing Co-operative with an opportunity to counter a central and significant problem; that much of the Co-operative's work is undervalued and goes largely unrecognised externally as conventional reporting frameworks almost exclusively rely on conventional currency measures. Social Accounts measure the Social, Economic and Environmental impact that the Co-operative has on the local community and insure that the co-operative is accountable to its stakeholders. The Social Accounts process has also proven to be an invaluable planning and internal management tool.

WEST WHITLAWBURN HOUSING CO-OPERATIVE LIMITED

REPORT OF THE COMMITTEE OF MANAGEMENT

YEAR ENDED 31 MARCH 2013

Pension Fund

West Whitlawburn Housing Co-operative is participating in, and taking a lead role in the Committee of, the SHAPS Employers Group which is a group set up by Employers in Voluntary Housing in conjunction with The Glasgow West of Scotland Forum and the Scottish Federation of Housing Associations. This will keep the Co-operative abreast of all developments in the financial environment and pensions industry which could impact on their pension scheme.

Going concern

The Committee of Management has reviewed the results for this year and has also reviewed the projections for the next five years. It, therefore, has a reasonable expectation that the Co-operative has adequate resources to continue in operational existence for the foreseeable future. For this reason, the going concern basis has been adopted in these financial statements.

Future developments

The Co-operative's current development programme is now drawing to an end, however the Co-operative will continue with its policy of improving the quality of the housing within its area of operation and continue to examine any opportunities which may arise for future development.

The Co-operative is working to develop proposals and a funding package for a new Community Energy Project delivering heat and hot water through a biomass district heating system, the main aims of the project being to reduce fuel poverty and carbon emissions.

Information for Auditors

As far as the Committee members are aware there is no relevant audit information of which the auditors are unaware and the Committee members have taken all the steps they ought to have taken to make themselves aware of any relevant audit information and to ensure that the auditors are aware of any such information.

Auditors

Baker Tilly UK Audit LLP has indicated its willingness to continue in office.

On behalf of the Committee of Management



Cheryl Burnett
Secretary

57 Belmont Road
Whitlawburn
Cambuslang
G72 8PG

Date: 29th August 2013

WEST WHITLAWBURN HOUSING CO-OPERATIVE LIMITED
STATEMENT OF THE COMMITTEE OF MANAGEMENT'S RESPONSIBILITIES
YEAR ENDED 31 MARCH 2013

The Committee of Management is responsible for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Under the legislation relating to Industrial and Provident Societies the Committee of Management are required 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 of that period. In preparing those financial statements the Committee of Management are required to:

- select suitable accounting policies and apply them consistently;
- observe the methods and principles in the RSL SORP;
- make reasonable and prudent judgements and estimates;
- 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 Association will continue in business.

The Committee of Management is also responsible for:

- keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the RSL and enable them to ensure that the financial statements comply with the Industrial and Provident Societies Act 1965 to 2002, the Housing (Scotland) Act 2010 and the Determination of Accounting Requirements - April 2012.
- safeguarding the Association's assets; and
- taking reasonable steps for the prevention and detection of fraud.

WEST WHITLAWBURN HOUSING CO-OPERATIVE LIMITED

COMMITTEE OF MANAGEMENT'S STATEMENT ON INTERNAL FINANCIAL CONTROL

YEAR ENDED 31 MARCH 2013

The Committee of Management 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 respect to:

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

It is the Committee of Management'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 include ensuring that:

- formal policies and procedures are in place, including the documentation of key systems and rules relating to the delegation of authority, which allows the monitoring of controls and restricts the unauthorised use of the Co-operative's assets.
- experienced and suitably qualified staff take responsibility for important business functions and that annual appraisal procedures have been established to maintain standards of performance.
- forecasts and budgets are prepared regularly which allow the Committee of Management and staff to monitor the key business risks and financial objectives, and progress towards financial plans set for the year and the medium term; regular management accounts are prepared promptly, providing relevant, reliable and up-to-date financial and other information and significant variances from budgets are investigated as appropriate.
- all significant new initiatives, major commitments and investment projects are subject to formal authorisation procedures, through relevant sub-committees comprising Committee of Management members and others.
- the Committee of Management review reports from management, from directors, staff and from the external auditors 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.

WEST WHITLAWBURN HOUSING CO-OPERATIVE LIMITED

COMMITTEE OF MANAGEMENT'S STATEMENT ON INTERNAL FINANCIAL CONTROL

**YEAR ENDED 31 MARCH 2013
(CONTINUED)**

The Committee of Management have reviewed the system of internal financial control in existence in the Co-operative for the year ended 31 March 2013 and until the below date. No weaknesses were found in internal financial controls which could result in material losses, contingencies, or uncertainties which require disclosure in the financial statements or in the auditors' report on the financial statements.

By order of the Committee of Management

A handwritten signature in black ink, appearing to read 'Cheryl Burnett', with a horizontal line extending to the right.

Cheryl Burnett
Secretary

Date : 29th August 2013

WEST WHITLAWBURN HOUSING CO-OPERATIVE LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF WEST WHITLAWBURN HOUSING CO-OPERATIVE LIMITED

We have audited the financial statements of West Whitlawburn Housing Co-operative Limited for the year ended 31 March 2013 on pages 12 to 32. 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 auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Association and the Association's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Committee and auditor

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

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/private.cfm.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Association's affairs as at 31 March 2013 and of its income and expenditure for the year then ended; and
- have been prepared in accordance with the requirements of the Industrial and Provident Societies Acts 1965 to 2002, Schedule 7 of the Housing (Scotland) Act 2010 and the Determination of Accounting Requirements - April 2012.

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 requires us to report to you if, in our opinion:

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

Baker Tilly UK Audit LLP

BAKER TILLY UK AUDIT LLP
Statutory Auditor
Breckenridge House
274 Sauchiehall Street
GLASGOW
G2 3EH

Date: *1st September 2013*

WEST WHITLAWBURN HOUSING CO-OPERATIVE LIMITED

INCOME AND EXPENDITURE ACCOUNT

YEAR ENDED 31 MARCH 2013

	Notes	2013	2012
		£	£
Turnover	2	2,678,237	2,638,230
Operating Costs	2	<u>(2,493,703)</u>	<u>(2,439,072)</u>
Operating Surplus		184,534	199,158
Loss on disposal of fixed assets		(97,491)	-
Interest receivable		7,244	5,970
Interest payable		<u>(164,914)</u>	<u>(171,020)</u>
Deficit on ordinary activities before tax		(70,627)	34,108
Corporation tax on deficit on ordinary activities	4	<u>-</u>	<u>-</u>
Deficit for year	11,13	<u><u>(70,627)</u></u>	<u><u>34,108</u></u>

The results for the year relate wholly to continuing activities.

There are no recognised gains and losses in 2013 and 2012 other than the surplus for the year.

WEST WHITLAWBURN HOUSING CO-OPERATIVE LIMITED

BALANCE SHEET

AS AT 31 MARCH 2013

	Notes	2013	2012
		£	£
Tangible Fixed Assets			
Housing properties			
- Gross cost less depreciation	5	50,831,693	50,935,793
Less: Housing Association Grant	5	(46,841,021)	(46,826,412)
		3,990,672	4,109,381
Other Fixed Assets	5	67,294	94,283
		<u>4,057,966</u>	<u>4,203,664</u>
Current Assets			
Debtors	6	523,662	455,911
Cash at bank and in hand		<u>1,003,723</u>	<u>1,045,650</u>
		1,527,385	1,501,561
Creditors: Amounts falling due within one year	7	<u>(901,696)</u>	<u>(857,802)</u>
Net Current Assets		<u>625,689</u>	<u>643,759</u>
Total assets less current liabilities		4,683,655	4,847,423
Creditors: Amounts falling due after more than one year	8	<u>(2,899,225)</u>	<u>(2,992,377)</u>
		<u>1,784,430</u>	<u>1,855,046</u>
Capital and reserves			
Share capital	12	696	685
Revenue reserve	13	1,127,065	1,238,941
Designated reserves	14	<u>656,669</u>	<u>615,420</u>
Total Funds		<u>1,784,430</u>	<u>1,855,046</u>

The financial statements were approved and authorised for issue by the Committee of Management on 19th August 2013 and signed on its behalf by: -

Secretary: Cheryl Burnett Cheryl Burnett 29th August 2013

Member: Muriel Alcorn Muriel Alcorn 29th August 2013

Member: Anne Anderson Anne Anderson 29th August 2013

WEST WHITLAWBURN HOUSING CO-OPERATIVE LIMITED

CASH FLOW STATEMENT

YEAR ENDED 31 MARCH 2013

	Notes	2013	2012
		£	£
Net cash inflow from operating activities	15	400,820	591,963
Return on investments and servicing of finance			
Interest received	7,244		5,970
Interest paid	(164,914)		(171,020)
Net cash (outflow) from returns on Investments & servicing of finance		(157,670)	(165,050)
Taxation			
Corporation Tax paid	-		-
Corporation Tax received	-		-
Investing Activities			
Acquisition and construction of Housing properties	(233,572)		(607,257)
Purchase of other fixed assets	(21,829)		(29,651)
Social Housing Grant received	55,064		156,453
Component Disposals	(11,799)		-
Net cash (outflow) from investing activities		(212,136)	(480,455)
Net cash inflow/(outflow) before financing		31,014	(53,542)
Financing			
Issue of Share Capital	91		79
Loans received	-		-
Loans repaid	(73,032)		(59,354)
Net cash (outflow) from financing		(72,941)	(59,275)
(Decrease) in cash		(41,927)	(112,817)

Further details are given in note 15

WEST WHITLAWBURN HOUSING CO-OPERATIVE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2013

1. Principal accounting policies

(a) Basis of Accounting

The principal accounting policies of the Co-operative are set below. The Co-operative is incorporated under the Industrial and Provident Societies Act 1965 and is registered by The Financial Conduct Authority. The accounts have been prepared under the historical cost convention, and in compliance with The Determination of Accounting Requirements - April 2012 and The Statement of Recommended Practice (SORP), "Accounting by Registered Social Housing Providers Update 2010" and applicable accounting standards.

(b) Changes to accounting policy

Where any new policy is thought to be more appropriate, this amendment will be made and noted below with any prior period adjustment also being made, where it has material and fundamental impact.

(c) Housing Association Grants

Housing Association Grants are utilised to reduce the amount of mortgage loans in respect of an approved scheme to the amount which it is estimated can be serviced by the net annual income of the scheme. The amount of HAG is calculated on the qualifying cost of the scheme.

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

Acquisition and Development Allowances are advanced as grants. They are intended to finance certain internal administration costs relating to the acquisition of schemes. Development allowances become available in instalments according to the progress of work on the scheme.

(d) Finance

The financial statements have been prepared on the basis that capital expenditure will be grant aided, funded by loans, met out of reserves or from proceeds of sales.

(e) Mortgages

Mortgage loans are advanced by private lenders under the terms of the individual mortgage deeds in respect of each property or housing scheme. Advances are available only in respect of those developments which have been given approval for HAG.

(f) Fixed assets - Housing land and buildings

Housing land and buildings are stated at cost. The development cost of housing properties funded with HAG includes the following:-

- (i) Cost of acquiring land and buildings.
- (ii) Development expenditure.
- (iii) Interest charged on the loans during the development year of the scheme to the date of completion.

WEST WHITLAWBURN HOUSING CO-OPERATIVE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2013

1. Principal accounting policies (continued)

(g) Works to existing properties

Works to existing properties will generally be capitalised under the following circumstances:

- (i) Where a component of the housing property that has been treated separately for depreciation purposes and depreciated over its useful economic life is replaced or restored; or
- (ii) Where the subsequent expenditure provides an enhancement of the economic benefits of the tangible fixed assets in excess of the previously assessed standard of performance. Such enhancement can occur if the improvements result in an increase in rental income, a material reduction in future maintenance costs or a significant extension of the life of the property.

Works to existing properties, which fail to meet the above criteria, are charged to the Income and Expenditure account.

(h) Housing, land and buildings - depreciation

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 each major component that makes up the housing property as follows:

Land	Not depreciated
Structure	Over 60 years
Doors	Over 30 years
Windows	Over 30 years
Heating	Over 30 years
Bathroom	Over 30 years
Kitchen	Over 15 years
Lift	Over 30 years

(i) Other fixed assets

Depreciation is charged by equal annual instalments at rates estimated to write off costs less any residual value over expected useful lives

Office Fixtures, fittings & equipment	-	25%
Office accommodation	-	4%

(j) Impairment of fixed assets

Reviews for impairment of housing properties are carried out on an annual basis and any impairment in an income-generating unit is recognised by a charge to the Income and Expenditure account. Impairment is recognised where the carrying value of an income-generating unit exceeds the higher of its net realisable value or its value in use. Value in use represents the net present value of expected future cash flows from these units.

WEST WHITLAWBURN HOUSING CO-OPERATIVE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2013

1. Principal accounting policies (continued)

Impairment of assets would be recognised in the Income and Expenditure account.

(k) Designated reserve - reserves for cyclical maintenance

Future cyclical maintenance expenditure, being the Association's commitment to undertake cyclical repairs to its properties, is set aside in a designated reserve.

(l) Pensions

The Co-operative participates in the centralised Scottish Housing Associations Pension Scheme (SHAPS). Defined Benefits Pension Scheme and retirement benefits to employees of the Co-operative 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.

The cost to the Association of Pensions is charged to the Income and Expenditure Account.

(m) Lease obligations

Rentals paid under operating leases are charged to the Income and Expenditure account as they are incurred.

(n) Turnover

Turnover represents rental income receivable from tenants, development administration, and other income together with revenue grants from the Scottish Government, local authorities and other organisations.

(o) Sale of housing properties

Properties are disposed of under the appropriate legislation and guidance. All costs and grants relating to the share of property sold are removed from the financial statements at the date of sale.

(p) Apportionment of management expenses

Direct employee administration and operating costs have been apportioned to the Income and Expenditure account on the basis of costs of the staff to the extent that they are directly engaged in each of the operations dealing with in those accounts.

WEST WHITLAWBURN HOUSING CO-OPERATIVE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2013
(CONTINUED)

2. Particulars of turnover, operating costs, operating surplus by class of business

	Note	2013			2012 Operating Surplus/(deficit) £
		Turnover £	Operating Costs £	Operating Surplus/(Deficit) £	
Income from Lettings	3a	2,666,732	(2,360,943)	305,789	371,213
Other Income and Expenditure	3b	11,505	(132,760)	(121,255)	(172,055)
Total		<u>2,678,237</u>	<u>(2,493,703)</u>	<u>184,534</u>	<u>199,158</u>
2012		<u>2,638,230</u>	<u>(2,439,072)</u>	<u>199,158</u>	

WEST WHITLAWBURN HOUSING CO-OPERATIVE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2013
(CONTINUED)

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

	2013	2012
	£	£
Lettings		
Rent receivable net of service charges	2,692,655	2,569,377
Service charges	-	-
Gross income from rents and service charges	<u>2,692,655</u>	<u>2,569,377</u>
Less: Rent losses from voids	<u>(25,924)</u>	<u>(27,443)</u>
Net income from rents and service charges	2,666,732	2,541,934
Grants from the Scottish Ministers	-	-
Other revenue grants	-	-
Total income from lettings	<u>2,666,732</u>	<u>2,541,934</u>
Expenditure on Letting Activities		
Service costs	57,775	68,829
Management and maintenance administration costs	1,373,791	1,193,309
Reactive maintenance	560,268	563,920
Planned and cyclical maintenance including major repairs	108,499	152,219
Property depreciation	229,016	146,932
Bad debts	31,594	45,512
Operating costs for social letting activities	<u>2,360,943</u>	<u>2,170,721</u>
Operating surplus for social letting activities	<u>305,789</u>	<u>371,213</u>

The amount of service charges receivable on housing accommodation not eligible for Housing Benefit was £nil (2012 - £nil).

All of the above relate solely to General needs housing.

WEST WHITLAWBURN HOUSING CO-OPERATIVE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2013
(CONTINUED)

3b – 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 £	Other operating costs £	Operating surplus (deficit) £	Operating surplus/(deficit) for previous period of account £
Wider action/wider role	-	-	-	-	-	-	-	-	(58,666)
Care and repair	-	-	-	-	-	-	-	-	-
Factoring	-	-	-	-	-	-	-	-	-
Development activities	1,846	-	-	-	1,846	-	(12,760)	(10,914)	(19,003)
Support activities	-	-	-	-	-	-	-	-	-
Care activities	-	-	-	-	-	-	-	-	-
Agency/management services for registered social landlords	-	-	-	-	-	-	-	-	-
Other agency/management services	-	-	-	-	-	-	-	-	-
Developments and improvements for sale, (including first tranche shared ownership sales) to non registered social landlords	-	-	-	-	-	-	-	-	-
Regeneration activities	-	-	-	-	-	-	(120,000)	(120,000)	(110,000)
Other activities	-	-	-	9,659	9,659	-	-	9,659	15,614
Total from other activities	1,846	-	-	9,659	11,505	-	(132,760)	(121,255)	(172,055)
2012	86,528	-	-	9,768	96,296	-	(268,351)	(172,055)	

Other activities income relates to the rental of roof space to O² and T-mobile.

WEST WHITLAWBURN HOUSING CO-OPERATIVE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2013

(CONTINUED)

4. Tax on profit on ordinary activities

West Whitlawburn Housing Co-operative Limited was granted charitable status on 30 October 2007 and as a result is not subject to corporation tax on its activities.

5. Tangible fixed assets

	Housing Properties Held for Letting £	Office Premises/ Community Centre £	Furniture & Equipment £	Total £
Cost				
As at 1 April 2012	51,772,910	324,448	374,791	52,472,149
Additions	294,398	6,204	5,595	306,197
Disposals	(329,812)	-	-	(329,812)
As at 31 March 2013	51,737,496	330,652	380,386	52,448,534
Social Housing Grant & Other Grant				
As at 1 April 2012	46,826,412	160,249	-	46,986,661
Additions	95,388	-	-	95,388
Rebated	(80,779)	-	-	(80,779)
As at 31 March 2013	46,841,021	160,249	-	47,001,270
Depreciation				
As at 1 April 2012	837,117	124,042	320,665	1,281,824
Charge for year	229,016	6,540	32,248	267,804
Disposals	(160,330)	-	-	(160,330)
As at 31 March 2013	905,803	130,582	352,913	1,389,298
Net book value				
31 March 2013	3,990,672	39,821	27,473	4,057,966
31 March 2012	4,109,381	40,157	54,126	4,203,664

WEST WHITLAWBURN HOUSING CO-OPERATIVE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2013
(CONTINUED)

5. Tangible fixed assets (contd)

Total major repairs costs during the year were £305,702 (2012: £525,614) of which £197,203 (2012: £373,395) was capitalised. Of the amount capitalised £197,203 (2012: £239,403) related to replacement of components and £nil (2012: £133,992) related to improvements.

Included in housing land and buildings additions is capitalised development administration expenditure of £12,760 (2012 - £22,946).

None of the Co-operative's land or letting properties is held under a lease.

6. Debtors

Rent arrears	150,919	149,117
Less: bad debt provision	(50,000)	(50,000)
	<u>100,919</u>	<u>99,117</u>
Housing Benefit receivable	117,000	114,888
Other Debtors and Prepayments	142,932	149,874
Amounts due from Whitcomm	50,093	50,929
Amounts due from WCRC	112,718	41,103
	<u>523,662</u>	<u>455,911</u>

Included within other debtors is a balance of £50,093 (2012- £50,929) which is regarded as due after one year.

7. Creditors due within one year

	2013	2012
	£	£
Loans (note 8)	85,709	65,589
Rent in advance	133,874	128,524
Trade creditors	137,417	55,661
Other tax and social security	24,063	38,718
Other creditors and accruals	400,633	459,310
Amounts due to WCRC	120,000	110,000
	<u>901,696</u>	<u>857,802</u>

WEST WHITLAWBURN HOUSING CO-OPERATIVE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2013
(CONTINUED)

	2013 £	2012 £
8. Creditors due after more than one year		

Loans

2,899,225	2,992,377
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Loans are secured by specific charges on the Association's properties. Loans are repayable at rate of interest of 5.5% (2012: 5.5%) in instalments due as follows:

Within one year (note 7)	85,709	65,589
Between one and two years	85,709	65,589
Between two and five years	257,126	196,767
In five years or more	2,556,390	2,730,021
	<u>2,984,934</u>	<u>3,057,966</u>

2013 £	2012 £
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9. Employees

Staff costs during year:

Wages and salaries	905,203	926,772
Social security costs	74,545	74,718
Pension costs	104,834	120,359
	<u>1,084,582</u>	<u>1,121,849</u>

The average full time equivalent number of persons employed by the Co-operative during the year were as follows:

	No	No
Office	17	17
Concierge	13	13
	<u>30</u>	<u>30</u>

The Directors are defined as the members of the Committee of Management, the Director and any other person reporting directly to the Directors or the Committee of Management whose total emoluments exceed £60,000 per year. No Director had emoluments exceeding £60,000 per year.

Emoluments payable to Chief Executive (excluding pension contributions)	£ <u>56,011</u>	£ <u>54,645</u>
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The Co-operative's contributions for the Chief Executive in the year amounted to £11,656 (2012 - £11,254).

No member of the Committee of Management received any emoluments in respect of their services to the Co-operative.

WEST WHITLAWBURN HOUSING CO-OPERATIVE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2013
(CONTINUED)

10. Auditors' Remuneration

	2013 £	2012 £
The remuneration of the auditors (including expenses and including VAT for the year)	9,360	11,799
Remuneration of the auditors in respect of services other than those as auditors	936	1,001

11. Reconciliation of Funds

	2013 £	2012 £
At 1 April	1,855,046	1,820,940
Deficit for year	(70,627)	34,108
New Shares Issued	91	79
Shares Cancelled	(80)	(81)
Net Change in Funds	(70,616)	34,106
At 31 March	1,784,430	1,855,046

12. Share capital

	2013 £	2012 £
Shares of £1 each fully paid and issued		
Allotted, issued and fully paid at 1 April	685	687
Issued during the year	91	79
Forfeited during the year	(80)	(81)
At 31 March	696	685

Each member of the Co-operative holds one share of £1 in the Co-operative. These shares carry no rights to dividends or distributions on a winding up. Each member has a right to vote at members' meetings.

13. Revenue reserve

	2013 £	2012 £
At 1 April	1,238,941	472,368
Transfer (to) designated reserves	(149,748)	-
Transfer from designated reserves	108,499	732,465
Deficit for the year	(70,627)	34,108
At 31 March	1,127,065	1,238,941

WEST WHITLAWBURN HOUSING CO-OPERATIVE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2013

(CONTINUED)

14. Designated reserves

	2013 £	2012 £
Cyclical Maintenance (Previously Major Repair Reserve)		
Balance at 1 April	615,420	1,347,885
Transfer (to) revenue reserves	(108,499)	(732,465)
Transfer from revenue reserves	149,748	-
Balance at 31 March	<u>656,669</u>	<u>615,420</u>

No restrictions are placed upon these reserves, but the committee has designated their use for a specific purpose. £251,084 of these reserves intend to be spent on cyclical maintenance within 1 to 2 years

15. Cash flow statement

	2013 £	2012 £
Reconciliation of operating surplus to net cash		
Inflow from operating activities		
Operating surplus	184,534	199,158
Depreciation charges	267,804	189,001
(Increase)/decrease in debtors	(54,069)	7,983
Increase in creditors	2,631	195,902
Shares cancelled	(80)	(81)
Net cash inflow from operating activities	<u>400,820</u>	<u>591,963</u>

Reconciliation of net cash flow to movements in net debt

Decrease in cash for the year	(41,927)	(112,817)
Loan repayments	<u>73,032</u>	<u>59,354</u>
Change in net cash	31,105	(53,463)
Net cash as at 31 March 2012	<u>(2,012,316)</u>	<u>(1,958,853)</u>
Net cash as at 31 March 2013	<u>(1,981,211)</u>	<u>(2,012,316)</u>

Analysis of Changes in net debt

	As at 31 March 2012 £	Cash Flow £	Other Changes £	As at 31 March 2013 £
Cash at bank and in hand	1,045,650	(41,927)	-	1,003,723
Debt due within one year	(65,589)	(20,120)	-	(85,709)
Debt due after one year	<u>(2,992,377)</u>	<u>93,152</u>		<u>(2,899,225)</u>
	<u>(2,012,316)</u>	<u>31,105</u>	<u>-</u>	<u>(1,981,211)</u>

WEST WHITLAWBURN HOUSING CO-OPERATIVE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2013

(CONTINUED)

16. Pension Fund

The Scottish Housing Associations' Pension Scheme

West Whitlawburn 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 individual participating employers as the Scheme is a multi-employer arrangement where the assets are co-mingled for investment purposes, benefits are paid from the total Scheme assets, and the contribution rate for all employers is set by reference to the overall financial position of the Scheme rather than by reference to individual employer experience. Accordingly, due to the nature of the Scheme, the accounting charge for the period under FRS17 represents the employer contribution payable.

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

The 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 September 2012 valuation has been undertaken and this reveals a shortfall of £304m of assets compared to liabilities. This is equivalent to a past service funding level of 56.4%.

The Scheme Actuary has prepared an Actuarial Report that provides an approximate update on the funding position of the Scheme as at 30 September 2011. 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 £341 million and indicated an increase in the shortfall of assets compared to liabilities to approximately £207 million, equivalent to a past service funding level of 62.2%.

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 WHITLAWBURN HOUSING CO-OPERATIVE LIMITED

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED 31 MARCH 2013 (CONTINUED)

16. Pension Fund (contd)

West Whitlawburn Housing Co-operative Limited has been notified by The Pensions Trust of the estimated employer debt on withdrawal from the SHAPS Scheme based on the financial position of the Scheme as at 30 September 2012. As of this date the estimated employer debt for West Whitlawburn Housing Co-operative Limited was £4,734,057.

West Whitlawburn Housing Co-operative has been notified by the Pensions Trust of the Scottish Housing Association Pension Scheme (SHAPS) that past service deficit contributions payable for the year to 31 March 2014 are £68,113. The deficit contribution will increase to £173,967 as from 1 April 2014 and will increase by 3% a year for the next 13.5 years until September 2027. The calculated net present value of these contributions at 31 March 2013 using a 4% discount rate is £2,047,083.

West Whitlawburn Housing Co-operative Limited has elected to operate the Benefit option for active members as at 1 April 2012 and the same benefit structure for any new entrants.

During the accounting period West Whitlawburn Housing Co-operative Limited paid contributions at the rate of 9.6% for future service contributions and 10.4% of the pensionable payroll at 30th September 2009, increasing by 4.5% per annum for two years to take to the midpoint of 2012\11, then increasing by 4.5% per annum thereafter for past service contributions. Member contributions were 9.6%.

As at the balance sheet date there were 19 active members of the Scheme employed by West Whitlawburn Housing Co-operative Limited. The annual pensionable payroll in respect of these members was £550,367.

West Whitlawburn Housing Co-operative Limited continues to offer membership of the Scheme to its employees.

The key valuation assumptions used to determine the assets and liabilities of the Scottish Housing Associations' Pension Scheme are:

2009 Valuation Assumptions		% 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 post 6 April 2005 (for leavers before 1 October 1993 pension increases are 5.0%)		2.2
Rate of price inflation		3.0

Mortality Tables	
Non-pensioners	SAPS (S1PA) All Pensioners Year of Birth Long Cohort with 1% p.a. minimum improvement
Pensioners	SAPS (S1PA) All Pensioners Year of Birth Long Cohort with 1% p.a. Minimum improvement

WEST WHITLAWBURN HOUSING CO-OPERATIVE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2013
(CONTINUED)

16. Pension Fund (contd)

Contribution Rates for Future Service (payable from 1 April 2011)	% p.a.
Final salary 1/60ths	19.2
Career average revalued earnings 1/60ths	17.1
Career average revalued earnings 1/70ths	14.9
Career average revalued earnings 1/80ths	13.2
Career average revalued earnings 1/120ths	9.4
Additional rate for deficit contributions*	10.4

(*expressed in nominal pound terms (for each employer) increasing each 1 April in line with the rate of salary increases assumption. Earnings as at 30 September 2009 are used as the reference point for calculation the additional contributions).

West Whitlawburn Housing Co-operative Limited participates in the Pensions Trust's Growth Plan ('the Plan'). The Plan is funded and is not contracted out of the state scheme. The Growth Plan is a multi-employer pension Plan.

Contributions paid into the Growth Plan up to and including September 2001 were converted to defined amounts of pension payable from Normal Retirement Date. From October 2001 contributions were invested in personal funds which have a capital guarantee and which are converted to pension on retirement, either within the Growth Plan or by the purchase of an annuity.

The rules of the Growth Plan allow for the declaration of bonuses and / or investment credits if this is within the financial capacity of the Plan assessed on a prudent basis. Bonuses / investment credits are not guaranteed and are declared at the discretion of the Plan's Trustee.

The Trustee commissions an actuarial valuation of the Growth Plan every three years. The purpose of the actuarial valuation is to determine the funding position of the Plan by comparing the assets with the past service liabilities as at the valuation date. Asset values are calculated by reference to market levels. Accrued past service liabilities are valued by discounting expected future benefit payments using a discount rate calculated by reference to the expected future investment returns.

The rules of the Plan give the Trustee the power to require employers to pay additional contributions in order to ensure that the statutory funding objective under the Pensions Act 2004 is met. The statutory funding objective is that a pension scheme should have sufficient assets to meet its past service liabilities, known as Technical Provisions.

If the actuarial valuation reveals a deficit, the Trustee will agree a recovery plan to eliminate the deficit over a specified period of time either by way of additional contributions from employers, investment returns or a combination of these.

The rules of the Growth Plan state that the proportion of obligatory contributions to be borne by the Member and the Member's Employer shall be determined by agreement between them. Such agreement shall require the Employer to pay part of such contributions and may provide that the Employer shall pay the whole of them.

WEST WHITLAWBURN HOUSING CO-OPERATIVE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2013

(Continued)

16. Pension Fund (contd)

West Whitlawburn Housing Co-operative Limited paid no contributions to the Plan during the accounting period. Members paid no contributions during the accounting period.

As at the balance sheet date there were two active members of the Plan employed by West Whitlawburn Housing Co-operative. West Whitlawburn Housing Co-operative continues to offer membership of the Plan to its employees.

It is not possible in the normal course of events to identify on a reasonable and consistent basis the share of underlying assets and liabilities belonging to individual participating employers. The Plan is a multi-employer scheme, where the assets are co-mingled for investment purposes, and benefits are paid out of the Plan's total assets. Accordingly, due to the nature of the Plan, the accounting charge for the period under FRS17 represents the employer contribution payable.

The valuation results at 30 September 2011 were completed in 2012 and have been formalised. The valuation of the Plan was performed by a professionally qualified Actuary using the Projected Unit Method. The market value of the Plan's assets at the valuation date was £780 million and the Plan's Technical Provisions (i.e. past service liabilities) were £928 million. The valuation therefore revealed a shortfall of assets compared with the value of liabilities of £148 million, equivalent to a funding level of 84%.

The financial assumptions underlying the valuation as at 30 September 2011 were as follows:

	% p.a.
Rate of return pre retirement	4.9
Rate of return post retirement:	
Active/Deferred	4.2
Pensioners	4.2
Bonuses on accrued benefits	0.0
Inflation: Retail Prices Index (RPI)	2.9
Inflation: Consumer Prices Index (CPI)	2.4

In determining the investment return assumptions the Trustee considered advice from the Scheme Actuary relating to the probability of achieving particular levels of investment return. The Trustee has incorporated an element of prudence into the pre and post retirement investment return assumptions; such that there is a 60% expectation that the return will be in excess of that assumed and a 40% chance that the return will be lower than that assumed over the next 10 years.

The Scheme Actuary has prepared a funding position update as at 30 September 2012. The market value of the Plan's assets at that date was £790 million and the Plan's Technical Provisions (i.e. past service liabilities) was £984 million. The update, therefore, revealed a shortfall of assets compared with the value of liabilities of £194 million, equivalent to a funding level of 80%.

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.

The Pensions Regulator has the power under Part 3 of the Pensions Act 2004 to issue scheme funding directions where it believes that the actuarial valuation assumptions and/or recovery plan are inappropriate.

For example, the Regulator could require that the Trustee strengthens the actuarial assumptions (which would increase the Plan liabilities and hence impact on the recovery plan) or impose a schedule of contributions on the Plan (which would effectively amend the terms of the recovery plan). A copy of the recovery plan in respect of the September 2011 valuation was forwarded to The Pensions Regulator on 2 October 2012, as is required by legislation.

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 Plan and The Pensions Act 2011 has more recently altered the definition of Series 3 of the Growth Plan so that a liability arises to employers from membership of any Series except Series 4. The debt is due in the event of the employer ceasing to participate in the Plan or the Plan winding up.

The debt for the Plan as a whole is calculated by comparing the liabilities for the Plan (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 Plan. 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 Plan's liability attributable to employment with the leaving employer compared to the total amount of the Plan'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 Plan liabilities, Plan 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.

When an employer withdraws from a multi-employer defined benefit pension scheme which is in deficit, the employer is required by law to pay its share of the deficit, calculated on a statutory basis (known as the buy-out basis). The calculation basis that applies to the Growth Plan was amended due to a change in the definition of money purchase contained in the Pensions Act 2011 but the regulations that will determine exactly how the change will apply in practice are still awaited. As the law stands, it is not yet clear whether the statutory calculation should include or exclude Series 3 liabilities. However, based upon current advice, the most likely interpretation is that Series 3 liabilities will have to be included in the calculation of an employer's debt on withdrawal.

Owing to this situation, we have included 2 figures/calculations, namely:

- The cost of withdrawal if we include Series 3 liabilities in the calculation
- The cost of withdrawal if we exclude Series 3 liabilities from the calculation

If an employer withdraws from the Growth Plan prior to the implementation of the regulations, the debt will be calculated on both bases and we would request payment of the higher amount with any adjustment being made when the regulations are implemented.

West Whitlawburn Housing Co-operative Limited has been notified by the Pensions Trust of the estimated employer debt on withdrawal from the Growth Plan based on the financial position of the Plan as at 30 September 2012. As of this date the estimated employer debt for West Whitlawburn Housing Co-operative Limited including Series 3 liabilities was £6,706. The estimated employer debt excluding Series 3 liabilities was £6,570.60. The Scheme actuary has estimated that the debt at 31 March 2013 would be 3% higher than the debts at 30 September 2012.

West Whitlawburn Housing Co-operative Limited has been notified by the Pensions Trust of the Scottish Housing Association Pension Scheme that past service deficit contributions payable for the year to 31 March 2013 is £nil. The deficit contribution will increase to £393 as from 1 April 2014 and will increase by 3% a year for the next 10 years. The calculated net present value of this contribution at 31 March 2013 using a 4% discount rate is £70,340.

WEST WHITLAWBURN HOUSING CO-OPERATIVE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2013

(Continued)

17. Capital commitments

	2013 £	2012 £
Expenditure authorised by the Committee of Management contracted less certified	-	197,080

18. Housing Stock

The number of units in Management at 31 March was as follows:-

	2013 No	2012 No
General Needs	644	644
Supported	-	-
Shared Ownership	-	-
	<u>644</u>	<u>644</u>

19. Related Parties

All members of the Committee of Management are tenants of the Co-operative. The transactions with the Co-operative are all done on standard terms, as applicable to all tenants. Expenses relating to internet line rental costs for three Committee members were £552. (2012: £552)

19. Related Parties (continued)

West Whitlawburn Housing Co-operative Limited (WWHC) works in partnership with Whitlawburn Community Resource Centre (WCRC) and co-operates in the pursuit of its charitable objectives. During the period WWHC recorded £90,656 (2012: £62,582) of grants on behalf of WCRC and paid £233,152 (2012: £293,725) of expenses, 74% of which related to payroll costs. At 31 March 2013 the amount owed to WWHC was £121,944 (2012: £41,103).

At the year-end WWHC donated £120,000 (2012: £110,000) to support WCRC in the provision of Whitlawburn Community Regeneration.

At 31 March 2013 the amount owed to WCRC was £7,282 (2012: owed from WCRC £68,897).

There is also a related company called Whitcomm Co-operative Limited, a company limited by guarantee, that has been set up to provide low cost telecommunications to encourage social inclusion. At 31 March 2013 the amount owed WWHC was £50,093 (2012: £50,929).

WEST WHITLAWBURN HOUSING CO-OPERATIVE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2013

(Continued)

20. Leasing Commitments

At 31st March the Co-operative had the following annual operating lease commitments for the year ending 31 March 2013 and beyond.

	2013 Equipment £	2012 Equipment £
Operating leases which expire:		
Within one year	-	-
Within two to five years	-	1,506
After more than five years	104,537	126,353
	<u>104,537</u>	<u>127,859</u>

21. Contingent liability

Other

In the year to 31st March 2005 the Co-operative was informed by Communities Scotland that development allowances in the prior year of £200,000 had been overpaid.

The Co-operative does not accept the validity of the claim and will contest any action for repayment.

Negotiations are still ongoing and the outcome cannot yet be determined.

Housing Association Grant allocated to components (as detailed in Note 1) that have subsequently been replaced by the Association are recognised in the Income and Expenditure account, with the cost of the replacement and any additional funding for this replacement being capitalised. The recycled grant recognised in the Income and Expenditure account at 31 March 2012 was £nil (2011: £nil).