

WEST OF SCOTLAND HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MARCH 2011



Scottish Charity Number: SC018486
Industrial & Provident Societies Registered Number 1828R(S)

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST MARCH 2011

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**West of Scotland Housing Association Limited
Management Committee, Executives and Advisers
Year Ended 31st March 2011**

Management Committee

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

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
	Registered Number 1828R(S)
Scottish Housing Regulator	Housing Scotland Act 2001
	Registered Number HEP201
Scottish Charities	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
Report of Trustees of West of Scotland Housing Association Limited
Year Ended 31st March 2011

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

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, The Scottish Social Housing Charter all have a significant impact on our business.

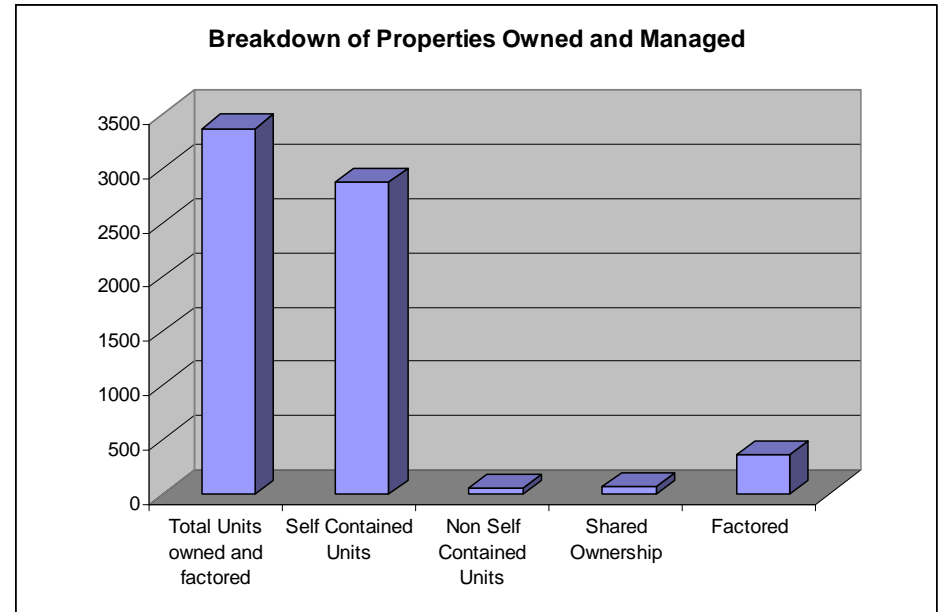
It is with these in mind that we consider the decisions we made during 2010/11 and in going forward.

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

The graph shows a breakdown of the properties we own and manage as at 31 March 2011.



Strategic Aims and Objectives

The Associations mission continues to be to create “Sustainable, Affordable Housing and 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

West of Scotland Housing Association Limited
Report of the Trustees of West of Scotland Housing Association Limited
Year Ended 31st March 2011

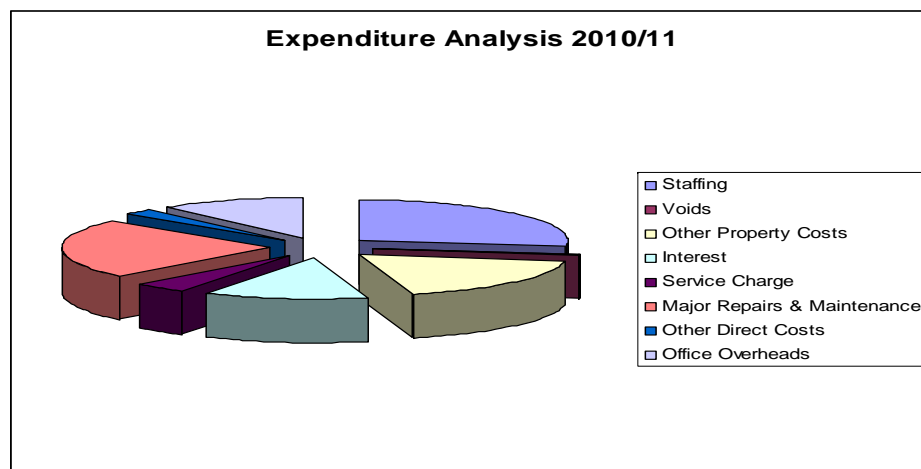
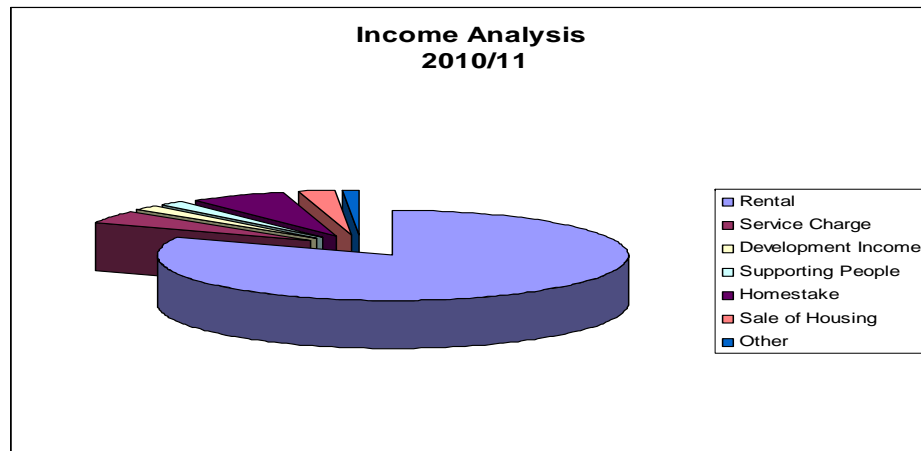
During 2010/11 committee agreed that we could develop a strategy for Building Sustainable Communities. It is agreed that developing a well rounded and integrated approach to housing is a pre-requisite to creating sustainable communities within which individuals and families live and thrive. Building and sustaining communities requires a broader focus, one that needs to be coordinated across the whole policy landscape which calls for actions to be taken across 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 associations' business and augmented by values, objectives and goals to make them more tangible and to allow them to be translated into specifically measurable tasks.

Financial Review

West of Scotland Housing Association Ltd made a surplus of £1,085,246 during the financial year. During the course of the year rental income, after voids, grew from £9,018,354 in 2009/10 to £9,365,226 in 2010/11.

The following charts show a breakdown of our income and expenditure on 2010/11:



West of Scotland Housing Association Limited
Report of Trustees of West of Scotland Housing Association Limited
Year Ended 31st March 2011

Development Activities

2010/11 has been another very active year in terms of Development activity. We have spent £9,949,000 (2010 - £16,120,000) during the year, of which £6,197,000 (2010 - £6,802,000) is funded by grants received from the Scottish Government and/or Glasgow City Council DRS (Housing Association Grant) and/or other agencies.

During the course of the year 36 new properties were let across Glasgow, South Ayrshire and South Lanarkshire. An additional 138 properties are expected to be complete by April 2012.

The Scottish Government launched the Innovation and Investment Fund which we hope to be successful in securing funding to continue our development programme over the next few years. It is a challenging time for the Association in terms of the future development programme and affordability to continue to build social housing at a much reduced grant level.

We continue to consider alternative options to using Housing Grant for the purposes of acquiring additional properties to meet the demand for social housing.



Refurbished bathroom, Carlisle Road

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.

West of Scotland Housing Association Limited
Report of the Trustees of West of Scotland Housing Association Limited
Year Ended 31st March 2011

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 of the association and receives the reports from the Association's Internal Audit department. Building on our in-house internal audit function we have delivered our first year audit plan as approved by the Audit committee. During the year we carried out a major review of our risk register and in addition to our corporate risk register we developed team risk registers which focus on the departmental/operational and area risks.

Corporate Issues

The Association continues to make progress towards being more efficient and effective and a number of projects have taken place or commenced during 2010/11 to achieve efficiencies, particularly concentrating on our use of IT systems and robust business processes.

We have also during 2010/11 built on our aspirations to be a much greener business and have implemented a number of initiatives as a result of our Sustainability and Efficiencies working group.

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 2010/11 we rolled out our competency based appraisal system which was piloted in 2009/10. The feedback from the staff was very positive and we will continue to review the process and the competencies to ensure it remains fit for purpose.

During 2010/11 we created a Staff Health and Wellbeing group and developed a corresponding strategy. We are working alongside Healthy Working Lives with an aim of achieving the bronze award for health at work by the end of 2011.

Moving into our new office in Camlachie in October 2010 allowed us to vacate the old Camlachie office and allow demolition of this as well as closing down our Hamilton Office. In addition this allowed us to complete Phase 2 of the housing services restructure during 2010/11 and we will continue to monitor the success of this.

West of Scotland Housing Association Limited
Report of the Trustees of West of Scotland Housing Association Limited
Year Ended 31st March 2011

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 regularly reviewed 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 well equipped to weather the present financial storms.

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 moved ahead with some major repairs not specifically because it had become necessary but also to meet the changing aspirations of tenants. During 2010/11 we brought forward around £0.5m of major repairs work maximising the benefit to our tenants.

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 £52,323 (2010 - £72,091) a 27% improvement on last year.

We met our target of keeping our non-technical rent arrears below 2.97% of our rental income, at the year end represents 2.36% of the total rent roll (2010 – 2.79%) This represents a 15%

improvement on the previous year and we will continue to deploy resources to continue this trend.

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



Kings Park, Ayr

West of Scotland Housing Association Limited
Report of the Trustees of West of Scotland Housing Association Limited
Year Ended 31st March 2011

Communities

West of Scotland Housing Association continues to actively promote its role in Community Regeneration, especially in communities that we are already operating in. During 2011 we committed to take a fully coordinated approach to community regeneration and contributing to the social, economic and environmental cohesion of our communities. Our strategy for Building Sustainable Communities will be launched in September 2011. In addition we have committed to resource this activity by creating a post to deliver the strategy. This post is critical to the success of this strategy.

Finance and IT

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.

A review of our IT systems took place during the year creating an action plan for improvements in software and processing to avoid duplication and create a culture where efficient IT solutions are at the forefront. The Association continued to roll out an electronic Document Management System which will help with the storage and retrieval of information. In addition we implemented print software which allows us to reduce the volume and cost of our printing, resulting in efficiencies within the business but also a greener culture.

Risk Management Policy

The Committee have formal risk management processes to assess business risks and implement risk management strategies. This involved 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 review the risk register at the quarterly Audit Committees.

In addition, we have started a full review of the risk register at a corporate level with phase 2 reviewing and implementing local risk registers at departmental/team level.



Camlachie Phase 9b

West of Scotland Housing Association Limited
Report of the Trustees of West of Scotland Housing Association Limited
Year Ended 31st March 2011

Rental Income

The Association'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 Association's properties. The point's value is reviewed annually to ensure that the rents cover the required costs. During 2010/11 we reviewed our rent policy and after some careful consideration we have decided to remain with the policy currently in operation as we see this as a fair and reasonable policy.

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 2011 the Association had £45.1m in loan facilities and held deposits of £5.25m.

Given the extreme volatility in financial markets and interest rates, professional guidance has been sought during the last year in connection with the composition of our loan portfolio. We, as a matter of policy do not enter into transactions of a speculative nature. We continue to review our loan portfolio to take advantage of the products on the market whilst ensuring we have some long term stability in terms of our loan portfolio.

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 £9,559,105.

The Association also has a number of other designated funds. The purpose of these funds is detailed in note 1 in the financial statements.

Sales 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. During 2010/11 external Health and Safety training was provided to all staff.

West of Scotland Housing Association Limited
Report of Trustees of West of Scotland Housing Association Limited
Year Ended 31st March 2011

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 has purchased and 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 2011 was as follows:

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

Sub Committee Membership

1 Audit Sub Committee

2 Tenant Advisory Group

* It is with regret that Douglas Brown passed away on 30 July 2011 after serving 13 years on our committee, contributing to the growth and strategic direction of the business.

West of Scotland Housing Association Limited
Report of the Trustees of West of Scotland Housing Association Limited
Year Ended 31st March 2011

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

Directors

The Directors of West of Scotland Housing Association at 31 March 2011 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 recommend Baker Tilly UK Audit LLP for re-appointment as auditors of West of Scotland Housing Association.

On behalf of the Management Committee

Marie Campbell
Company Secretary
24th August 2011

West of Scotland Housing Association Limited
Report of the Trustees of West of Scotland Housing Association Limited
Year Ended 31st March 2011

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: ...Siobhan White Date: 24 August 2011

STATEMENT OF INTERNAL FINANCIAL CONTROL

The Management Committee acknowledges that it is ultimately responsible 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 2011 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: Colin Menabney Date: 24 August 2011

**West of Scotland Housing Association Limited
Auditors Report on Corporate Governance
Year Ended 31st March 2011**

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 11 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 2006/5 issued by the Auditing Practices Board. The Bulletin does not require us to review the effectiveness of the Association's procedures for ensuring compliance with the guidance notes, nor to investigate the appropriateness of the reasons given for non-compliance.

Opinion

In our opinion the Statement on Internal Financial Control on page 11 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
Statutory Auditors
Chartered Accountants
Glasgow

Date: 24/8/11.....

West of Scotland Housing Association Limited
Independent Auditors Report to the members of West of Scotland Housing Association Limited
Year Ended 31st March 2011

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 2011 on pages 14 to 29. 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 11, 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 2011 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
Statutory Auditors
Chartered Accountants
274 Sauchiehall Street
Glasgow G2 3EH

Date: ...24/8/11.....

West of Scotland Housing Association Limited
Income and Expenditure Account and Balance Sheet
Year Ended 31st March 2011

INCOME & EXPENDITURE ACCOUNT

	Notes	2011 £'s	2010 £'s
Turnover	2	10,644,212	11,324,097
Less:			
Operating Costs	2	<u>(8,690,139)</u>	<u>(9,860,777)</u>
Operating Surplus	2	1,954,073	1,463,320
Gain on Sale of Housing Properties		289,084	126,867
Gain on Sale of Other Fixed Assets		-	1,144
Loss on disposal of housing fixtures		-	-
Interest Receivable		15,547	23,513
Interest Payable	15	<u>(1,173,458)</u>	<u>(819,602)</u>
Surplus for the Year	7	<u>1,085,246</u>	<u>795,242</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 24 August 2011 and signed by

Committee Member: Siobhan White
 Committee Member: Colin Menabney
 Company Secretary: Marie Campbell

BALANCE SHEET

	Notes	2011 £'s	2010 £'s
Tangible Fixed Assets			
Housing Properties - Gross	10	198,076,711	191,589,610
Cost less Depreciation			
Less: Social Housing Grant	10	<u>(152,539,242)</u>	<u>(148,261,946)</u>
		45,537,469	43,327,664
LIFT Loan		234,405	234,405
LIFT Grant		<u>(234,405)</u>	<u>(234,405)</u>
		-	-
Other Fixed Assets	10	<u>3,089,736</u>	<u>1,941,966</u>
		48,627,205	45,269,630
Current Assets			
Stock	14		372,593
Debtors	8	3,049,329	3,809,509
Cash at Bank & in Hand		<u>5,250,182</u>	<u>5,427,608</u>
		8,299,511	9,609,710
Current Liabilities			
Creditors due within one year	9	<u>(2,419,323)</u>	<u>(2,849,370)</u>
Net Current Assets		<u>5,880,188</u>	<u>6,760,340</u>
		54,507,393	52,029,970
Creditors: amounts falling due after one year	11	<u>(44,513,653)</u>	<u>(43,164,646)</u>
Net Assets		<u>9,993,740</u>	<u>8,865,324</u>
Capital & Reserves			
Share Capital	19	207	208
Designated Reserves	7	309,619	585,448
Capital Reserve - SAHS	1	124,809	124,809
Revenue Reserves	7	<u>9,559,105</u>	<u>8,154,859</u>
		<u>9,993,740</u>	<u>8,865,324</u>

West of Scotland Housing Association Limited
Cash Flow Statement
Year Ended 31st March 2011

CASH FLOW STATEMENT
FOR THE YEAR ENDED 31ST MARCH 2011

	Notes	2011 £'s	2010 £'s
Reconciliation of operating surplus to net cash inflow			
From operating activities			
Operating Surplus		1,954,073	1,463,320
Impairment		-	-
Depreciation Charges		1,629,170	1,278,415
Profit on Sale of Other Fixed Assets		-	1,144
Decrease in Stock		372,592	891,514
Decrease in Debtors		760,180	1,873,536
(Decrease)/Increase in Creditors		<u>(355,938)</u>	<u>329,044</u>
Net cash inflow from operating activities		<u>4,360,077</u>	<u>5,836,973</u>
Cash Flow Statement	16		
Net Cash Inflow from operating activities		4,360,078	5,836,973
Returns on investments & servicing of Finance		(1,157,911)	(796,089)
Capital expenditure		<u>(4,697,663)</u>	<u>(10,437,407)</u>
		<u>(1,495,496)</u>	<u>(5,396,523)</u>
Financing		<u>1,318,066</u>	<u>2,096,518</u>
Increase in Cash & Equivalents		<u>(177,430)</u>	<u>3,300,005</u>
Reconciliation of net cash flow to movement in net debt	17		
Increase in cash in year		(177,430)	(3,300,005)
Cash (inflow) from increase in Debt		<u>(1,318,068)</u>	<u>(2,096,707)</u>
Change in Net Debt		<u>(1,495,498)</u>	<u>(5,396,712)</u>
Net Debt at 1st April 2010		<u>(38,343,527)</u>	<u>(32,946,815)</u>
Net Debt at 31st March 2011		<u>(39,839,025)</u>	<u>(38,343,527)</u>

West of Scotland Housing Association Limited
Notes to the Financial Statements
Year Ended 31st March 2011

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 2007 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 2011

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

Negative goodwill arising on the acquisition of subsidiaries represents the excess of the fair value of the identifiable net assets acquired over the fair value of the consideration given and is immediately taken to reserves. This is in accordance with the SORP but not in accordance with FRS 10, which requires that negative goodwill is shown as a negative asset on the balance sheet. The Committee is of the opinion that the treatment required by FRS 10 would not present a true and fair view of the Association's net assets, because the substance of the transaction is a transfer of a business by the subsidiary for no consideration rather than a purchase in the conventional manner. If the negative goodwill had been treated as a negative asset as required by FRS 10, then the Association's net assets would have been reduced by £124,809. Negative goodwill is amortised to the income and expenditure account over the same period over which depreciation is charged on the housing properties acquired.

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

Housing Properties are depreciated over 50 years and between 15 and 30 years depending on the component.

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.

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 the now abolished Rent Surplus Fund £522 per unit has been provided in the designated reserve.

West of Scotland Housing Association Limited
Notes to the Financial Statements
Year Ended 31st March 2011

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 2011

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

	Turnover	Operating Costs	2011 Operating Surplus or Deficit £'s	2010 Operating Surplus or Deficit £'s
	£'s	£'s	£'s	£'s
Income & Expenditure from Social Letting Activities (note 3a)	9,397,784	7,387,482	2,010,302	2,102,105
Other Income & Expenditure (note 3b)	1,246,428	1,302,657	(56,229)	(638,785)
Total	<u>10,644,212</u>	<u>8,690,139</u>	<u>1,954,073</u>	<u>1,463,320</u>
2010	<u>11,324,097</u>	<u>9,860,777</u>	<u>1,463,320</u>	

West of Scotland Housing Association Limited
Notes to the Financial Statements
Year Ended 31st March 2011

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

	General Needs Housing	Supported Housing	Shared Ownership	2011 Total £	General Needs Housing £	Supported Housing £	Shared Ownership £	2010 Total £
Income from Lettings	£	£	£	£	£	£	£	£
Rent Receivable net of Service Charges	8,586,760	247,465	108,260	8,942,485	8,368,772	152,378	115,717	8,636,867
Service Charges Receivable	447,777	19,540	7,747	475,064	435,370	10,542	7,666	453,578
Gross Income from rent & service charges	9,034,537	267,005	116,007	9,417,549	8,804,142	162,920	123,383	9,090,445
Less: Rent Losses from Voids	(50,242)	(1,448)	(633)	(52,323)	(69,853)	(1,272)	(966)	(72,091)
Net income from rent & service charges	8,984,295	265,557	115,374	9,365,226	8,734,289	161,648	122,417	9,018,354
Revenue grants from Scottish Government	32,558	-	-	32,558	29,009	-	-	29,009
Total Turnover from Social Letting Activities	9,016,853	265,557	115,374	9,397,784	8,763,298	161,648	122,417	9,047,363
Expenditure on Social Letting Activities								
Services	452,296	8,654	3,786	464,736	443,686	4,704	3,572	451,962
Management & Maintenance admin costs	3,079,048	84,115	5,402	3,168,565	3,067,409	53,143	28,522	3,149,074
Planned, Cyclical & Major Repair Costs	1,061,963	19,440	-	1,081,403	1,073,208	10,906	-	1,084,114
Reactive Maintenance Costs	1,101,311	30,476	-	1,131,787	1,024,942	18,083	-	1,043,025
Bad Debts – rents & service charges	46,159	-	-	46,159	39,697	-	-	39,697
Depreciation of Social Housing	1,473,656	-	21,177	1,494,833	1,067,692	-	12,241	1,079,933
Other (Impairment)	-	-	-	-	97,453	-	-	97,453
Operating Costs for Social Letting Activities	7,214,433	142,685	30,365	7,387,483	6,814,087	86,836	44,335	6,945,258
Operating Surplus on Social Letting Activities	1,802,420	122,872	85,009	2,010,301	1,949,211	74,812	78,082	2,102,105

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 2011

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	2011 Operating Surplus /(Deficit)	2010 Total
	£	£	£	£	£	£	£	£	£
Wider Role	10,000	-	-	-	10,000	-	33,278	(23,278)	(106,463)
Factoring	-	-	-	26,419	26,419	6,590	48,547	(28,717)	(27,994)
Development Activities	-	-	-	234,903	234,903	-	461,329	(226,427)	(233,142)
Support Activities	-	-	200,865	-	200,865	-	225,727	(24,862)	(29,610)
Properties for Sale	-	-	-	717,835	717,835	-	717,835	-	-
Agency Services for RSLs	-	-	-	18,737	18,737	-	-	18,737	15,134
Other Activities	-	-	-	37,769	37,769	-	(190,647)	228,317	(256,710)
Total from Other Activities	10,000	-	200,865	1,035,563	1,246,428	6,590	1,296,067	(56,229)	(638,785)
2010	48,172	-	306,216	1,922,346	2,276,734	1,834	2,913,685	(638,785)	

The other operating costs under Other Activities includes the release of a provision no longer required.

West of Scotland Housing Association Limited
Notes to the Financial Statements
Year Ended 31st March 2011

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

2011 £'s	2010 £'s
10,927	10,641
<u>5,626</u>	<u>-</u>
<u>16,553</u>	<u>10,641</u>

5. Employees

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

£'s	£'s
2,022,502	1,973,766
155,843	145,514
<u>269,151</u>	<u>258,097</u>
<u>2,447,496</u>	<u>2,377,377</u>

Office Staff full time equivalents
Warden Staff full time equivalents

No.	No.
62.2	65.8
<u>6.2</u>	<u>13.2</u>
<u>68.4</u>	<u>79.0</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

	£'s	£'s
Aggregate Emoluments payable to Directors (excluding pension contributions but including benefits in kind)	<u>74,901</u>	<u>73,361</u>
Emoluments payable to highest paid Director (excluding pension contributions)	<u>74,901</u>	<u>73,361</u>
Total emoluments (including pension contributions and benefits in kind)	<u>85,696</u>	<u>83,919</u>

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

	No. of Director s	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 £10,795 (2010 - £10,558).

7. (a) Designated Reserve
Major Repairs Reserve

	2011 £'s	2010 £'s
At 1 st April 2010	585,448	1,032,086
Provided in Year	43,171	39,766
Surplus/(Deficit) made on sheltered housing	7,917	(31,361)
Spend in Year	(326,917)	(455,043)
At 31st March 2011	<u>309,619</u>	<u>585,448</u>

7. (b) Revenue Reserve

	2011 £'s	2010 £'s
At 1 April 2010	8,154,859	6,873,213
Surplus in year	1,085,245	795,242
Transfer from designated reserve	319,001	486,404
At 31st March 2011	<u>9,559,105</u>	<u>8,154,859</u>

West of Scotland Housing Association Limited
Notes to the Financial Statements
Year Ended 31st March 2011

8. Debtors		2011	2010
	£'s	£'s	£'s
Amounts falling due within one year:			
Rental Debtors	302,156		301,756
Less: Provision for Doubtful Debts	32,834		22,097
	<hr/>	269,322	<hr/> 279,659
Development Funding Receivable		2,465,211	3,234,480
Other Debtors		206,095	193,640
Prepayments & Accrued Income		108,701	101,730
		<hr/> <hr/>	<hr/> <hr/> 3,809,509
		<u>3,049,329</u>	<u>3,809,509</u>

9. Creditors Due Within One Year		2011	2010
		£'s	£'s
Loans (note 11)		575,550	606,489
Trade Creditors		924,162	1,377,176
Other Taxes & Social Security		56,574	53,578
Other Creditors		169,376	421,025
Accruals & Deferred Income		362,640	109,732
Rents in Advance		331,021	281,370
		<hr/> <hr/>	<hr/> <hr/> 2,849,370
		<u>2,419,323</u>	<u>2,849,370</u>

West of Scotland Housing Association Limited
Notes to the Financial Statements
Year Ended 31st March 2011

10. Tangible Fixed Assets

	Completed Housing Properties Held For Letting	Housing Properties In Course Of Construction	Shared Ownership Housing Properties	Shared Ownership Housing Properties In Course Of Construction	Equipment	Vehicles	Office Buildings	2011 Total	2010 Total
Cost	£	£	£	£	£	£	£	£	£
At start of year	190,464,777	2,859,508	4,319,870	-	1,023,808	24,202	1,892,192	200,584,357	189,100,473
Additions during year	3,494,536	6,454,580	-	-	131,459	-	1,230,402	11,310,977	17,431,532
Completed in year	3,554,296	(3,554,296)	-	-	-	-	-	-	-
Disposals in year	(1,778,663)	(107,436)	(81,090)	-	(2,804)	-	(76,941)	(2,046,934)	(5,947,648)
At end 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
Social Housing Grants									
At start of year	142,273,189	2,624,430	3,364,327	-	-	-	-	148,261,946	147,342,335
Additions during year	1,248,014	4,948,855	-	-	-	-	-	6,196,869	6,181,206
Completed in year	2,375,063	(2,375,063)	-	-	-	-	-	-	-
Repaid & abated during year	(1,733,751)	(104,734)	(81,090)	-	-	-	-	(1,919,575)	(5,261,595)
At end of year	144,162,515	5,093,488	3,283,237	-	-	-	-	152,539,240	148,261,946
Depreciation									
At start of year	5,875,671	-	178,870	-	803,826	20,137	174,273	7,052,777	5,774,362
Provided during year	1,509,229	-	22,800	-	144,434	4,065	60,913	1,741,441	1,239,497
Impairment	-	-	-	-	-	-	-	-	97,453
Disposal in year	(35,573)	-	(1,622)	-	(2,804)	-	(72,264)	(112,263)	(58,535)
At end of year	7,349,327	-	200,048	-	945,456	24,202	162,922	8,681,955	7,052,777
Net Book Value									
At end of year	44,223,104	558,868	755,495	-	207,007	-	2,882,731	48,627,205	45,269,630
At start of year	42,315,917	235,078	776,673	-	219,982	4,065	1,717,919	45,269,630	35,983,776

Development administration costs amounted to £461,329 (2010 £513,675) for which Housing Association Grant and Other Income amounting to £234,903 (2010 £280,533) were received during the year. Major repairs capitalised in the year was £1,327,627 (2010 £679,367).

West of Scotland Housing Association Limited
Notes to the Financial Statements
Year Ended 31st March 2011

11. Creditors due outwith one Year	2011	2010
	£'s	£'s
Loans	<u>44,513,653</u>	<u>43,164,646</u>

Loans are secured by specific charges on the Association's properties.
Loans are repayable at rates of interest of 0.867% to 7.235%,
(2010 0.763% to 7.29%) in installments due as follows:

	2011	2010
	£'s	£'s
In one year or less	575,550	606,489
Between one and two years	575,550	606,489
Between two and five years	14,026,651	14,216,858
in five years or more	<u>29,911,451</u>	<u>28,341,300</u>
	<u>45,089,202</u>	<u>43,771,136</u>

12. Capital Commitments	2011	2010
	£'s	£'s
Expenditure contracted less certified	<u>33,941,736</u>	<u>32,375,605</u>

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

13. Housing Stock	2011	2010
	No.	No.

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

General Needs	2,720	2,848
Supported Housing	202	29
Shared Ownership	77	79
	<u>2,999</u>	<u>2,956</u>
Units awaiting improvement or repair	23	25
Units under construction at year end	<u>95</u>	<u>24</u>
Total Bedspaces at year end	<u>9,774</u>	<u>9,641</u>

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

	2011	2010
	Units	Units
Quarriers	1	1
Key Housing Association	1	-
Cornerstone	1	1
Simon Community	2	2
McFarlane Homes	1	1
South Lanarkshire Council	1	0
Hayfield Deaf Unit	2	1
GASSP	10	14
Mungo Foundation	1	14
Ayrshire Primary Care Trust	10	10
Thorntoun	0	14
Womens Aid	1	1
National Autistic Society	6	6
North Lanarkshire Council	1	1
Crossreach	1	41
YMCA	19	10
Positive Steps	0	1

14. Stock - Homestake	2011	2010
	£'s	£'s
Cost of Developing Properties	-	1,514,758
Grant Received to Develop Properties	-	(1,142,165)
	<u>-</u>	<u>372,593</u>
Fernhill 1A	-	-
Camlachie Phase 7B	-	372,593
	<u>-</u>	<u>372,593</u>

West of Scotland Housing Association Limited
Notes to the Financial Statements
Year Ended 31st March 2011

15. Interest Payable	2011	2010
	£'s	£'s
Interest Payable on Loans	1,180,771	887,353
Less: Capitalised Interest	<u>(7,313)</u>	<u>(67,751)</u>
	<u>1,173,458</u>	<u>819,602</u>

The rate of capitalised interest was 1.02965%.

16. Gross Cash Flows	2011	2010
	£'s	£'s
Returns on Investments & Servicing of Finance		
Interest Received	15,547	23,513
Interest Paid	<u>(1,173,458)</u>	<u>(819,602)</u>
	<u>(1,157,911)</u>	<u>(796,089)</u>

Capital Expenditure	2011	2010
	£'s	£'s
Purchase of Other Fixed Assets	(1,361,860)	(1,323,968)
Expenditure on Housing Properties	(7,981,928)	(10,178,152)
Sale of Other Fixed Assets	79,745	18,235
Sale/Disposal of Housing Properties & fixtures	289,084	126,867
Social Housing Grants Received (net)	4,277,296	919,611
	<u>(4,697,663)</u>	<u>(10,437,407)</u>

Financing	2011	2010
	£'s	£'s
Issue of Ordinary Shares	(1)	(190)
Loan advances Received	2,000,000	4,000,000
Loans Redeemed	<u>(681,933)</u>	<u>(1,903,292)</u>
	<u>1,318,066</u>	<u>2,096,518</u>

17. Analysis of Changes in Net Liabilities	Changes		
	2010	in Year	2011
	£'s	£'s	£'s
Cash at Bank & In Hand	430,474	169,282	599,756
Short Term Deposits	4,997,134	(346,709)	4,650,424
Overdrafts	-	-	-
	<u>5,427,608</u>	<u>(177,427)</u>	<u>5,250,180</u>
Debt due within One Year	(606,489)	30,939	(575,550)
Debt due after One Year	(43,164,646)	(1,349,007)	(44,513,653)
	<u>(38,343,527)</u>	<u>(1,495,495)</u>	<u>(39,839,023)</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
Notes to the Financial Statements
Year Ended 31st March 2011

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 2010. Such a report is required by legislation for years in which a full actuarial valuation is not carried out. The funding update revealed an increase in the assets of the Scheme to £335 million and indicated an increase in the shortfall of assets compared to liabilities to approximately £162 million, equivalent to a past service funding level of 67.4%

Following a change in legislation in September 2005 there is a potential debt on the employer that could be levied by the Trustee of the Scheme. The debt is due in the event of the employer ceasing to participate in the Scheme or the Scheme winding up.

The debt for the Scheme as a whole is calculated by comparing the liabilities for the Scheme (calculated on a buy-out basis i.e. the cost of securing benefits by purchasing annuity policies from an insurer, plus an allowance for expenses) with the assets of the Scheme. If the liabilities exceed assets there is a buy-out debt.

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

West 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 2010. As of this date the estimated employer debt for West of Scotland Housing Association Limited was £10,712,297.

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 15.4% of pensionable salaries. Member contributions were 7.7%.

As at the balance sheet date there were 59 active members of the Scheme employed by West of Scotland Housing Association Limited. The annual pensionable payroll in respect of these members was £1,792,559.

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

19. Share Capital

At 1 st April 2010	No. 208	No. 398
Additions in Year	9	14
Cancellations in Year	<u>(10)</u>	<u>(204)</u>
At 31 st March 2011	<u>207</u>	<u>208</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 1 year until expiry. The annual rent is £40,500. The Association sub let this lease to Glasgow Association For Mental Health from 14th July 2003. The Association rents office premises in Hamilton with Development Options (Hamilton) under a 15-year lease. The lease has 6 years until expiry with the Association having the option to terminate in 5 years with 12 months notice. The annual rent is £33,250. The rent will be reviewed 5 yearly. In addition to the rent there is a quarterly variable service charge.

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

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West of Scotland Housing Association is also a member of Willowacre 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 was in dispute with a contractor who was replaced at one of our developments. The contractor claimed damages of £630,000 and the Association counter-claimed for £443,000. Legal action began during year end 2007/08. The contractor has now gone into liquidation. The liquidators have agreed that the actions are to be disposed of with each party bearing their own expenses. The Association, to be prudent, has made a provision for legal costs still due.

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 £10.7 million. Please refer to note 18 for further explanation.

23. Impairment

The impairment charge in 2009/10 is in respect of 127 houses demolished by the Association. They had a net book value of £97k, after deduction of land cost, and had a market value of £zero. Therefore, £97k has been shown as an impairment charge in 2009/10. No impairment has been recognised in the 2010/11 financial statements.