

SHETTLESTON HOUSING ASSOCIATION LIMITED

REPORT AND FINANCIAL STATEMENTS

for the year ended 31 March 2002

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Members, Executives and Advisers

Committee of Management

Helen McGregor (Chairperson)
James Duffy (Vice-Chairperson)
Mary Thomas (Secretary)
Betty Finnen
Nan Sangster
May Murray
Isobel McChord
Anne Jack
Jack McCaffrey (co-opted)
Gillian Johnston
Councillor George Ryan (Council Representative)
Robert Cunningham

Executive Officers

Chris Cunningham (Director)
Robert Craig (Acting Director)
Jim Hempsey (Finance Manager)
Nick Ronan (Technical Services Manager)
June Macfarlane (Housing Manager)

Registered Office

65 Pettigrew Street
Glasgow
G32 7XR

Auditors

Scott-Moncrieff
Chartered Accountants
25 Bothwell Street
Glasgow
G2 6NL

Bankers

Royal Bank of Scotland plc
1304 Duke Street
Glasgow
G31 5PZ

Clydesdale Bank plc
Shettleston Road
Glasgow
G32

Solicitors

Brechin Tindal Oatts
48 St Vincent Street
Glasgow
G2 5HS

**Report of the management committee
for the year ended 31 March 2002**

The Committee of Management present their report and the audited financial statements for the year ended 31 March 2002.

Principal Activity

The principal activity of the Association is the provision of rented accommodation.

Review of Business And Future Developments

At the beginning of the last financial year, the Association set out a series of objectives for the year ahead. These objectives were part of the Internal Management Plan which the Association prepares every year.

Last year our objectives were:-

- Develop a strategy to allow the Association to adequately meet the challenges of the proposed Stock Transfer to Glasgow Housing Association.
- Restart the Development Programme by getting the Dalton Street New Build Project on site.
- Achieve a site start for the Homelink Scheme.
- Continue to integrate the Springboig Stock into the mainstream of the Association's operations and successfully complete the first phase of the modernisation contract.
- Implement the next phases of the Kitchen Renewal Programme.
- Continue to develop a strategy to effectively tackle Environmental Issues in the area.

Achieving these objectives depended crucially on maintaining the quality of our Housing Management and Maintenance services, continuing to deliver high quality information to tenants, implementing Internal Audit recommendations and continuing to adhere to all statutory requirements.

The entire phase one of the Springboig Modernisation Programme was completed successfully in December 2001 and phase two commenced in January 2002. Once phase two is complete, a total of 17 blocks comprising 56 houses will have been modernised. Plans for phase three are being developed and it is expected to commence in January 2003.

The third phase of the Kitchen Renewal Programme is now complete except for snagging and plans are being drawn up for phase four.

**Report of the management committee
for the year ended 31 March 2002****Review of Business and Future Developments (cont'd)**

The Development Programme restarted with the Homelink Scheme going on site at the Pettigrew Street/Wellshot Road corner and is expected to be ready to receive its first tenants at the end of August this year.

The preparation work for the Dalton Street New Build Project, involving 35 units, is now complete and a site start is expected during June this year. The development period is expected to be 15 months.

As was the case last year, a lot of effort was put in by the Association to campaign to transfer the Glasgow City Council Housing Stock to the Glasgow Housing Association. Various events were held to provide Council tenants with information including open days at a variety of venues and a promotional van which was parked at different sites in the area during a four week period in August 2001. Finally, a door knocking programme took place throughout the stock prior to the ballot in which Glasgow's Council tenants voted to change their landlord to Glasgow Housing Association.

For the Association, the result of that vote provides not only an opportunity to grow in size, but also to enhance its reputation in the local area. The Association was pleased to note in this regard that two thirds of Council tenants expressing a preference said they wanted Shettleston Housing Association as their Local Housing Organisation (LHO)

The Summer of 2001 represented the Association's 25th Anniversary and a number of events took place to celebrate the Silver Jubilee, culminating in an Open Day in the Orbiston Hall in June last year when an exhibition of photographs and other memorabilia was displayed.

The last year has been reasonably stable in terms of staff, but we were sorry to lose Mattie Lennox from the Management Committee after 8 years' service. Just recently, there have been two further resignations from the Management Committee: Frank Quinn for work-related and health reasons and Robert Shields also for health reasons.

The Association is grateful for the service given by all three of these people and is confident that others will volunteer to take the Association forward into what promises to be a very exciting and challenging future.

As part of its commitment to the Glasgow Stock Transfer process, the Association acceded to a request from Glasgow Housing Association to extend the secondment of our Director, Chris Cunningham, for a second year and just recently a further extension was agreed until 31st December 2002. As a result, Robert Craig was appointed Acting Director.

**Report of the management committee
for the year ended 31 March 2002**

While the past year has been extremely busy, the Association must, of course, look to the future and the following objectives have been set for 2002/2003:-

- Develop a Management and Investment Strategy to allow the Association to adequately meet the challenges of the proposed Stock Transfer to Glasgow Housing Association.
- Continue to integrate the Springboig Stock into the mainstream of the Association's operations and successfully complete the second phase of the Modernisation Contract.
- Get the third phase of modernisation work in Springboig on site.
- Implement Phase 4 of the Kitchen Renewal Programme.
- Successfully re-start the Association's mainstream Development Programme by getting Dalton Street New Build Project on site.
- Achieve a successful site completion for Pettigrew Street/Homelink Scheme.
- Continue to develop and implement a strategy to effectively tackle environmental issues in the area.

The Committee of Management and Executive Officers

The Committee of Management and executive officers of the Association are listed on page 1.

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

Internal Financial Controls

The Committee is responsible for the Association's system of internal financial control, and has reviewed its effectiveness from information provided by management staff.

Any system can only provide reasonable and not absolute assurance against material mis-statement or loss.

The financial control system within the Association is fundamentally simple and appropriate to the size and complexity of the organisation. It includes a combination of regular review of financial results compared with an agreed budget and authorisation of all expenditure by senior staff and Committee. An internal audit programme was carried out following an audit needs assessment previously carried out and regular reports were presented to Management Committee.

Related Party Transactions

Some members of the Management Committee are tenants. Their tenancies are on the Association's normal tenancy terms and they cannot use their positions to their advantage.

**Report of the management committee
for the year ended 31 March 2002**

Auditors

A resolution to re-appoint Scott-Moncrieff, Chartered Accountants, as auditors will be put to the members at the annual general meeting.

By order of the Committee

Mary Thomas
Secretary

Dated: 2 July 2002

Statement of committee's responsibilities

Housing association legislation requires the 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 income and expenditure of the association for the year ended on that date. In preparing those financial statements the committee are required to:-

- * Select suitable accounting policies and then apply them consistently;
- * Make judgements and estimates that are reasonable and prudent;
- * State whether applicable accounting standards have been followed subject to any material departures disclosed and explained in the financial statements;
- * Prepare the financial statements on a going concern basis unless it is inappropriate to presume that the association will continue in business.

The committee is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the association.

The committee is 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.

**REPORT OF THE AUDITORS
TO THE MEMBERS OF SHETTLESTON HOUSING ASSOCIATION LIMITED**

We have audited the financial statements on pages 9 to 26, which have been prepared under the accounting policies set out on pages 14 to 16.

Respective responsibilities of committee and auditors

As described on page 2 the Association's Committee of Management is responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Industrial and Provident Societies Acts 1965 to 1978, Section 24(1) the Housing Associations Act 1985 and the Registered Housing Associations (Accounting Requirements)(Scotland) Order 1999. We also report to you if, in our opinion, the Management Committee Report is not consistent with the financial statements, if the Association has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

We read the Management Committee Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Committee of Management in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Association's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the association at 31 March 2002 and of its income and expenditure for the period then ended and have been properly prepared in accordance with the Industrial and Provident Societies Acts 1965 to 1978, Section 24(1) the Housing Associations Act 1985 and the Registered Housing Associations (Accounting Requirements) (Scotland) Order 1999.

Scott-Moncrieff
Chartered Accountants
Registered Auditor
25 Bothwell Street, Glasgow G2 6NL
Dated: 2 July 2002

**REPORT OF THE AUDITORS TO THE MANAGEMENT COMMITTEE OF
SHETTLESTON HOUSING ASSOCIATION LIMITED
ON CORPORATE GOVERNANCE MATTERS**

In addition to our audit of the Financial Statements, we have reviewed your Statement on page 4 concerning the Association's compliance with the paragraphs of the Code of Audit Practice specified for our review by Communities Scotland. The objective of our review is to draw attention to non-compliance with those paragraphs of the Code, if not otherwise disclosed.

Basis of Opinion

We carried out our review having regard to Bulletin 1995/1 "Disclosure relating to Corporate Governance" issued by the Auditing Practices Board. The Bulletin does not require us to perform the additional work necessary to, and we do not, express any opinion on the effectiveness of either the Association's system of internal financial control or its corporate governance procedures.

Opinion

In our opinion, your statement on internal financial control on page 4 has provided the disclosures required by the Code of Audit Practice (as supplemented by the related guidance for Management Committee) and is not inconsistent with the information which came to our attention as a result of our audit work on the Financial Statements.

In our opinion, based on enquiry of certain Members of the Management Committee and Officers of the Association and examination of relevant documents, your Statement on page 4 appropriately reflects the Association's compliance with the paragraphs of the Code specified for our review.

Scott-Moncrieff
Chartered Accountants
Registered Auditor
25 Bothwell Street
Glasgow G2 6NL

Dated: 2 July 2002

INCOME AND EXPENDITURE ACCOUNT
for the year ended 31 March 2002

	Notes	2002 £	2001 £
Turnover	2 & 3	3,391,257	2,927,520
Operating costs	2	(2,962,260)	(2,040,947)
Operating surplus	2	428,997	886,573
Gain/(loss) on disposal of fixed assets		294,586	220,484
Interest receivable and other income	4	36,768	17,838
Interest payable and similar charges	5	(476,870)	(520,604)
Surplus on ordinary activities before taxation		283,481	604,291
Tax on surplus on ordinary activities		(176,684)	(200,000)
Grant receivable against taxation		175,000	200,000
Surplus for the year		281,797	604,291
Transfer to restricted reserve	13	-	(169,134)
Transfer to designated reserves	6	-	(278,665)
Retained in revenue reserves		281,797	156,492
Revenue reserve b/fwd		1,029,531	873,039
Revenue reserve c/fwd		1,311,328	1,029,531

The results for the year relate wholly to continuing activities.

The Association has no recognised gains and losses other than those included in the surplus above, and therefore no separate statement of total recognised gains and losses has been presented.

There is no material difference between the surplus on ordinary activities for the year and the retained surplus for the year stated above and their historical cost equivalents.

The notes on pages 14 to 26 form part of these financial statements

BALANCE SHEET
As at 31 March 2002

	Notes	2002 £	2001 £
Tangible fixed assets			
Housing properties – cost less depreciation	7	45,714,699	44,945,600
Less SHG and other grants	7	(37,124,390)	(36,223,295)
		<u>8,590,309</u>	<u>8,722,305</u>
Other fixed assets	7	257,556	334,082
		<u>8,847,865</u>	<u>9,056,387</u>
Current assets			
Debtors	8	926,613	585,717
Cash at bank and in hand		1,260,963	1,003,256
		<u>2,187,576</u>	<u>1,588,973</u>
Creditors: amounts falling due			
Within one year	9	(1,182,796)	(1,136,851)
Net current assets/(liabilities)		<u>1,004,780</u>	<u>452,122</u>
Total assets less current liabilities			
		<u>9,852,645</u>	<u>9,508,509</u>
Creditors: amounts falling due			
after more than one year	10	(6,936,276)	(6,873,987)
Net assets		<u>2,916,369</u>	<u>2,634,522</u>
Capital and reserves			
Share capital	11	373	562
Designated reserves	6	1,005,918	1,005,918
Restricted reserve	13	598,511	598,511
Revenue reserve		1,311,328	1,029,531
Capital redemption reserve		239	-
		<u>2,916,369</u>	<u>2,634,522</u>

The financial statements on pages 9 to 26 were approved by the Committee of Management on 2 July 2002 and were signed on its behalf by:

H McGregor

Chairperson

J Duffy

Vice-Chairperson

The notes on pages 14 to 26 form part of these financial statements

CASH FLOW STATEMENT
for the year ended 31 March 2002

	Notes	2002 £	2001 £
Net cash inflow/(outflow) from Operating activities	1	676,040	1,339,986
Returns on investments and servicing of finance	2	(440,102)	(502,766)
Taxation		(199,998)	-
Capital expenditure	2	75,622	(527,659)
		<u>111,562</u>	<u>309,561</u>
Financing	2	118,674	620,153
Increase/(Decrease) in cash	4	<u>230,236</u>	<u>929,714</u>

NOTES TO THE CASH FLOW STATEMENT

For the year ended 31 March 2002

1) **Reconciliation of Surplus for year to
Net Cash Inflow/(Outflow) from Operating Activities**

	2002	2001
	£	£
Operating surplus	428,997	886,573
Depreciation	427,486	400,080
(Increase)/Decrease in debtors	(167,582)	41,143
Increase/(decrease) in creditors	(12,861)	12,190
	<u>676,040</u>	<u>1,339,986</u>

2) **Gross Cash Flows**

	2002	2001
	£	£
Returns on investments and servicing of finance		
Interest received	36,768	17,838
Interest paid	(476,870)	(520,604)
	<u>(440,102)</u>	<u>(502,766)</u>

	2002	2001
	£	£
Capital expenditure		
Purchase and development of housing properties	(1,737,778)	(1,540,730)
SHG and other grants received	1,373,720	719,155
SHG repaid	(472,625)	(213,865)
Sale of properties	927,992	517,497
Payments to acquire other tangible fixed assets	(15,687)	(9,716)
	<u>75,622</u>	<u>(527,659)</u>

	2001	2001
	£	£
Financing		
Issue of ordinary share capital	50	24
Loan finance received	118,624	620,129
	<u>118,674</u>	<u>620,153</u>

NOTES TO THE CASH FLOW STATEMENT

For the year ended 31 March 2002

3) Analysis of Changes in Net Debt

	At 31 March 2001 £	Cash Flow £	At 31 March 2002 £
Cash in hand, at bank	912,185	230,236	1,142,421
Debt due within 1 year	(344,298)	(31,186)	(375,484)
Debt due after 1 year	(6,826,865)	(87,438)	(6,914,303)
	<u>(6,258,978)</u>	<u>111,612</u>	<u>(6,147,366)</u>

4) Reconciliation of Net Cash Flow to Movement in Net Debt (Note 3)

	2002 £	2001 £
Increase/(decrease) for the year	230,236	929,714
Loan received	(118,624)	(620,129)
	<u>111,612</u>	<u>309,585</u>
Net debt at 1 April 2001	<u>(6,258,978)</u>	<u>(6,568,563)</u>
Net debt at 31 March 2002	<u><u>(6,147,366)</u></u>	<u><u>(6,258,978)</u></u>

NOTES ON ACCOUNTS**31 March 2002****1. Accounting policies****(a) Introduction and accounting basis**

The principal accounting policies of the Association are set out in paragraphs (b) to (k) below.

These financial statements are prepared under the historical cost convention in accordance with applicable accounting standards and statements of recommended practice, and comply with the requirements of the Registered Housing Associations (Accounting Requirements)(Scotland) Order 1999.

(b) Turnover

Turnover represents rental and service charge income, factoring service income, and fees or revenue grants receivable from local authorities and from Scottish Homes.

(c) Loans

Mortgage loans are advanced by Private Lenders or Scottish Homes under the terms of individual mortgage deeds in respect of each property or housing scheme. Advances are available only in respect of those developments which have been given approval by Scottish Homes. Mortgage loans in the balance sheet include amounts due but not received.

(d) Social housing grant (SHG)

Social Housing Grant, at amounts approved by Scottish Homes, is paid directly to the Association as required to meet its liabilities during the development process.

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

SHG received as a contribution towards the capital cost of housing development is deducted from the cost of those developments. SHG received as a contribution towards revenue expenditure is included in turnover.

NOTES ON ACCOUNTS

31 March 2002

1. Accounting policies (continued)

(e) Fixed assets - Housing properties

Housing properties are stated at cost, less social housing grants (SHG) and other public grants and less accumulated depreciation. The development cost of housing properties includes:-

1. Cost of acquiring land and buildings
2. Development expenditure including administration costs
3. Interest charged on the mortgage loans raised to finance the scheme

These costs are either termed "qualifying costs" by Scottish Homes for approved social housing 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 architects' certificates relating to capital expenditure incurred in the year at gross value before retentions are included in the accounts for the year, provided that the dates of issue or valuation are prior to the year-end.

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.

(f) Depreciation

1. Housing properties

Depreciation is charged on a straight-line basis over the expected economic useful lives of the properties at annual rates of between 2% and 7%.

2. Other fixed assets

Depreciation is charged on other fixed assets so as to write off the asset cost less any recoverable value over its anticipated useful life.

The following rates have been used:-

Computer Equipment	- 33% on cost
Furniture, Fittings & Equipment	- 20% on cost
Office and Commercial Property	- 2% on cost

A full year's depreciation is charged in the year of purchase.

No charge is made in the year of disposal.

NOTES ON ACCOUNTS

31 March 2002

1. **Accounting policies** (continued)(g) **Designated Reserves (Note 6)**(i) **Cyclical maintenance**

The reserve is based on the association's liability to maintain the properties in accordance with a planned programme of works, provided it will not be met from revenue in the year in which it is incurred.

(ii) **Major Repairs**

The reserve is based on the Association's requirement to maintain housing properties in a state of repair which at least maintains their residual value in prices prevailing at the time of acquisition and construction. The reserve represents amounts set aside in respect of future costs and will be transferred to General Reserves as appropriate.

(h) **Restricted Reserve****Rent surplus fund**

In accordance with paragraph 28 of the Registered Housing Associations (Accounting Requirements)(Scotland) Order 1999, all surpluses, as calculated under the terms of Section 55 of the Housing Act 1988, in respect of this period of account have been transferred to a Rent Surplus Fund Reserve. This reserve is held until authorisation is received from Communities Scotland for the relevant amount to be released to the Major Repair Reserve to fund future Major Repairs.

(i) **Apportionment of management expenses**

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

(j) **Pensions**

The Association contributes to a defined benefit scheme, the cost of which is written off to the income and expenditure account on an accruals basis. The assets of the scheme are held separately from those of the Association in an independently administered fund.

(k) **Financial Commitments**

Assets held under finance leases where substantially all the risks and rewards of ownership of the asset have passed to the association, and hire purchase contracts are capitalised in the balance sheet and are depreciated in the income and expenditure account over the period of their useful lives.

Rentals paid under operating leases are charged to income on a straight line basis over the lease term.

NOTES ON ACCOUNTS

31 March 2002

2. Particulars of Turnover, Cost of Sales, Operating Costs and Operating Surplus

	2002			2001		
	Turnover	Operating	Operating	Turnover	Operating	Operating
	£	Costs	Surplus	£	Costs	Surplus
		£	£		£	£
Income and Expenditure						
From lettings (Note 3)						
Housing accommodation	3,172,043	2,654,482	517,561	2,707,132	1,810,058	897,074
Shared ownership accommodation	83,449	69,833	13,616	80,856	51,186	29,670
Supported accommodation	88,542	74,095	14,447	90,982	60,747	30,235
	<u>3,344,034</u>	<u>2,798,410</u>	<u>545,624</u>	<u>2,878,970</u>	<u>1,921,991</u>	<u>956,979</u>
Other Income and Expenditure						
Development	19,600	59,304	(39,704)	21,868	39,568	(17,700)
Management Services	27,623	42,279	(14,656)	26,682	20,388	6,294
Other	-	62,267	(62,267)	-	59,000	(59,000)
	<u>47,223</u>	<u>163,850</u>	<u>(116,627)</u>	<u>48,550</u>	<u>118,956</u>	<u>(70,406)</u>
Total	<u><u>3,391,257</u></u>	<u><u>2,962,260</u></u>	<u><u>428,997</u></u>	<u><u>2,927,520</u></u>	<u><u>2,040,947</u></u>	<u><u>886,573</u></u>

NOTES TO THE ACCOUNTS

31 March 2002

3. Particulars of Income and Expenditure from Lettings

	Housing Accommodation £	Supported Housing £	Shared Ownership £	2002 Total £	2001 Total £
Income from lettings					
Rent receivable net of identifiable					
Service charges	2,975,575	79,971	78,738	3,134,284	2,742,229
Service charges receivable (HB eligible)	178,176	8,571	4,711	191,458	171,536
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Gross rents receivable	3,153,751	88,542	83,449	3,325,742	2,913,765
Less rent losses from voids	86,824	-	-	86,824	39,727
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Net rents receivable	3,066,927	88,542	83,449	3,238,918	2,874,038
Revenue grants from Communities Scotland	10,116	-	-	10,116	-
Other revenue grants	95,000	-	-	95,000	4,932
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total income from lettings	3,172,043	88,542	83,449	3,344,034	2,878,970
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Expenditure on letting activities					
Services	234,578	6,548	6,171	247,297	199,729
Management	516,030	14,404	13,576	544,010	560,642
Routine maintenance	991,097	27,665	26,073	1,044,835	458,218
Rent losses from bad debts	3,851	107	101	4,059	3,123
Major repairs expenditure	590,897	16,494	15,545	622,936	-
Other costs	-	-	-	-	390,576
Depreciation of housing properties	318,029	8,877	8,367	335,273	309,703
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total expenditure on lettings	2,654,482	74,095	69,833	2,798,410	1,921,991
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Operating surplus or (deficit) on letting Activities	517,561	14,447	13,616	545,624	956,979
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

NOTES ON ACCOUNTS

31 March 2002

4. Interest Receivable and Other Income

	2002	2001
	£	£
Interest receivable on deposits	36,768	17,838
	<u>36,768</u>	<u>17,838</u>

5. Interest Payable and Similar Charges

	2002	2001
	£	£
On private loans	466,065	509,799
On lease agreements	10,805	10,805
	<u>476,870</u>	<u>520,604</u>

6. Designated Reserves

	Opening	Transfer	Closing
	Balance	£	Balance
	£	£	£
Cyclical maintenance	282,556	-	282,556
Major repairs-new HAG	-	-	-
Sales reserve	723,362	-	723,362
	<u>1,005,918</u>	<u>-</u>	<u>1,005,918</u>

NOTES ON ACCOUNTS
31 March 2002

7. Tangible Fixed Assets

	Housing Stock for Let		Shared Ownership		Commercial Properties	Office Premises	Furniture & Fittings	Computer Equipment	Total
	Completed	Under Construction	Completed	Under Construction					
	£	£	£	£	£	£	£	£	£
Cost									
At start of year	40,767,246	610,691	3,485,690	767,814	41,806	285,382	328,636	206,605	46,493,870
Additions during year	12,832	1,709,432	15,514	-	-	-	3,301	12,386	1,753,465
Transfers	267,062	(267,062)	767,814	(767,814)	-	-	-	-	-
Disposals	(573,582)	-	(78,952)	-	-	-	-	-	(652,534)
At end of year	40,473,558	2,053,061	4,190,066	-	41,806	285,382	331,937	218,991	47,594,801
Depreciation									
At start of year	667,803	-	18,038	-	2,376	84,355	300,108	141,508	1,214,188
Charge for year	335,273	-	-	-	1,188	6,498	11,530	72,997	427,486
On disposals	(16,530)	-	(2,598)	-	-	-	-	-	(19,128)
At end of year	986,546	-	15,440	-	3,564	90,853	311,638	214,505	1,622,546
SHG and other Grants									
At start of year	32,172,196	391,328	3,396,498	263,273	-	-	-	-	36,223,295
Received during year	-	1,373,720	-	-	-	-	-	-	1,373,720
Transfers	(106,109)	106,109	263,273	(263,273)	-	-	-	-	-
Disposals	(429,652)	-	(42,973)	-	-	-	-	-	(472,625)
At end of year	31,636,435	1,871,157	3,616,798	-	-	-	-	-	37,124,390
Net Book Value									
At end of year	7,850,577	181,904	557,828	-	38,242	194,529	20,299	4,486	8,847,865
At beginning of year	7,927,247	219,363	71,154	504,541	39,430	201,027	28,528	65,097	9,056,387

Development Administration costs capitalised amounted to £130,049 for which Social Housing Grant amounted to £Nil was received in the year.

NOTES ON ACCOUNTS
31 March 2002

8. Debtors

	2002	2001
	£	£
Amounts falling due within one year:		
Rental arrears	173,927	139,091
Less: provision for bad debts	-	-
	<u>173,927</u>	<u>139,091</u>
Social Housing Grant receivable	220,086	133,943
Corporation tax recoverable	373,314	200,000
Other debtors and prepayments	159,286	112,683
	<u>926,613</u>	<u>585,717</u>

9. Creditors – Amounts falling due within one year

	2002	2001
	£	£
Loans	375,484	344,298
Capital works and retentions	40,525	67,840
Corporation tax	175,000	200,000
Other creditors	366,203	330,476
Rent in advance	107,042	103,166
Bank overdrafts	118,542	91,071
	<u>1,182,796</u>	<u>1,136,851</u>

10. Creditors – Amounts falling due outwith one year

	2002	2001
	£	£
Leasing creditors	21,973	47,122
Loans:		
Due between one and two years	496,927	380,428
Due between two and five years	1,634,310	1,454,353
Due in five years or more	4,783,066	4,992,084
	<u>6,936,276</u>	<u>6,873,987</u>

Loans are secured by specific charges on the Association's properties and are repayable at varying rates of interest in instalments.

NOTES ON ACCOUNTS
31 March 2002

11. Share Capital

	2002	2001
	£	£
At beginning of year	562	538
Shares of £1 each fully paid and issued		
During the year	50	24
Shares forfeited in year	(239)	-
	<u>373</u>	<u>562</u>
At end of year	<u><u>373</u></u>	<u><u>562</u></u>

12. Assured Tenancy Rents

	2002	2001
	£	£
Average assured tenancy rent for housing		
Accommodation	1,909	1,837
	<u>1,909</u>	<u>1,837</u>
Percentage increase from previous year	3.9	4.1
	<u><u>3.9</u></u>	<u><u>4.1</u></u>

13. Restricted Reserve

	2002	2001
	£	£
Rent surplus fund		
At beginning of year	598,511	429,377
Transfers during the year	-	169,134
	<u>598,511</u>	<u>598,511</u>
At end of year	<u><u>598,511</u></u>	<u><u>598,511</u></u>

NOTES ON ACCOUNTS

31 March 2002

14. Directors' Emoluments

The directors are defined as the members of the Management Committee, the chief executive and any other person reporting directly to the chief executive or the Management Committee whose total emoluments exceed £40,000 per year. No emoluments were paid to any member of the Management Committee during the year.

	2002	2001
	£	£
Aggregate emoluments payable to directors (including pension contributions and benefits in kind)	101,986	48,958
Emoluments payable to highest paid director who received emoluments (excluding pension contributions) were:	49,180	43,635
Total expenses reimbursed to directors in so far as not chargeable to United Kingdom income tax	941	441

15. Employee Information

The average number of persons employed during the year was:

	2002	2001
Cleaning	2	2
Maintenance staff/Technical Service	8	8
Housing management	11	12
Finance and administration	10	11
	31	33
	£	£
Staff costs (including director's emoluments):		
Wages and salaries	695,215	645,566
Social security costs	50,081	45,020
Pension costs (Note 19)	81,844	72,692
	827,140	763,278

NOTES ON ACCOUNTS

31 March 2002

16. **Operating Surplus**

	2002	2001
	£	£
Operating surplus is stated after charging:		
Depreciation	427,486	400,080
Auditor's remuneration		
- In their capacity as auditors	6,500	6,000
- In respect of other services	1,000	1,000
	<u> </u>	<u> </u>

17. **Taxation**

As in previous years, it is assumed that the taxation liabilities of the Association will be met by grants receivable from the Secretary of State, under the provision of Section 54, Housing Act 1988.

18. **Capital Commitments**

	2002	2001
	£	£
Capital expenditure that has been contracted for but has not been provided for in the financial statements	1,173,000	570,000
	<u> </u>	<u> </u>
Approved but not contracted for	2,261,000	3,665,000
	<u> </u>	<u> </u>

The amount contracted for at 31 March 2002 will be funded from grants approved by Communities Scotland, financed from private loans or met from the Association's reserves.

NOTES ON ACCOUNTS

31 March 2002

19. Pensions

General

Shettleston Housing Association Limited participates in the SFHA Pension Scheme (the "Scheme"). The Scheme is a multi-employer defined benefit scheme. The Scheme is funded and is contracted out of the state scheme.

The last formal valuation of the Scheme was performed at 30 September 2000 by a professionally qualified actuary using the "projected unit credit" method. The market value of the Scheme's assets at the valuation date was £128.7 million.

Shettleston Housing Association Limited paid contributions at the rate of 12.2% during the accounting period. Member contributions are 5.0% up to 31 March 2002 and increase to 6.0% from 1 April 2002.

It is not possible to identify the share of underlying assets and liabilities belonging to individual participating employers.

Due to the nature of the Scheme, the profit and loss account charge for the period under both SSAP24 and FRS17 represents the employer contribution payable.

Financial Assumptions

The financial assumptions underlying the valuation were as follows:-

% pa relative to inflation

- Rate of return on future contributions	6.60
- Rate of return on accumulated assets	5.17
- Rate of salary increases	4.50
- Rate of pension increases (for leavers before 1 October 1993 pension increases are 5.00%)	2.50
- Rate of price inflation	2.50

The accumulated assets of the Scheme were assumed to earn the same return as if they had been invested in a portfolio comprising 100% UK equities for non-pensioner liabilities and 50% UK equities/50% index-linked gilts for pensioner liabilities.

The valuation revealed a shortfall of assets compared with the value of liabilities of some £24.0 million (equivalent to a past service funding level of 84%). The employer's ongoing future service contribution rate, after allowing for changes in benefits, was assessed as 9.0% of pensionable salaries. In view of the past service shortfall most employers (including Shettleston Housing Association Limited) are required to contribute at the rate of 12.2% of pensionable salaries in order to bring the value of assets and liabilities into balance.

NOTES ON ACCOUNTS

31 March 2002

19. Pensions (cont'd)

A small number of employers that have closed the Scheme to new members are required to contribute at the rate of 14.2% to reflect the higher costs of a closed arrangement. Member contributions were increased from 5.0% to 6.0% from April 2002. On the basis of the valuation assumptions this pattern of contributions will be sufficient to eliminate the past service deficit by 30 September 2016.

The next valuation will be as at 30 September 2003 and the results will be available after June 2004.

20. Housing Stock

The number of units of accommodation in management was as follows:-

	Units in Management	
	2002	2001
	£	£
General needs	1,484	1,523
Supported	41	41
Shared ownership	63	63
	1,588	1,627
	1,588	1,627

21. Springboig Stock Transfer

At the end of October 2000 the Association took ownership of 238 homes following a Stock Transfer from Scottish Homes. These homes carried a negative valuation of £740,015 as a result of a twelve-year modernisation programme to be carried out by the Association. The negative valuation amount is payable to the Association by Communities Scotland as expenditure is incurred on the modernisation programme, and was received by the Association within the financial year ended 31 March 2002.

It has been decided to show the value of the Springboig homes in the Association's Balance Sheet at the modernisation cost (less negative valuation received from Communities Scotland) as it is incurred over the modernisation period.

22. Legislative Provisions

The association is incorporated under the Industrial and Provident Societies Act 1965.