

WEST OF SCOTLAND HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MARCH 2012



Scottish Charity Number: SC018486

Industrial & Provident Societies Registered Number 1828R(S)

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST MARCH 2012

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West of Scotland Housing Association Limited
Management Committee, Executives and Advisers
Year Ended 31st March 2012

Management Committee

	Chair	Vice Chair
Anthony Williams		
Ena Hutchison		
John Loran		
Ian McGibbon		
Kate McLeod		
Colin Menabney		
Rab Morrow		
Clare Newton		
Siobhan White		
Kate Robinson		
Jim Hayton		
Austin Hardie		
May Meechan		
Anne Reid		
Annette Weaver (resigned 25 January 2012)		
Ruth Simpson (appointed 27 th June 2012)		

Executive Officers

Duncan McNaught	Chief Executive
Carron Garmory	Director of Finance and Corporate Services
Colin Turnbull	Director of Housing Services
Elinor Taggart	Director of Property Investment

Company Secretary

Marie Campbell

Registration Particulars

Financial Services Authority	Industrial and Provident Societies Act 1965
Scottish Housing Regulator	Registered Number 1828R(S)
Scottish Charities	Housing Scotland Act 2010
	Registered Number HEP201
	Charity and Trustee Investment Act (Scotland) 2005
	Scottish Charity Number SC018486

Auditors

Baker Tilly UK Audit LLP
Breckenridge House
274 Sauchiehall Street
Glasgow
G2 3EH

Bankers

Barclays Bank PLC
1st Floor
Aurora House
120 Bothwell Street
Glasgow
G2 7JT

Solicitors

Harper Macleod LLP
The Ca'd'oro
45 Gordon Street
Glasgow
G1 3PE

**West of Scotland Housing Association Limited
Management Committee, Executives and Advisers
Year Ended 31st March 2012**

REPORT TO TRUSTEES

The Management Committee presents its report and the audited financial statements for the year ended 31 March 2012.

Overview

We operate in a very volatile environment with a lot of uncertainty facing our business. The implications of the reduction in public expenditure, the Welfare Benefits Reform and The Scottish Social Housing Charter all have a significant impact on our business.

It is with these in mind that we consider the decisions we made during 2011/12 and in going forward.

Principal Activities

The principal activity of West of Scotland Housing Association Ltd is the provision of quality housing, accommodation and assistance for the relief of those in need.

West of Scotland Housing Association Ltd is registered with the Financial Services Authority as a Friendly Society, The Office of the Scottish Charities Regulator (OSCR) as a charity and Scottish Housing Regulator as a Registered Social Landlord.

Strategic Aims and Objectives

The Association's vision continues to be "Sustainable Communities where people want to live". With that in mind the trustees have established a set of core values that are focused around four key 'themes':-

- Customers
- Communities
- Corporate Strength
- Culture

We believe housing will be somewhat different in the future and with this in mind we have been more proactive in our goal to:

"Achieve a strategic alliance or joint working with another housing association to maintain our influential place in the Scottish/UK Housing Systems and continue to be recognised as one of Scotland's top performing RSL"

An external consultant carried out an options appraisal on behalf of the Association and following their recommendations we are currently in discussions with Gentoo Group, based in the North East of England to form a strategic partnership.

A partnership with Gentoo will strengthen our financial security, and will make sure that we can continue to be a quality landlord of choice, can support the development of sustainable communities, and can continue to grow, becoming a dynamic, innovative and influential part of Scottish housing.

In joining the Gentoo Group, West of Scotland would:

- Stay as a housing association registered with the Scottish Housing Regulator.
- Keep its name and will continue to own our own housing,
- Employ our own staff and work from our present offices.
- Still be governed by our own management committee.
- Tenants will keep their existing rights and their landlord will still be West of Scotland, and
- The Gentoo Group would be West of Scotland's parent body and set the overall group strategy.

Gentoo Group is more than just a housing association. As well as owning 30,000 houses, it has taken the lead in setting up subsidiaries such as:

- Gentoo Green tackling environmental and climate change issues,
- Gentoo Living providing support for the elderly and vulnerable young people; and
- Gentoo Genie offering a new approach to home ownership for first time buyers.

Gentoo intends to make these innovative approaches available in Scotland through the partnership with West of Scotland Housing Association.

Financial Review

West of Scotland Housing Association Ltd made a surplus of £821,282 during the financial year. During the course of the year rental income, after voids, grew from £9,365,266 in 2010/11 to £10,109,261 in 2011/12.

Willowacre Trust

In April 2012 Willowacre Trust became a subsidiary of the Association. Willowacre Trust was a sister charitable trust operating alongside the Association for 30 years and the Directors of the Trust agreed that it should become a subsidiary of West of Scotland and expand its range of activities by taking on the "non core landlord activities"

Development Activities

2011/12 has been another very active year in terms of Development activity. During the course of the year we continued to let new properties across our geographical areas. We also continue with a healthy development programme during 2012/13.



Property Maintenance

West of Scotland seeks to maintain its properties to the highest standard and we continue to make progress towards meeting the Scottish Housing Quality Standard by 2015. To this end, the Association has a long term programme of major repairs to cover for work which has become necessary since the original developments were completed, including works required for subsequent legislative changes. This includes replacement or repairs to features of the properties, which have come to the end of their economic lives. Day to day repairs and programmes of cyclical repairs are carried out so that our properties remain desirable places in which to live.



Operational Review

Corporate Governance

West of Scotland Housing Association's governing body is known as the Management Committee and they are elected by the members of the Association. (See page 1 for details). It is the responsibility of the Committee to undertake the creation of the strategy, setting of policy and overall direction for the Association. They also monitor the operational activities of the Association. The members of the Management Committee are unpaid.

The Management Committee are the Association's trustees and are responsible to the wider membership as well as our regulators.

The Executive Team of West of Scotland Housing Association (as listed in page 1) is responsible for achieving strategy and undertaking the operational activities in line with the policies approved by the Management Committee.

The Association has an Audit and Performance Committee which meets every quarter to consider the key risk areas to the Association and receives the reports from the Association's Internal Audit department.

Corporate Issues

The way we deliver our services is underpinned by the performance of our staff and the Association remains committed to investment in staff potential. During 2011/12 our staff Health and Wellbeing group developed a strategy and working alongside Healthy Working Lives we achieved our Bronze Award for Health at Work. We are currently working towards achieving the Silver award during 2012/13.

In the first quarter of 2012 we had our 3 year Investors In People assessment and we were successful in achieving the IIP Silver accreditation.

Welfare Reform

Welfare Reform presents a huge challenge for the Association and we are preparing for this in a number of ways:

- Quantifying the potential financial impact
- Identifying tenants at risk to target advice
- Reviewing how we deploy current staff resource
- Consulting with external agencies

Social Housing Charter

Introduction of the Social Housing Charter is seen as an opportunity to further involve tenants and other customers in agreeing the level of service they can expect to receive. The Association intends to use the charter as a template for the continuous improvement of our services. We have established a coordinating group of staff and tenants to oversee the development of the charter.

Best use of resources

We regularly conduct risk assessments, and take any action necessary to reduce or limit risk. These are considered at departmental and organisational level and are reviewed quarterly by the Audit and Performance Committee.

Financial Environment

Again this was another turbulent year with the effect being felt by banks, industry and stock markets across the world. The Association can never be immune from the economic environment in which we operate; however, we do feel that the Association is equipped to weather the present financial storms. It is with this in mind that we believe being part of a larger group will insulate the Association going forward allowing continued progression and quality services even during these most difficult times.

Housing

West of Scotland Housing Association continues to work on reducing the period of time taken to re-let or let properties and

minimise arrears and great progress has been made in reducing rent arrears during the year. The rent loss due to empty properties was £47,724 (2011 - £52,323) an 8% improvement on last year.

During the year, the Association held another well-attended tenants' Conference. This complemented the range of options given to customers to comment on and shape the services they receive.

Customer service excellence

We are currently undertaking the UK Government Customer Service Excellence Accreditation which covers much of the work of our Customer Services Team. This involved the whole team in assessing how they deliver their services and has led to improvements and new ways of working.



Communities

During 2011/12 we developed a strategy for Building Sustainable Communities and dedicated a staff post (Sustainable Communities Manager) to the implementation and delivery of this strategy. The strategy focusses on a number of separate, but related factors, including employability and poverty reduction, education, health and wellbeing, crime prevention and community safety and the environment as a whole.

These 'themes' are embedded in all aspects of the Association's business and augmented by values, objectives and goals to make them more tangible and to allow them to be translated into specifically measurable tasks.

To assess the needs and priorities of our communities we carried out a detailed survey with responses from around 2000 of our 3000 tenants which will allow us, in consultation with the communities in which we operate, to develop action plans and prioritise resource.

Integral to the strategy is also the development of the Camlachie Regeneration Business Plan which was commissioned by the Camlachie Community Group and led to the Camlachie Partnership being formed. The Partnership brings together a wide range of agencies to assist in delivery of the Business Plan.



During 2011/12 the Association also purchased the Community Centre in Camlachie and is currently operating this as both a community facility and rental space for a number of local organisations. This is integral to community development within the Camlachie area.



Finance

Each year the Management Committee approves the annual budget and rolling long term projections. Key risk areas are identified. Performance is monitored and relevant action taken throughout the year through quarterly reporting to the Management 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.

Risk Management Policy

The Committee have formal risk management processes to assess business risks and implement risk management strategies. This involves identifying the types of risks the Association 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 Association's current internal controls and reviewed the risk register at the quarterly Audit and Performance Committee.

Rental Income

The Association's Rent Policy is a points system based on the type and facilities of the accommodation. The policy ensures that the rent structure is easy to administer and covers the wide variations within the Association's properties. The point's value is reviewed annually to ensure that the rents cover the required costs.

Treasury Management

The Association has an active treasury management function, which operates in accordance with the Treasury Policy approved by the Management Committee. In this way it manages its borrowing arrangements to ensure that it is always in a position to meet its financial obligations as they fall due, whilst minimising excess cash

and liquid resources held. At 31 March 2012 the Association had £50.5m in loan facilities and held deposits of £6.59m.

General Reserves Policy

The Committee members have considered the reserves of the Association. This consideration encompassed the nature of the income and expenditure streams, the need to match variable income with fixed commitments and the nature of the reserves. During the year the charity's revenue reserve increased to £10,686,854.

The Association also has a number of other designated reserves included within revenue reserves. The purpose of these funds is detailed in note 1 and 7 in the financial statements.

Sale of housing properties

Properties are disposed of under the appropriate legislation and guidance. All costs, first tranche sales, and grants relating to the share of property sold are removed from the financial statements at the date of sale. Any grants received that cannot be repaid from the proceeds of sale are abated and the grants removed from the financial statements.

In addition the Association continues to dispose of its dispersed properties where appropriate, recognising any gain on sale in the income and expenditure account.

Employee Involvement and Health and Safety

West of Scotland Housing Association takes seriously its responsibilities to employees and as a policy, provides employees with information on matters of concern to them. It is also the policy of the Association to consult where practical, employees or their representatives, so that their views may be taken into account in making decisions likely to affect their interests.

Equality & Diversity

Applications for employment by disabled persons are given full and fair consideration for all vacancies in accordance with their particular aptitudes and abilities, as are those from ethnic and other minority groups. In the event of employees becoming disabled, every effort is made to retrain them in order that their employment with the Association may continue.

It is the policy of the Association that training, career development and promotion opportunities should be available to all employees.

The Association remains committed to the ethos of equality and diversity and this is incorporated into its policies and procedures.

Committee and Officers' Insurance

The Association maintains insurance to cover its Committee and officers against liabilities in relation to their duties on behalf of the Association, as authorised by the Association's rules. In addition the Association has a professional indemnity insurance policy covering the agency work it undertakes for other Associations.

Creditor Payment Policy

The payment policy, which the Association follows, is to pay all purchases within 28 days, although some payments are settled in 14 days, and/or in accordance with creditor terms of business.

Management Committee

The Management Committee of West of Scotland Housing Association during the year to 31 March 2012 was as follows:

Anthony Williams	Chair	
Annette Weaver		
Ena Hutchison		2
John Loran		
Ian McGibbon		1, 2
Katie McLeod	Vice Chair	
Colin Menabney		1
Austin Hardie		
Rab Morrow		1, 2
Clare Newton		1, 2
Siobhan White		1
Kate Robinson		
Jim Hayton		1
May Meechan		2
Anne Reid		2

Sub Committee Membership

1 *Audit Sub Committee*

2 *Tenant Advisory Group*

Each member of the Management Committee holds one fully paid share of £1 in West of Scotland Housing Association. The executive officers of West of Scotland Housing Association hold no interest in West of Scotland Housing Association's share capital and although not having the legal status of "director" they act as executives within the authority delegated by the Committee.



Dr Anthony Williams,
Chairman

A handwritten signature in black ink, appearing to read 'A Williams'.

Directors

The Directors of West of Scotland Housing Association at 31 March 2012 were as follows:

Duncan McNaught	Chief Executive
Carron Garmory	Director of Finance & Corporate Services
Colin Turnbull	Director of Housing Services
Elinor Taggart	Director of Property Investment

Auditors

The Association recommends Baker Tilly UK Audit LLP for re-appointment as auditors of West of Scotland Housing Association.

On behalf of the Management Committee

A handwritten signature in purple ink, appearing to read 'Marie Campbell'.

Marie Campbell
Company Secretary

West of Scotland Housing Association Limited
Independent Auditors Report to the members of West of Scotland Housing Association Limited
Year Ended 31st March 2012

STATEMENT OF COMMITTEE OF MANAGEMENT RESPONSIBILITIES

Statute requires the management committee to prepare financial statements for each financial year, which give a true and fair view of the state of affairs of the Association and of the surplus or deficit. In preparing those financial statements the management committee is required to fulfil the following obligations: -

- Select suitable accounting policies and then apply them consistently
- Make judgements 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 a going concern basis unless it is inappropriate to presume that the Association will continue in business.

The management committee confirms that the financial statements comply with the above requirements.

The management committee is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Association and enables them to ensure that the financial statements comply with the Industrial and Provident Societies Act 1965 to 2002, the Housing (Scotland) Act 2001 and the Registered Social Landlords Accounting Requirements (Scotland) Order 2007. They are also responsible for safeguarding the assets of the Association and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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.

Committee Member: Anthony Williams Date:



STATEMENT OF INTERNAL FINANCIAL CONTROL

The Management Committee acknowledges that it is their ultimate responsibility for ensuring that the Association has in place an appropriate system of controls, including financial controls, to give reasonable assurance with regard to: -

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

Key elements of the Association's internal financial control systems are described below which are designed to provide reasonable but not absolute assurance against material financial mis-statement or loss.

- 2.1 Adequate and effective human resource policies particularly covering the recruitment, selection and appraisal of staff and Committee.
- 2.2 Formal policies and procedures in place and regular review covering all aspects of the Association's activities.
- 2.3 Regular reporting and monitoring procedures identifying and controlling risks both at strategic and operational levels.
- 2.4 Clear strategic plans informing the organisation's direction and activities. These are supplemented by detailed financial forecasts and regularly compared with timeously produced accounts of actual performance.
- 2.5 Appropriate and clear levels of delegation covering all aspects of authorisation and approval.

On behalf of the Management Committee, the Audit Committee has assessed the effectiveness of the system of internal financial controls in existence in the Association for the year ended 31 March 2012 and until the date below. The Management Committee is not aware of any material losses, contingencies, or uncertainties resulting from weaknesses in the internal control system that require disclosure in the financial statements or in the auditors' report on the financial statements.

Committee Member: Katie McLeod Date:



26 09 2012

West of Scotland Housing Association Limited
Independent Auditors Report to the members of West of Scotland Housing Association Limited
Year Ended 31st March 2012

AUDITORS REPORT ON CORPORATE GOVERNANCE MATTERS

Corporate Governance

In addition to our audit of the financial statements, we have reviewed the Committee of Management's statement on page 10 concerning the Association's compliance with the information required by the section on Internal Financial Control within SFHA's publication "Raising Standards in Housing".

Basis of Opinion

We carried out our review having regard to Bulletin 2009/4 issued by the Auditing Practices Board. The Bulletin does not require us to review the effectiveness of the Association's procedures for ensuring compliance with the guidance notes, nor to investigate the appropriateness of the reasons given for non-compliance.

Opinion

In our opinion the Statement on Internal Financial Control on page 10 has provided the disclosures required by the section on Internal Financial Control within SFHA's publication "Raising Standards in Housing" and is consistent with the information which came to our attention as a result of our audit work on the financial statements.

Baker Tilly UK Audit LLP

Baker Tilly UK Audit LLP
Statutory Auditors
Chartered Accountants
274 Sauchiehall Street
Glasgow G2 3EH

Date: 27 September 2012

West of Scotland Housing Association Limited
Independent Auditors Report to the members of West of Scotland Housing Association Limited
Year Ended 31st March 2012

**INDEPENDENT AUDITORS REPORT TO THE MEMBERS OF
WEST OF SCOTLAND HOUSING ASSOCIATION LIMITED**

We have audited the financial statements of West of Scotland Housing Association for the year ended 31 March 2012 on pages 13 to 28. 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 Management Committee and auditor

As explained more fully in the Committee's Responsibilities Statement set out on page 10, the Committee is 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 2012 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 2001 and 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 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 Auditors
Chartered Accountants
274 Sauchiehall Street
Glasgow G2 3EH

Date: *27 September 2012*

West of Scotland Housing Association Limited
Income and Expenditure Account and Balance Sheet
Year Ended 31st March 2012

INCOME & EXPENDITURE ACCOUNT		2012	2011
	Notes	£'s	£'s
Turnover	2	11,331,370	10,644,212
Less:			
Operating Costs	2	<u>(9,046,066)</u>	<u>(8,690,139)</u>
Operating Surplus	2	2,285,304	1,954,073
(Loss)/Gain on Sale of Fixed Assets		(26,573)	289,084
Interest Receivable		14,282	15,547
Interest Payable	15	<u>(1,451,731)</u>	<u>(1,173,458)</u>
Surplus for the Year	7	<u>821,282</u>	<u>1,085,246</u>

The results for the year relate wholly to continuing activities. Other than the surplus for the year there have been no other recognised gains or losses.

The financial statements were approved and authorised for issue by the board on 26/09/12 and signed by

Committee Member:
 Committee Member:
 Company Secretary:

Az Williams
John Wood
Melanie Ann

BALANCE SHEET		2012	2011
	Notes	£'s	£'s
Tangible Fixed Assets			
Housing Properties - Gross	10	210,393,393	198,076,711
Cost less Depreciation			
Less: Social Housing Grant	10	<u>(158,152,816)</u>	<u>(152,539,242)</u>
LIFT Loan		52,240,577	45,537,469
LIFT Grant		234,405	234,405
		<u>(234,405)</u>	<u>(234,405)</u>
Other Fixed Assets	10	3,141,098	3,089,736
		55,381,675	48,627,205
Current Assets			
Stock	14	35,763	-
Debtors	8	1,377,660	3,049,329
Cash at Bank & in Hand		6,591,959	5,250,182
		8,005,382	8,299,511
Current Liabilities			
Creditors due within one year	9	(2,795,795)	(2,419,323)
Net Current Assets		5,209,587	5,880,188
Creditors: amounts falling due after one year	11	60,591,262	54,507,393
		<u>(49,735,614)</u>	<u>(44,513,653)</u>
Net Assets		10,855,648	9,993,740
Capital & Reserves			
Share Capital	19	138	207
Designated Reserves	7	168,656	309,619
Capital Reserve - SAHS	1	-	124,809
Revenue Reserves	7	10,686,854	9,559,105
		<u>10,855,648</u>	<u>9,993,740</u>

West of Scotland Housing Association Limited
Cash Flow Statement
Year Ended 31st March 2012

CASH FLOW STATEMENT
FOR THE YEAR ENDED 31ST MARCH 2012

	2012 £'s	2011 £'s
Notes		
Reconciliation of operating surplus to net cash inflow		
From operating activities		
Operating Surplus	2,285,304	1,954,073
Depreciation Charges	1,637,797	1,741,441
Depreciation Disposals	(38,058)	(112,271)
Profit on Sale of Other Fixed Assets	4,000	-
(Increase)/Decrease in Stock	(35,763)	372,592
Decrease in Debtors	1,671,669	760,180
Increase/(Decrease) in Creditors	234,220	(355,938)
Net cash inflow from operating activities	5,759,169	4,360,077
Cash Flow Statement 16		
Net Cash Inflow from operating activities	5,759,169	4,360,077
Returns on investments & servicing of Finance	(1,437,449)	(1,157,911)
Capital expenditure	(8,384,784)	(4,697,663)
Financing	(4,063,064)	(1,495,496)
Increase in Cash & Equivalents	5,404,841	1,318,066
	1,341,777	(177,430)
Reconciliation of net cash flow to movement in net debt 17		
Increase in cash in year	1,341,777	(177,430)
Cash (inflow)/decrease from increase in Debt	(5,404,910)	(1,318,068)
Change in Net Debt	(4,063,133)	(1,495,498)
Net Debt at 1st April 2011	(39,839,025)	(38,343,527)
Net Debt at 31st March 2012	(43,902,158)	(39,839,025)

West of Scotland Housing Association Limited
Notes to the Financial Statements
Year Ended 31st March 2012

1. Principal accounting policies

Introduction

The Association is incorporated under the Industrial & Provident Societies Act 1965 and is registered with the Financial Services Authority. The principal accounting policies of the Association are set out in the paragraphs below. These accounts are prepared under the historical cost convention, in accordance with the Registered Social Landlords Accounting Requirements (Scotland) Order 2010 and the Statement of Recommended Practice for Accounting By Registered Social Landlords and applicable Accounting Standards.

The accounts are prepared in accordance with applicable accounting standards, unless otherwise stated.

Turnover

Turnover relates to the income from letting of properties at affordable rents, and the supply of factoring services, together with revenue grants from Scottish Government, local authorities and other organisations.

Finance

The accounts have been prepared on the basis that the capital expenditure referred to in Note 10 has been grant aided, funded by loan or met out of reserves.

Mortgages

Mortgage loans are advanced by private lenders, or local authorities under the terms of individual mortgage deeds in respect of each property or housing scheme. Mortgage loans in the balance sheet may include amounts due but not received.

Social housing grants (SHG)

Social housing grants include HAG and other capital grants receivable from other funding bodies.

Housing association grant, at amounts approved by the Scottish Government, is paid directly to the Association as required to meet its liabilities during the development process. HAG is repayable under certain circumstances, primarily following sale of property, but will

normally be restricted to net proceeds of sale, after meeting secured loans and allowable costs of sale.

Fixed Assets – housing properties

Housing properties are stated at cost. The development cost of housing properties funded with traditional HAG, New Housing Partnership or under earlier funding arrangements includes the following: -

- I. Cost of acquiring land and buildings
- II. Actual development expenditure including overheads
- III. Interest charged on the mortgage loan raised to finance the scheme

These costs are either termed “qualifying costs” for approved grant schemes and are considered for mortgage loans by the relevant lending authorities or are met out of the Association’s reserves.

All invoices and architect’s certificates relating to capital expenditure incurred in the year at the net value after retentions are included in the accounts for the year, provided that the dates of issue or valuation are prior to the year end. Related mortgage advances receivable from lending authorities are also included.

Expenditure on schemes, which are subsequently aborted, is written off in the year in which it is recognised that the schemes will not be developed to completion.

Interest on development loan finance is capitalised up to practical completion where such interest charge does not represent an excess over the value of the scheme. Interest on the residual mortgage loan after this date is charged to the profit and loss account.

The actual development costs capitalised are compared with SHG eligible costs. Where the actual costs are greater than the SHG eligible costs the Committee of Management, based on present information, do not consider that the excess represents an increase in the value to the Association therefore, excess of costs over SHG eligible costs is written off in the year they are incurred. When qualifying costs are higher than actual expenditure then the actual expenditure will be capitalised and the excess SHG received reflected as revenue.

West of Scotland Housing Association Limited
Notes to the Financial Statements
Year Ended 31st March 2012

1. Principal accounting policies (cont'd)

Expenditure on works to existing properties may be capitalised to the extent that such costs represent an increase in rental values. Contracts undertaken that represent improvements in terms of rental income may therefore be taken to fixed assets.

The Association operates component accounting and recognises the short and long term nature of key components in all existing assets and new additions depreciating long term assets over 50 years and short term items, such as kitchens, bathrooms, double glazing and central heating between 15 and 30 years. Any renewal of a short term component after its' useful life is a capital addition, not repair, and is depreciated over its' new economic life.

Capital Reserve - Negative Goodwill

As result of complying with the new requirement of SORP 2010 to show negative goodwill arising on non- exchange transactions, as a credit to the income and expenditure account in the year of acquisition, a prior year adjustment has arisen. As the amount is not sufficiently material it has been agreed that the negative goodwill which arose in 2000 following the acquisition of engagements from Strathclyde (Ayr) Housing Society Limited, net of its amortisation in the period since that date, has been credited to revenue reserves as a transfer rather than a prior year adjustment.

Impairment

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. Reviews are also carried out on all other fixed assets annually.

Impairment of assets would be recognised in the income and expenditure account.

Depreciation

- (i) Housing land and buildings
- (ii) Housing fixtures replacements under major repairs

Depreciation Rates	
Housing Structure	50 years
Land	no depreciation
Kitchens	15 years
Boilers	15 years
Windows	25 years
Bathrooms	30 years

The charge is calculated on the gross cost after deduction of HAG, other grants and land values.

(ii) Other Fixed Assets

Office Buildings are depreciated at 2% - 10% per annum on cost.
 Community Centre is depreciated at 4% per annum on cost
 Motor vehicles are depreciated at 25% per annum on cost.
 Office furniture and equipment is depreciated at 10% - 33% per annum on cost.
 Other equipment is depreciated at 20% per annum on cost.

A full year's depreciation is charged on these assets in the year of purchase, but no charge is made in the year of disposal.

Designation for future cyclical repairs and maintenance

The Committee of Management decided that no further transfers will be made as all costs are being met from rental income in the year expenditure is incurred.

Designated Reserve for major repairs

Major repair HAG is not available for schemes which the Association developed after October 1989. Until 2007 the Association built up reserves to finance future major repairs by providing 0.8% of works costs each year. For all other schemes including those previously included in

West of Scotland Housing Association Limited
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the now abolished Rent Surplus Fund £522 per unit has been provided in the designated reserve.

From 2008 the Association recognises renewals as capital additions and therefore is no longer building on its' major repairs reserve.

Pension Costs

The Association is a member of the SFHA pension scheme for the benefit of its employees. The funds of the scheme are administered by Trustees of the pension fund. Independent actuaries complete valuations at least every three years and, in accordance with their recommendations, annual contributions are paid to the scheme so as to secure the benefit set out in the rules. The cost of these is charged against the profit and loss account in the year they are incurred.

Apportionment of employee and administration costs

Direct employee, administration and operating costs have been apportioned to the relevant sections of the general income and expenditure account on the basis of costs of the staff directly engaged on the operations dealt with in these sections.

Improvements

Improvements are capitalised where these result in an enhancement of the economic benefits of the property. Such enhancement can occur if the improvements result in: -

- an increase in rental income or
- 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.

Donated land

In accordance with the Statement of Recommended Practice donated land received has been capitalised and shown as a donation valued at the estimated market value at the date of the donation.

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.

Shared Equity Home Ownership

Share Equity transactions are grants received from The Scottish Regulator and passed on to an eligible beneficiary. The Scottish Housing Regulator has the benefit of a fixed charge on the property by the beneficiary. These are classified as investments and are carried at historical cost with the linked finance cost (the grant received) being deducted from the gross amount of the Shared Equity asset.

Completed Shared Equity properties that are not sold or are work in progress are valued at the lower of cost and net realisable value, based on estimated sale price after allowing for all further costs of completion and disposal.

Low Cost Initiatives for First Time buyers (LIFT)

LIFT transactions are grants received from the grant awarding body and passed onto an eligible beneficiary. The grant awarding body has a benefit of a fixed charge on the property. This entitles the grant awarding body to a share of the proceeds on the sale of the property by the beneficiary. These are classified as investments and are carried at historical cost with the linked finance cost (the grant received) being deducted from the gross amount of the asset.

As from 1 April 2008 the Scottish Government has taken security over completed sales and the Association no longer includes grants and related loans to the owner on the balance sheet.

Lease Obligations

Rentals paid under operating leases are charged to the income and expenditure account as they are incurred.

West of Scotland Housing Association Limited
Notes to the Financial Statements
Year Ended 31st March 2012

2. Particulars of Turnover, Operating Costs & Operating Surplus or Deficit

	Turnover £'s	Operating Costs £'s	2012 Operating Surplus or Deficit £'s	2011 Operating Surplus or Deficit £'s
Income & Expenditure from Social Letting Activities (note 3a)	10,109,529	7,427,729	2,681,800	2,010,301
Other Income & Expenditure (note 3b)	1,221,841	1,618,337	(396,496)	(56,229)
Total	<u>11,331,370</u>	<u>9,046,066</u>	<u>2,285,304</u>	<u>1,954,073</u>
2011	<u>10,644,212</u>	<u>8,690,139</u>	<u>1,954,073</u>	

West of Scotland Housing Association Limited
Notes to the Financial Statements
Year Ended 31st March 2012

3a. Particulars of turnover, operating costs & operating surplus or deficit from social letting activities

	General Needs Supported			General Needs			2011 Total			
	Housing	Supported Housing	Shared Ownership	Needs Housing	Supported Housing	Shared Ownership	Needs Housing	Supported Housing	Shared Ownership	Total
	£	£	£	£	£	£	£	£	£	£
Income from Lettings										
Rent Receivable net of Service Charges	8,925,730	636,718	110,934	8,586,760	247,465	108,260	8,942,485	7,747	475,064	
Service Charges Receivable	348,413	127,349	7,841	447,777	19,540					
Gross Income from rent & service charges	9,274,143	764,067	118,775	9,034,537	267,005	116,007	9,417,549	(1,448)	(52,323)	
Less: Rent Losses from Voids	(44,036)	(3,141)	(547)	(50,242)	(1,448)	(633)				
Net income from rent & service charges	9,230,107	760,926	118,228	8,984,295	265,557	115,374	9,365,226		32,558	
Revenue grants from Scottish Government	268	-	-	32,558	-	-				
Total Turnover from Social Letting Activities	9,230,375	760,926	118,228	9,016,853	265,557	115,374	9,397,784			
Expenditure on Social Letting Activities										
Services	487,483	22,227	3,873	452,296	8,654	3,786	464,736			
Management & Maintenance admin costs	2,979,105	210,613	28,105	3,079,048	84,115	5,402	3,168,565			
Planned, Cyclical & Major Repair Costs	926,621	41,257	-	1,061,963	19,440	-	1,081,403			
Reactive Maintenance Costs	1,128,852	74,303	-	1,101,311	30,476	-	1,131,787			
Bad Debts – rents & service charges	101,247	-	-	46,159	-	-	46,159			
Depreciation of Social Housing	1,292,262	-	15,382	1,473,656	-	21,177	1,494,833			
Other (Impairment)	116,399	-	-	-	-	-	-			
Operating Costs for Social Letting Activities	7,031,969	348,400	47,360	7,214,433	142,685	30,365	7,387,483			
Operating Surplus on Social Letting Activities	2,198,406	412,526	70,868	1,802,420	122,872	85,009	2,010,301			

All service charges receivable on housing accommodation are eligible for housing benefit.

West of Scotland Housing Association Limited
Notes to the Financial Statements
Year Ended 31st March 2012

3b. Particulars of turnover, operating costs & operating surpluses or deficits from other activities

	Grants from Scottish Ministers	Other Revenue Grants	Supporting People Income	Other Income	Total Turnover	Operating Costs – bad debts	Other Operating Costs	2012 Operating Surplus / (Deficit)	2011 Total
	£	£	£	£	£	£	£	£	£
Wider Role	26,259	-	-	-	26,259	-	86,679	(60,420)	(23,278)
Factoring	-	-	-	28,814	28,814	6,522	60,289	(37,997)	(28,717)
Development Activities	-	-	-	164,941	164,941	-	460,052	(295,111)	(226,427)
Support Activities	-	-	131,226	-	131,226	-	169,477	(38,251)	(24,862)
Properties for Sale	-	-	-	676,057	676,057	-	676,057	-	-
Agency Services for RSLs	-	-	-	15,232	15,232	-	-	15,232	18,737
Other Activities	-	-	-	179,312	179,312	-	159,261	20,051	228,318
Total from Other Activities	26,259	-	131,226	1,064,356	1,221,841	6,522	1,611,815	(396,496)	(56,229)
2011	10,000	-	200,865	1,035,563	1,246,428	6,590	1,296,067	(56,229)	

Other Activities incomes includes income for sustainable communities activity of £24,250, South Lanarkshire Council Development Services of £147,395, Recoverable VAT of £4,667 and Income from Clyde Gateway of £3,000.

West of Scotland Housing Association Limited
Notes to the Financial Statements
Year Ended 31st March 2012

4. Auditor's Remuneration
The remuneration of the auditor (incl expenses and vat) for the year :
- in respect of the audit
- in respect of other services from entities related to Baker Tilly

	2012 £'s	2011 £'s	
	14,976	10,927	
	-	5,626	
	<u>14,976</u>	<u>16,553</u>	
			Directors
			15
			1

5. Employees
Staff costs during the year:
Wages & Salaries
Social Security Costs
Other Pension Costs

	2012 £'s	2011 £'s	
	2,051,508	2,022,502	
	168,458	155,843	
	<u>360,532</u>	<u>269,151</u>	
	<u>2,580,498</u>	<u>2,447,496</u>	

Office Staff full time equivalents
Warden Staff full time equivalents

	No.	No.
	65.2	62.2
	<u>6.7</u>	<u>6.2</u>
	<u>71.9</u>	<u>68.4</u>

6. Directors' emoluments

The Directors are defined as the members of the Management Committee, the Chief Executive Officer and any other person reporting directly to the Chief Executive Officer or the Management Committee whose total emoluments exceed £60,000 per year. No emoluments were paid to any member of the Management Committee during the year

Aggregate Emoluments payable to Directors
(excluding pension contributions but including benefits in kind)

	2012 £'s	2011 £'s
	<u>76,600</u>	<u>74,901</u>
	<u>76,600</u>	<u>74,901</u>
	<u>87,752</u>	<u>85,696</u>

Emoluments payable to highest paid Director
(excluding pension contributions)
Total emoluments (including pension contributions and benefits in kind)

The number of Directors, including the highest paid Director, who received emoluments (excluding pension contributions) in the following ranges were:

	No. of Directors	No. of Directors
NIL	15	15
£65,001 to £70,000	1	1

The Chief Executive Officer is an ordinary member of the Association's pension scheme described in Note 18. No enhanced or special terms apply to membership and he has no other pension arrangements to which the Association contributes. The Association's contributions for the Chief Executive Officer in the year amounted to £11,152 (2011 - £10,795).

7. (a) Designated Reserve

Major Repairs Reserve
At 1st April 2011
Provided in Year
Surplus/(Deficit) made on sheltered housing
Spend in Year

	2012 £'s	2011 £'s
	309,619	585,448
	40,696	43,171
	(53,781)	7,917
	(127,878)	(326,917)
	<u>168,656</u>	<u>309,619</u>

7. (b) Revenue Reserve

At 1 April 2011
Surplus in year
Transfer from capital reserve
Transfer from designated reserve
At 31st March 2012

	2012 £'s	2011 £'s
	9,559,105	8,154,859
	821,281	1,085,245
	124,809	-
	181,659	319,001
	<u>10,686,854</u>	<u>9,559,105</u>

West of Scotland Housing Association Limited
Notes to the Financial Statements
Year Ended 31st March 2012

8. Debtors

Amounts falling due within one year:

Rental Debtors	336,056	302,156
Development Funding Receivable	581,158	2,465,211
Other Debtors	354,988	173,261
Prepayments & Accrued Income	105,458	108,701
	<u>1,377,660</u>	<u>3,049,329</u>

9. Creditors Due Within One Year

Loans (note 11)	758,499	575,550
Trade Creditors	628,305	924,162
Other Taxes & Social Security	55,869	56,574
Other Creditors	212,566	169,376
Accruals & Deferred Income	767,881	362,640
Rents in Advance	372,675	331,021
	<u>2,795,795</u>	<u>2,419,323</u>

West of Scotland Housing Association Limited
Notes to the Financial Statements
Year Ended 31st March 2012

10. Tangible Fixed Assets

	Completed		Shared		Equipment		Vehicles		Office		Community		2012	2011
	Housing Properties Held For Letting	Housing Properties In Course Of Construction	Shared Housing Properties	Shared Housing Properties	Equipment	Vehicles	Buildings	Learning Centre	Total	Total				
Cost	£	£	£	£	£	£	£	£	£	£	£	£	£	£
At start of year	195,734,946	5,652,356	4,238,780	-	1,152,463	24,202	3,045,653	-	-	209,848,400	-	-	200,584,357	200,584,357
Additions during year	1,387,486	13,326,593	-	-	89,190	17,988	36,142	-	-	15,198,798	341,399	-	11,310,977	11,310,977
Completed in year	10,658,789	(10,658,789)	-	-	-	-	-	-	-	-	-	-	-	-
Disposals in year	(1,013,520)	-	(76,230)	-	-	(16,263)	-	-	-	(1,106,013)	-	-	(2,046,934)	(2,046,934)
At end of year	206,767,701	8,320,160	4,162,550	-	1,241,653	25,927	3,081,795	341,399	223,941,185	209,848,400	-	-	209,848,400	209,848,400

Social Housing Grants

At start of year	144,162,515	5,093,488	3,283,237	-	-	-	-	-	-	-	-	-	152,539,240	148,261,946
Additions during year	2,685,803	3,857,614	-	-	-	-	-	-	-	-	-	-	6,668,417	6,196,869
Completed in year	4,008,783	(4,008,783)	-	-	-	-	-	-	-	-	-	-	-	-
Repaid & abated during year	(859,882)	-	(69,959)	-	-	-	-	-	-	(929,841)	-	-	(1,919,575)	(1,919,575)
At end of year	149,997,219	4,942,319	3,213,278	-	-	-	-	-	-	125,000	158,277,816	-	152,539,240	152,539,240

Depreciation

At start of year	7,349,327	-	200,048	-	945,456	24,202	162,922	-	-	8,681,955	-	-	7,052,777	7,052,777
Provided during year	1,312,531	-	16,907	-	121,828	4,497	61,635	120,399	-	1,637,797	120,399	-	1,741,441	1,741,441
Disposal in year	(20,270)	-	(1,525)	-	-	(16,263)	-	-	-	(38,058)	-	-	(112,263)	(112,263)
At end of year	8,641,588	-	215,430	-	1,067,284	12,436	224,557	120,399	-	10,281,694	120,399	-	8,681,955	8,681,955

Net Book Value

At end of year	48,128,894	3,359,841	733,842	-	174,369	13,491	2,857,238	96,000	-	55,381,675	48,627,205	-	48,627,205	48,627,205
At start of year	44,223,104	558,868	755,495	-	207,007	-	2,882,731	-	-	48,627,205	45,269,630	-	45,269,630	45,269,630

Development administration costs amounted to £460,052 (2011 £461,329) for which Housing Association Grant and Other Income amounting to £164,941 (2011 £234,903) were received during the year. Major repairs capitalised in the year was £601,781 (2011 £1,327,627).

West of Scotland Housing Association Limited
Notes to the Financial Statements
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11. Creditors due after one Year	2012	2011
	£'s	£'s
Loans	49,735,614	44,513,653

Loans are secured by specific charges on the Association's properties.
 Loans are repayable at rates of interest of 1.04778% to 7.235% ,
 (2011 0.867% to 7.235%) in installments due as follows:

	2012	2011
	£'s	£'s
In one year or less	758,499	575,550
Between one and two years	758,499	575,550
Between two and five years	14,575,498	14,026,651
in five years or more	34,401,617	29,911,451
	<u>50,494,113</u>	<u>45,089,202</u>

12. Capital Commitments

Expenditure contracted less certified

	2012	2011
	£'s	£'s
	30,153,330	33,941,736

Capital commitments will be funded through a combination of grant and private funding.

13. Housing Stock

The number of units of accommodation in management at the year end was:

	2012	2011
	No.	No.
General Needs	2,827	2,720
Supported Housing	199	202
Shared Ownership	72	77
	<u>3,098</u>	<u>2,999</u>

Units awaiting improvement or repair
 Units under construction at year end

	20	23
	81	95
Total Bedspaces at year end	<u>10,090</u>	<u>9,774</u>

Included within the above are the following units managed by other Agencies:

	2012	2011
	Units	Units
Quarriers	1	1
Key Housing Association	1	1
Cornerstone	1	1
Simon Community	2	2
McFarlane Homes	1	1
South Lanarkshire Council	1	1
Hayfield Deaf Unit	2	2
GASSP	-	10
Mungo Foundation	1	1
Ayrshire Primary Care Trust	10	10
Womens Aid	1	1
National Autistic Society	7	6
North Lanarkshire Council	2	1
Crossreach	3	1
Y People (previously YMCA)	17	19
YWCA	1	-

14. Stock - Homestake

Cost of Developing
 Properties
 Grant Received to Develop
 Properties

	2012	2011
	£'s	£'s
	75,117	-
	39,354	-
	<u>35,763</u>	<u>-</u>

Fernhill Phase 2

	35,763	-
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West of Scotland Housing Association Limited
Notes to the Financial Statements
Year Ended 31st March 2012

15. Interest Payable				
Interest Payable on Loans		2012	2011	
		£'s	£'s	
Interest Capitalised Interest		1,477,884	1,180,771	
		(26,153)	(7,313)	
		<u>1,451,731</u>	<u>1,173,458</u>	

The rate of capitalised interest was 1.02965%.

16. Gross Cash Flows				
Returns on Investments & Servicing of Finance		2012	2011	
Interest Received		14,282	15,547	
Interest Paid		<u>(1,451,731)</u>	<u>(1,173,458)</u>	
		<u>(1,437,449)</u>	<u>(1,157,911)</u>	

Capital Expenditure				
Purchase of Other Fixed Assets		(359,719)	(1,361,860)	
Expenditure on Housing Properties		(14,714,079)	(9,949,116)	
Disposal on Housing Properties		1,089,750	1,967,188	
Sale of Other Fixed Assets		16,263	79,745	
Sale/Disposal of Housing Properties & fixtures		(30,573)	289,084	
Social Housing Grants Received		6,543,417	6,196,869	
Disposal on Social Housing Grants		(929,843)	(1,919,573)	
		<u>(8,384,784)</u>	<u>(4,697,663)</u>	

Financing				
Issue of Ordinary Shares		(69)	(1)	
Loan advances Received		6,000,000	2,000,000	
Loans Redeemed		<u>(595,090)</u>	<u>(681,933)</u>	
		<u>5,404,841</u>	<u>1,318,066</u>	

17. Analysis of Changes in Net Liabilities				
		2011	in Year	2012
		£'s	£'s	£'s
Cash at Bank & In Hand		599,756	464,034	1,063,790
Short Term Deposits		4,650,424	877,744	5,528,168
Overdrafts		-	-	-
Debt due within One Year		5,250,180	1,341,778	6,591,958
		(575,550)	(182,949)	(758,499)
Debt due after One Year		(44,513,653)	(5,221,961)	(49,735,614)
		<u>(39,839,023)</u>	<u>(4,063,132)</u>	<u>(43,902,155)</u>

18. Pensions
West of Scotland Housing Association Limited participates in the SFHA 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 at 30 September 2009 by a professionally qualified actuary using the

West of Scotland Housing Association Limited
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Projected Unit Credit method. The market value of the Scheme's assets as at the valuation date was £295 million. The valuation showed a shortfall of assets compared to liabilities of £160 million, equivalent to a past service funding level of 64.8%.

The Scheme Actuary has prepared an Actuarial Report that provides an approximate update on the funding position of the Scheme as at 30 September 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 of Scotland Housing Association Limited has been notified by The Pensions Trust of the estimated employer debt on withdrawal from the SFHA Scheme based on the financial position of the Scheme as at 30 September 2011. As of this date the estimated employer debt for West of Scotland Housing Association Limited was £12,721,677.

The Scheme offers five benefit structures to employers, namely:

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

An employer can elect to operate different benefit structures for their active members (as at the first day of April in any given year) and their new entrants. An employer can only operate one open benefit structure at any one time. An open benefit structure is one which new entrants are able to join.

West of Scotland Housing Association has elected to operate the final salary with a 1/60th accrual rate benefit structure for active members and new entrants.

During the accounting period West of Scotland Housing Association Limited paid contributions at the rate of 9.6% of pensionable salaries. Member contributions were 9.6%.

As at the balance sheet date there were 57 active members of the Scheme employed by West of Scotland Housing Association Limited. The annual pensionable payroll in respect of these members was £1,819,251.

West of Scotland Housing Association Limited continues to offer membership of the Scheme to its employees.

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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

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

West of Scotland Housing Association Limited has been notified by the Pension Trust of the Scottish Housing Association Pension Scheme (SHAPS) that past service deficit contributions payable for the year to 31st March 2012 are £202,442.

19. Share Capital	No.	No.
At 1 st April 2011	207	208
Additions in Year	-	9
Cancellations in Year	(69)	(10)
At 31 st March 2012	<u>138</u>	<u>207</u>

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

20. Lease Commitments

The Association rents office accommodation from Willowacre Trust (formerly known as Christian Action (Glasgow) Housing Trust Limited) under a 25-year lease. The lease has 4 years until expiry. The annual rent is £40,500. The Association will sub let this lease to Glasgow Association for Mental Health from 14th July 2003.

21. Related Parties

The terms applicable to those tenant members of the Association are the same terms applicable to all tenants.

One member of the management committee of West of Scotland Housing Association is also a member of the management committee of Willowacre Trust (formerly known as Christian Action (Glasgow) Housing Trust). Their board has 10 members. One senior officer of West of Scotland Housing Association is also a member of Willowacre

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Trust's Committee. West of Scotland Housing Association now has less than 50% interest in the Willowacre Board and membership.

One member of the management committee of West of Scotland Housing Association is a Board Member of EVH.

22. Contingent Liabilities

The Association has been advised by The Pension Trust that should the Association choose to withdraw from the scheme, the Association's estimated Employer debt would be £12.7 million. Please refer to note 18 for further explanation.

Housing Association Grants allocated to 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 677,762.

23. Impairment

The impairment charge in 2011/12 is in respect of the purchase of a Community Centre in Camlachie. This had a net book value of £216k and a market value of £100,000. Therefore £116k has been shown as an impairment charge in 2011/12 accounts to bring the value to market value.

24. Post Balance Sheet Event

Willowacre Trust a company limited by guarantee SCO73356 and a registered Scottish Charity 42457 became a subsidiary of West of Scotland Housing Association on 11th April 2012. Willowacre Trust articles were changed to allow West of Scotland Housing Association parent rights.