

**SHETTLESTON HOUSING ASSOCIATION LIMITED**

**REPORT AND FINANCIAL STATEMENTS**

**for the year ended 31 March 2003**

# **SHETTLESTON HOUSING ASSOCIATION LIMITED**

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## **REPORT AND FINANCIAL STATEMENTS for the year ended 31 March 2003**

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**Members, Executives and Advisers****Committee of Management**

James Duffy (Chairperson)  
Isabel McChord (Vice-Chairperson)  
Mary Thomas (Secretary)  
Helen McGregor  
Betty Finnen  
Nan Sangster  
May Murray (deceased March 2003)  
Anne Jack  
Jack McCaffrey  
Gillian Johnston  
Councillor George Ryan (Council Representative)  
Ralph Cunningham (deceased June 2003)  
Jemima Pryce  
Christina Brown  
William Angus (resigned May 2003)  
George McGhee  
Frances Lundie (co-opted May 2003)

**Executive Officers**

Chris Cunningham (Director)  
Robert Craig (Depute 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

T C Young  
30 George Square  
Glasgow  
G21 1LH

**Report of the Management Committee  
for the year ended 31 March 2003**

The Committee of Management present their report and the audited financial statements for the year ended 31 March 2003.

**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 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.

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.

Over the last year, a lot of effort has been put in by the Association to lay the necessary foundations for the long awaited transfer of Glasgow Council Housing Stock to Glasgow Housing Association, that stock ultimately being managed by a network of Local Housing Organisations (LHO's) including one here in Shettleston.

A strong LHO Steering Group has been recruited from the Council Tenants in the area and this group, augmented and supported by a number of Association's Management Committee and Staff, has shown its commitment to the new vision for Community Control by attending regularly over the past six months for training on their responsibilities and the running of the new organisation.

**Report of the Management Committee  
for the year ended 31 March 2003****Review of Business and Future Developments (cont'd)**

In addition, necessary committee business meetings have taken place and the Local Management and Investment Plan (LMIP) required by GHA has been developed and submitted for approval. Transfer of the Council Stock to GHA took place during the year and implementation of the first stage of the LMIP is now eagerly anticipated so that the momentum is not lost.

Phase two of the Springboig Modernisation Project was completed during the year, but problems with ground conditions in the area has caused the third phase to be seriously delayed. An amended Phase Three is now expected to proceed in late summer while a survey of the problem area has identified the solution to the ground problems and rectification work will be carried out as soon as possible.

The Homelink New Build site at the Pettigrew/Wellshot Road corner was successfully completed and much needed accommodation was made available for a hostel re-provisioning programme to accommodate adult people with learning disabilities.

Phase four of the Kitchen Renewal Programme was also successfully completed and the fifth phase plans developed.

The Dalton Street New Build Project was also well progressed and 35 new units are expected to be available for letting by late summer.

The Association suffered severe flood damage to 33 of its properties following a freak storm on 30 July 2002. The Association's building Insurer, Avon Insurance PLC, paid for repair of the damage in accordance with the policy. The Association is in discussion with Scottish Water, Glasgow City Council and Insurance representatives with a view to minimising the risk of such an occurrence in the future.

The secondment of our Director, Chris Cunningham, to GHA came to an end on 31 December 2002 and Chris returned to the Association at the beginning of January 2003. Robert Craig, who had been Acting Director, reverted to Depute Director.

A lot of effort was put in to review the Association's list of members and to attract new people interested in the aims of the Association. It was, therefore, very pleasing to have a ballot at the 2002 AGM for the available places on the Management Committee as a result of which the Association welcomed four new members to the Management Committee in Jemima Pryce, Christina Brown, William Angus and George McGhee.

With great sadness we have to record the death in March 2003 of May Murray. May became a member of the Association following the first stock transfer from Scottish Homes in 1994 and served on the Management Committee from 1995 until her death. May was a loyal supporter of the Association and her good humour and ability to ask the straightforward, pertinent question will be sadly missed.

The Association was further saddened by the sudden death in June 2003 of Ralph Cunningham. Ralph had been a loyal member of the Management Committee from 1991 until his death and served the Association in various capacities, including as Chair and as Secretary. Ralph was a man for the community and his forthright style on behalf of others will also be sadly missed.

**Report of the Management Committee  
for the year ended 31 March 2003**

While grateful for all of the vision, hard work and service in the past the Association must, of course, look to the future. The following objectives have been set for 2003/2004:

**On the Glasgow Stock Transfer:**

- Deliver community empowerment by implementing the Interim Management Agreement.
- Deliver the Year 1 Investment Programme.
- Carry out preparatory work on Second Stage Transfer.

**On Major Repairs:**

- Deliver the agreed programme of major repairs and planned maintenance for the existing stock.
- Complete a **new** stock condition survey on the Association's long term planned maintenance requirement.

**On Springboig:**

- Implement the third phase of the modernisation programme.
- Revise the procurement method to deliver the remaining modernisation more quickly and more cost effectively.

**On the Development Programme:**

- Acquire at least two sites for development purposes.
- Identify and obtain agreement on one new build scheme.
- Investigate and establish, if agreed, a procurement club across a number of associations within Glasgow.

**On Consultation and Communication:**

- Implement the agreed Tenant Participation Strategy.
- Develop specific mechanisms for continuous tenant feedback.

**Report of the Management Committee  
for the year ended 31 March 2003**

**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 and from regular reports from the Association's internal auditors.

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, authorisation of all expenditure by senior staff and Committee and an internal audit programme was carried out based on a previously carried out audit needs assessment.

**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.

**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:

**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 10 to 27, which have been prepared under the accounting policies set out on pages 15 to 17.

This report is made solely to the Association's members as a body, in accordance with Section 4 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 committee and auditors**

As described on page 6 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) Sch 7 Part 3, Housing (Scotland) Act 2001 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.

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

**Opinion**

In our opinion the financial statements give a true and fair view of the state of affairs of the association at 31 March 2003 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) ) Sch 7 Part 3, Housing (Scotland) Act 2001 and the Registered Housing Associations (Accounting Requirements) (Scotland) Order 1999.

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

Dated:

**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 5 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 5 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 5 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:

**INCOME AND EXPENDITURE ACCOUNT**  
for the year ended 31 March 2003

	Notes	2003 £	2002 £
<b>Turnover</b>	2 & 3	3,423,088	3,391,257
Operating costs	2	(3,129,535)	(2,962,260)
<b>Operating surplus</b>	2	293,553	428,997
Gain on disposal of fixed assets		225,839	294,586
Interest receivable and other income	4	36,280	36,768
Interest payable and similar charges	5	(488,967)	(476,870)
<b>Surplus on ordinary activities before taxation</b>		66,705	283,481
Tax on surplus on ordinary activities		(109,422)	(176,684)
Grant receivable against taxation		107,066	175,000
<b>Surplus for the year</b>		64,349	281,797
<b>Transfer to restricted reserve</b>	13	-	-
<b>Transfer to designated reserves</b>	6	-	-
Retained in revenue reserves		64,349	281,797
<b>Revenue reserve b/fwd</b>		1,311,328	1,029,531
<b>Revenue reserve c/fwd</b>		1,375,677	1,311,328

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 15 to 27 form part of these financial statements

**BALANCE SHEET**  
As at 31 March 2003

	Notes	2003 £	2002 £
<b>Tangible fixed assets</b>			
Housing properties – cost less depreciation	7	47,716,657	45,714,699
Less SHG and other grants	7	(38,199,151)	(37,124,390)
		<u>9,517,506</u>	<u>8,590,309</u>
Other fixed assets	7	246,690	257,556
		<u>9,764,196</u>	<u>8,847,865</u>
<b>Current assets</b>			
Debtors	8	615,134	926,613
Cash at bank and in hand		1,804,858	1,260,963
		<u>2,419,992</u>	<u>2,187,576</u>
<b>Creditors: amounts falling due Within one year</b>	9	(2,146,137)	(1,182,796)
<b>Net current assets</b>		<u>273,855</u>	<u>1,004,780</u>
<b>Total assets less current liabilities</b>		<u>10,038,051</u>	<u>9,852,645</u>
<b>Creditors: amounts falling due after more than one year</b>	10	(7,057,314)	(6,936,276)
<b>Net assets</b>		<u>2,980,737</u>	<u>2,916,369</u>
<b>Capital and reserves</b>			
Share capital	11	354	373
Designated reserves	6	1,604,429	1,005,918
Restricted reserve	13	-	598,511
Revenue reserve		1,375,677	1,311,328
Capital redemption reserve		277	239
		<u>2,980,737</u>	<u>2,916,369</u>

The financial statements on pages 10 to 27 were approved by the Committee of Management on and were signed on its behalf by:

J Duffy	Chairperson
I McChord	Vice-Chairperson

The notes on pages 15 to 27 form part of these financial statements

**CASH FLOW STATEMENT**  
**for the year ended 31 March 2003**

	Notes	2003 £	2002 £
Net cash inflow from operating activities	1	1,169,218	676,040
Returns on investments and servicing of finance	2	(452,687)	(440,102)
Taxation		198,314	(199,998)
Capital expenditure	2	(1,068,299)	75,622
		<u>(153,454)</u>	<u>111,562</u>
Financing	2	152,743	118,674
(Decrease)/Increase in cash	4	<u>(711)</u>	<u>230,236</u>

## NOTES TO THE CASH FLOW STATEMENT

For the year ended 31 March 2003

## 1) Reconciliation of Surplus for year to Net Cash Inflow from Operating Activities

	2003 £	2002 £
Operating surplus	293,553	428,997
Depreciation	377,807	427,486
Decrease/(increase) in debtors	45,231	(167,582)
Increase/(decrease) in creditors	452,627	(12,861)
	<u>1,169,218</u>	<u>676,040</u>

## 2) Gross Cash Flows

**Returns on investments and servicing of finance**

Interest received	36,280	36,768
Interest paid	(488,967)	(476,870)
	<u>(452,687)</u>	<u>(440,102)</u>

**Capital expenditure**

Purchase and development of housing properties	(2,689,204)	(1,737,778)
SHG and other grants received	1,234,442	1,373,720
SHG repaid	(159,681)	(472,625)
Sale of properties	559,047	927,992
Payments to acquire other tangible fixed assets	(12,903)	(15,687)
	<u>(1,068,299)</u>	<u>75,622</u>

**Financing**

Issue of ordinary share capital	19	50
Loan finance received	152,724	118,624
	<u>152,743</u>	<u>118,674</u>

## NOTES TO THE CASH FLOW STATEMENT

For the year ended 31 March 2003

<b>3) Analysis of Changes in Net Debt</b>	<b>At 31 March 2002 £</b>	<b>Cash Flow £</b>	<b>At 31 March 2003 £</b>
Cash in hand, at bank	1,142,421	(711)	1,141,710
Debt due within 1 year	(375,484)	(15,906)	(391,390)
Debt due after 1 year	(6,914,303)	(136,818)	(7,051,121)
	<u>(6,147,366)</u>	<u>(153,435)</u>	<u>(6,300,801)</u>

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

	<b>2003 £</b>	<b>2002 £</b>
(Decrease)/increase for the year	(711)	230,236
Loan received	(152,724)	(118,624)
	<u>(153,435)</u>	<u>111,612</u>
<b>Net debt at 1 April 2002</b>	<u>(6,147,366)</u>	<u>(6,258,978)</u>
<b>Net debt at 31 March 2003</b>	<u><u>(6,300,801)</u></u>	<u><u>(6,147,366)</u></u>

**NOTES ON ACCOUNTS****31 March 2003****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 Communities Scotland.

**(c) Loans**

Mortgage loans are advanced by Private Lenders or Communities Scotland 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 Communities Scotland, 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 2003

## 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 Communities Scotland 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 2003

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, were previously transferred to a Rent Surplus Fund Reserve. Section 55 of the Housing Act 1988 has been replaced and the requirement to carry a rent surplus fund abolished. The rent surplus fund balance has been transferred to designated reserves as shown in note 6.

(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 2003

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

	Turnover £	2003 Operating Costs £	Operating Surplus £	Turnover £	2002 Operating Costs £	Operating Surplus £
<b>Income and Expenditure From lettings (Note 3)</b>						
Housing accommodation	3,198,869	2,845,622	353,247	3,172,043	2,654,482	517,561
Shared ownership accommodation	85,740	76,272	9,468	83,449	69,833	13,616
Supported accommodation	81,523	72,521	9,002	88,542	74,095	14,447
	<u>3,366,132</u>	<u>2,994,415</u>	<u>371,717</u>	<u>3,344,034</u>	<u>2,798,410</u>	<u>545,624</u>
<b>Other Income and Expenditure</b>						
Development	27,866	42,927	(15,061)	19,600	59,304	(39,704)
Management Services	29,090	28,550	540	27,623	42,279	(14,656)
Other	-	63,643	(63,643)	-	62,267	(62,267)
	<u>56,956</u>	<u>135,120</u>	<u>(78,164)</u>	<u>47,223</u>	<u>163,850</u>	<u>(116,627)</u>
<b>Total</b>	<u><u>3,423,088</u></u>	<u><u>3,129,535</u></u>	<u><u>293,553</u></u>	<u><u>3,391,257</u></u>	<u><u>2,962,260</u></u>	<u><u>428,997</u></u>

## NOTES TO THE ACCOUNTS

31 March 2003

## 3. Particulars of Income and Expenditure from Lettings

	Housing Accommodation £	Supported Housing £	Shared Ownership £	2003 Total £	2002 Total £
<b>Income from lettings</b>					
Rent receivable net of identifiable					
Service charges	2,977,390	78,977	79,075	3,135,442	3,134,284
Service charges receivable (HB eligible)	272,397	2,546	6,665	281,608	191,458
	<u>3,249,787</u>	<u>81,523</u>	<u>85,740</u>	<u>3,417,050</u>	<u>3,325,742</u>
<b>Gross rents receivable</b>					
<b>Less rent losses from voids</b>	108,840	-	-	108,840	86,824
	<u>3,140,947</u>	<u>81,523</u>	<u>85,740</u>	<u>3,308,210</u>	<u>3,238,918</u>
<b>Net rents receivable</b>					
Revenue grants from Communities Scotland	3,456	-	-	3,456	10,116
Other revenue grants	54,466	-	-	54,466	95,000
	<u>3,198,869</u>	<u>81,523</u>	<u>85,740</u>	<u>3,366,132</u>	<u>3,344,034</u>
<b>Expenditure on letting activities</b>					
Services	194,904	4,967	5,224	205,095	247,297
Management	591,215	15,067	15,846	622,128	544,010
Routine maintenance	1,307,625	33,325	35,049	1,375,999	1,044,835
Rent losses from bad debts	26,695	680	716	28,091	4,059
Major repairs expenditure	388,738	9,907	10,419	409,064	622,936
Other costs	-	-	-	-	-
Depreciation of housing properties	336,446	8,574	9,018	354,038	335,273
	<u>2,845,622</u>	<u>72,521</u>	<u>76,272</u>	<u>2,994,415</u>	<u>2,798,410</u>
<b>Total expenditure on lettings</b>					
<b>Operating surplus or on letting activities</b>	353,247	9,002	9,468	371,717	545,624

## NOTES ON ACCOUNTS

31 March 2003

<b>4. Interest Receivable and Other Income</b>	<b>2003</b>	<b>2002</b>	
	<b>£</b>	<b>£</b>	
Interest receivable on deposits	36,280	36,768	
	<u>          </u>	<u>          </u>	
<b>5. Interest Payable and Similar Charges</b>			
On private loans	479,715	466,065	
On lease agreements	9,252	10,805	
	<u>          </u>	<u>          </u>	
	488,967	476,870	
	<u>          </u>	<u>          </u>	
<b>6. Designated Reserves</b>	<b>Opening Balance</b>	<b>Transfer</b>	<b>Closing Balance</b>
	<b>£</b>	<b>£</b>	<b>£</b>
Cyclical maintenance	282,556	598,511	881,067
Sales reserve	723,362	-	723,362
	<u>          </u>	<u>          </u>	<u>          </u>
	1,005,918	598,511	1,604,429
	<u>          </u>	<u>          </u>	<u>          </u>

NOTES ON ACCOUNTS  
31 March 2003

## 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					
	£	£	£	£	£	£	£	£	£
<b>Cost</b>									
At start of year	40,473,558	2,053,061	4,190,066	-	41,806	285,382	331,937	218,991	47,594,801
Additions during year	9,420	2,670,730	9,054	-	-	-	3,088	9,815	2,702,107
Transfers	-	-	-	-	-	-	-	-	-
Disposals	(258,082)	-	(86,870)	-	-	-	-	-	(344,952)
At end of year	40,224,896	4,723,791	4,112,250	-	41,806	285,382	335,025	228,806	49,951,956
<b>Depreciation</b>									
At start of year	986,546	-	15,440	-	3,564	90,853	311,638	214,505	1,622,546
Charge for year	343,912	-	10,126	-	1,188	6,498	8,264	7,819	377,807
On disposals	(10,407)	-	(1,337)	-	-	-	-	-	(11,744)
At end of year	1,320,051	-	24,229	-	4,752	97,351	319,902	222,324	1,988,609
<b>SHG and other Grants</b>									
At start of year	31,636,435	1,871,157	3,616,798	-	-	-	-	-	37,124,390
Received during year	21,774	1,212,668	-	-	-	-	-	-	1,234,442
Transfers	-	-	-	-	-	-	-	-	-
Disposals	(150,803)	-	(8,878)	-	-	-	-	-	(159,681)
At end of year	31,507,406	3,083,825	3,607,920	-	-	-	-	-	38,199,151
<b>Net Book Value</b>									
At end of year	7,397,439	1,639,966	480,101	-	37,054	188,031	15,123	6,482	9,764,196
At beginning of year	7,850,577	181,904	557,828	-	38,242	194,529	20,299	4,486	8,847,865

Development Administration costs capitalised amounted to £148,069 for which Social Housing Grant amounted to £Nil was received in the year.

## NOTES ON ACCOUNTS

31 March 2003

<b>8. Debtors</b>	<b>2003</b>	<b>2002</b>
	<b>£</b>	<b>£</b>
Amounts falling due within one year:		
Rental arrears	218,123	173,927
Less: provision for bad debts	31,863	-
	<u>186,260</u>	<u>173,927</u>
Social Housing Grant receivable	90,447	220,086
Corporation tax recoverable	107,066	373,314
Other debtors and prepayments	231,361	159,286
	<u>615,134</u>	<u>926,613</u>
	<u><u>615,134</u></u>	<u><u>926,613</u></u>
<b>9. Creditors – Amounts falling due within one year</b>		
Loans	391,390	375,484
Capital works and retentions	74,436	40,525
Corporation tax	109,422	175,000
Other creditors	759,623	366,203
Rent in advance	148,118	107,042
Bank overdrafts	663,148	118,542
	<u>2,146,137</u>	<u>1,182,796</u>
	<u><u>2,146,137</u></u>	<u><u>1,182,796</u></u>
<b>10. Creditors – Amounts falling due outwith one year</b>		
Leasing creditors	6,193	21,973
Loans:		
Due between one and two years	461,836	496,927
Due between two and five years	1,543,746	1,634,310
Due in five years or more	5,045,539	4,783,066
	<u>7,057,314</u>	<u>6,936,276</u>
	<u><u>7,057,314</u></u>	<u><u>6,936,276</u></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 2003

<b>11. Share Capital</b>	<b>2003</b>	<b>2002</b>
	<b>£</b>	<b>£</b>
At beginning of year	373	562
Shares of £1 each fully paid and issued		
During the year	19	50
Shares forfeited in year	(38)	(239)
	<u>          </u>	<u>          </u>
At end of year	<u>354</u>	<u>373</u>
	<u>          </u>	<u>          </u>
<b>12. Assured Tenancy Rents</b>		
Average assured tenancy rent for housing accommodation	1,941	1,909
	<u>          </u>	<u>          </u>
Percentage increase from previous year	1.7	3.9
	<u>          </u>	<u>          </u>
<b>13. Restricted Reserve</b>		
<b>Rent surplus fund</b>		
At beginning of year	598,511	598,511
Transfers during the year	(598,511)	-
	<u>          </u>	<u>          </u>
At end of year	<u>-</u>	<u>598,511</u>
	<u>          </u>	<u>          </u>

## NOTES ON ACCOUNTS

31 March 2003

**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.

	<b>2003</b>	<b>2002</b>
	<b>£</b>	<b>£</b>
Aggregate emoluments payable to directors (including pension contributions and benefits in kind)	102,303	101,986
Emoluments payable to highest paid director who received emoluments (excluding pension contributions) were:	48,767	49,180
Total expenses reimbursed to directors in so far as not chargeable to United Kingdom income tax	790	941

**15. Employee Information**

The average number of persons employed during the year was:

	<b>2003</b>	<b>2002</b>
Cleaning	2	2
Maintenance staff/Technical Service	8	8
Housing management	12	11
Finance and administration	10	10
	32	31
	<b>£</b>	<b>£</b>
Staff costs (including directors' emoluments):		
Wages and salaries	745,985	695,215
Social security costs	48,405	50,081
Pension costs (Note 19)	86,034	81,844
	880,424	827,140

**NOTES ON ACCOUNTS**  
**31 March 2003**

**16. Operating Surplus**

	<b>2003</b>	<b>2002</b>
	<b>£</b>	<b>£</b>
Operating surplus is stated after charging:		
Depreciation	377,807	427,486
Auditor's remuneration		
- In their capacity as auditors	6,700	6,500
- In respect of other services	2,575	1,000
	<u>          </u>	<u>          </u>

**17. Taxation**

Tax relief grant under Section 54, Housing Act 1988 is being phased out between 2002 and 2005, subject to a review in 2005 and the introduction of a viability test commencing from claims for the year ending 31 March 2004. A replacement mechanism is expected for accounting periods after 1 April 2005.

**18. Capital Commitments**

	<b>2003</b>	<b>2002</b>
	<b>£</b>	<b>£</b>
Capital expenditure that has been contracted for but has not been provided for in the financial statements	514,000	1,173,000
	<u>          </u>	<u>          </u>
Approved but not contracted for	Nil	2,261,000
	<u>          </u>	<u>          </u>

The amount contracted for at 31 March 2003 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 2003

**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 were paid at the rate of 6.0% during the accounting period.

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 2003

**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 15.7% 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:-

	<b>Units in Management</b>	
	<b>2003</b>	<b>2002</b>
	<b>£</b>	<b>£</b>
General needs	1,507	1,484
Supported	-	41
Shared ownership	60	63
	<u>1,567</u>	<u>1,588</u>

**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 was paid to the Association by Communities Scotland in the financial year ended 31 March 2002.

The Association has set the amount received from Communities Scotland against the cost of capital works carried out.

**22. Legislative Provisions**

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