

**SHETTLESTON HOUSING ASSOCIATION LIMITED**

**REPORT AND FINANCIAL STATEMENTS**

**For the year ended 31 March 2005**

**SHETTLESTON HOUSING ASSOCIATION LIMITED**

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For the year ended 31 March 2005

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**Registration information**

Financial Services Authority

Industrial and Provident Societies 1965  
Registered number SP1884RS

Communities Scotland

Housing (Scotland) Act 2001  
Registered number 183

**Members, Executives and Advisers****Honorary President**

Helen McGregor MBE JP

**Registered Office**65 Pettigrew Street  
Glasgow  
G32 7XR**Committee of Management**

James Duffy (Chairperson – Deceased July 2004)  
 Isabel McChord (Vice-Chairperson – Chairperson from September 2004)  
 Annie McAllister (Vice-Chairperson from September 2004)  
 Mary Thomas (Secretary)  
 Helen McGregor (resigned April 2004)  
 Betty Finnen  
 Nan Sangster  
 Anne Jack (resigned May 2004)  
 Gillian Johnston  
 Angela Lundie (elected September 2004 removed June 2005)  
 Joseph Lundie (elected September 2004 resigned January 2005)  
 Angela Mazzei (elected September 2004 stood down June 2005)  
 Jemima Pryce  
 Christina Brown  
 George McGhee  
 Agnes Paterson (elected September 2004 stood down June 2005)  
 Frank Quinn (elected September 2004)  
 Mary Regan (elected September 2004 removed June 2005)  
 Lesley Scoffield (elected September 2004)  
 Maureen Givens (elected September 2004; stood down June 2005)  
 Shirley Craig (elected September 2004)  
 Councillor George Ryan (Council Representative)  
 Michael Clarke (Communities Scotland Statutory Appointee May 2005)  
 Jean Thomson (Communities Scotland Statutory Appointee May 2005)  
 Norman Fitzpatrick (Communities Scotland Statutory Appointee May 2005)  
 Allison McCann (Communities Scotland Statutory Appointee May 2005)

**Auditors**Scott-Moncrieff  
Chartered Accountants  
25 Bothwell Street  
Glasgow  
G2 6NL**Bankers**Royal Bank of Scotland plc  
1304 Duke Street  
Glasgow  
G31 5PZClydesdale Bank plc  
Shettleston Road  
Glasgow  
G32**Solicitors**Brechin Tindal Oatts  
48 St Vincent Street  
Glasgow  
G2 5HS**Executive Officers**

Chris Cunningham (Director)  
 Jim Hempsey (Finance Manager)  
 June Macfarlane (Housing Manager)  
 Nick Ronan (Technical Services Manager) (resigned May 2004)  
 Neil Murray (Technical Services Manager) (appointed August 2004)  
 Margaret Paton (Performance and Compliance Manager)  
 (appointed September 2004)

T C Young  
30 George Square  
Glasgow  
G21 1LH**LHO Sub-Committee Members**

Annie McAllister	(Chairperson)	Isabel McChord
Shirley Craig	(Vice Chairperson)	Mary Thomas
Caroline Boyle	(Secretary)	Christina Brown
Maureen Givens		
James Tominey		
Jean Hendry		
Maureen McHendrie		
Lesley Schoffield		
Debbie Skinner		
Joseph Lundie	(resigned April 2004)	
Ellen O'Donnell	(resigned June 2004)	
Anne Hunter	(resigned August 2004)	

**Report of the Management Committee  
For the year ended 31 March 2005**

The Committee of Management present their report and audited financial statements for the year ended 31st March 2005.

**Principal activity**

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

**Review of business and future developments**

At the beginning of last financial year, the Association set out a series of Objectives in its Internal Management Plan.

These were:

- Win a Second Stage Transfer Ballot amongst the LHO tenants
- Deliver the agreed programme of Major Repairs to our existing houses
- Agree and deliver the second year of investment to the LHO's houses.
- Deliver effective tenant participation across the community
- Implement the next phase of modernisation in Springboig
- Progress the development programme through land acquisition and new build scheme agreement with key partners.
- Improve the Association's service delivery and performance monitoring.
- Agree and implement changes to the Association's constitutional and financial structure to fit the long term needs of the organisation.

As in the past, achieving these Objectives depended crucially on staff continuity, 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 past twelve months the Association has had to recruit new members of staff in all three senior positions in Technical Services and for this reason the Association has been unable to progress some of its Objectives to the planned timetable.

In particular, the Major Repairs programme was completed later than originally intended. Despite that, the Association spent over £400,000 in providing replacement Kitchens and Central Heating Systems as well as replacing a third phase of Close Doors.

Progress on Second Stage Transfer has also been less than anticipated a year or so ago, as a result of GHA being unable to provide information necessary to make progress possible. The Association's Outline submission document was submitted to GHA in May 2004 and fourteen Tenant Consultation meetings were held before the end of March 2005.

**Report of the Management Committee  
For the year ended 31 March 2005**

The Association revised its Allocations Policy during the year and our first Tenant Focus Group was established to ensure that the new policy properly took account of tenants' views on this fundamental topic. The Association is grateful to all who took part in ensuring that this important work was completed properly and timeously i.e. tenants, committee members and staff.

Phase 3 of the Springboig Modernisation Works began in August 2004. This phase is intended to cover 72 homes but has taken longer than anticipated for a variety of reasons, including the contractor having difficulty in providing sufficient numbers of workmen due to the amount of building work taking place throughout the city.

Progress, albeit slow, has taken place in acquiring land in the area for future Development. A site at Vesalius Street is being acquired from Glasgow City Council, subject to satisfactory ground conditions being certified. Negotiations are ongoing with Lloyds TSB to acquire the present bank building on the Shettleston Road side of the site. This overall site is earmarked for the early re-provisioning programme designed to deal with demolitions in GHA and plans are at an advanced stage to provide around thirty homes and several commercial units.

Without doubt, the main activity in the Association since last year's AGM has been Governance, which was the subject of a major review over the course of 2004. That review, the results of which were reported at the last AGM, contained a number of key elements.

Charitable Status has for several years been a discussion topic, but last year it was agreed that it would be a clear objective of the Association. A great deal of preparation work is required to achieve Charitable Status, including a change of rules.

During the last year there was a greatly increased number of people applying for Association membership. The Management Committee became concerned about the reasons for the sudden increase in interest in the Association, and instructed a review of the Membership Policy. A new Membership Policy was approved by committee with clear requirements for applicants to provide evidence of who they are and where they reside.

The Committee viewed these arrangements as temporary however as part of its review of Governance included the decisions to re-adopt a boundary for membership and more significantly to move to a system of all tenants and members taking part in elections to Committee via a system of postal voting.

New Rules were developed and approved at a Special General Meeting held in June 2005. Communities Scotland has already given its approval to the new Rules which have been submitted to the Financial Services Authority for registration. Charitable Status will be confirmed thereafter from the Inland Revenue and it is hoped that the new electoral arrangements will be in place for Elections to Committee this year.

In April 2005, the Secretary received a requisition, signed by 48 members, for a Special General Meeting. The resolution called for a motion of no confidence in the Committee, removal of Committee in its entirety and replacement with a new Committee by election at the SGM.

The Association advised its regulator, Communities Scotland, whose concern about these events and their potential affect resulted in them making four statutory appointments to the Management Committee for a six month period from early May 2005.

The SGM was held on 12th May 2005 and the resolution was defeated by 94 votes to 39. The Management Committee was greatly heartened not only by the result and the turnout of members in the hall, but also by the extraordinary number of people, Association tenants and LHO tenants alike, who turned up and remained outside the hall until the meeting was over and who made clear their delight at the result when it was declared.

**Report of the Management Committee  
For the year ended 31 March 2005**

The last year has been extremely difficult for the Management Committee, but the results of the two recent SGMs have made it more confident about the future.

In the midst of its problems, the Management Committee nevertheless did not neglect the need to look forward. A Planning Day was held in January 2005 at which the Committee reviewed its strategic objectives. As a result, it has changed the emphasis of those objectives.

The agreed Strategic Objectives for the period 2005 - 2008 are as follows:

1. To improve the Association's service delivery and investigate the expansion and diversification of services following customer feedback.
2. To expand the housing stock of the Association through the transfer and development of houses.
3. To ensure the growth of the organisation is properly and adequately funded through robust financial planning.
4. To maintain all stock to a good standard through a sustainable programme of planned repairs and maintenance.
5. To achieve effective tenant involvement in the Association and engage fully with the community in all activities most especially the regeneration of the area.
6. To develop staff and committee as a fundamental resource to the organisation.
7. To work to achieve the housing standard for all stock.
8. To support the operation of existing Wider Action initiatives and encourage the investigation and development of new initiatives.
9. To continuously review the performance of the organisation, the risks of all activities, the organisational structure and context and ensure that all statutory requirements are met timeously and in full.

The first 5 of these Strategic Objectives have been developed from the key objectives identified in the previous plan. Essentially the main focus of the Association will continue to be on those issues. There are four new objectives (6-9) which were agreed at the Committee Planning day. Three of these (6-8) are new and developing areas of work for the Association which have not been properly incorporated into the objectives of the Association to date. The last objective recognises an area of work that has become more important for the organisation in recent years and merits its own strategic priority.

**The Committee of Management and Executive Officers**

The Committee of Management and the executive officers 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.

**Report of the Management Committee  
For the year ended 31 March 2005****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 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 reappoint Scott-Moncrieff, Chartered Accountants, as auditors will be brought to the members at the Annual General Meeting.

**By order of the Committee**

Mary Thomas  
Secretary

Dated: 5 July 2005

**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 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 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 2002, 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 2005 and of its income and expenditure for the year then ended and have been properly prepared in accordance with the Industrial and Provident Societies Acts 1965 to 2002, 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: 5 July 2005

**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: 5 July 2005

**Income and Expenditure Account  
For the year ended 31 March 2005**

	Notes	2005 £	2004 £
<b>Turnover</b>	2 & 3	3,595,807	3,372,476
Operating costs	2	(3,187,957)	(3,322,326)
<b>Operating surplus</b>	2	407,850	50,150
Gain on disposal of fixed assets		302,860	293,994
Interest receivable and other income	4	48,981	44,232
Interest payable and similar charges	5	(509,819)	(507,754)
<b>Surplus/(deficit) on ordinary activities before taxation</b>		249,872	(119,378)
Tax on surplus on ordinary activities	16	(134,194)	(65,318)
Grant receivable against taxation		100,000	64,734
<b>Surplus/(deficit) for the year</b>		215,678	(119,962)
<b>Transfer from/(to) designated reserves</b>	6	-	192,350
Retained in revenue reserves		215,678	72,388
<b>Revenue reserve b/fwd</b>		1,448,065	1,375,677
<b>Revenue reserve c/fwd</b>		1,663,743	1,448,065

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.

**Balance Sheet**  
As at 31 March 2005

	Notes	2005 £	2004 £
<b>Tangible fixed assets</b>			
Housing properties – cost less depreciation	7	48,891,714	48,429,215
Less SHG and other grants	7	(38,855,601)	(38,832,159)
		<u>10,036,113</u>	<u>9,597,056</u>
Other fixed assets	7	270,597	238,630
		<u>10,306,710</u>	<u>9,835,686</u>
<b>Current assets</b>			
Debtors	8	1,153,889	496,449
Cash at bank and in hand		1,267,005	1,756,635
		<u>2,420,894</u>	<u>2,253,084</u>
<b>Creditors: amounts falling due within one year</b>	9	(2,032,570)	(1,537,510)
		<u>388,324</u>	<u>715,574</u>
<b>Net current assets</b>			
		<u>10,695,034</u>	<u>10,551,260</u>
<b>Total assets less current liabilities</b>			
<b>Creditors: amounts falling due after more than one year</b>	10	(7,618,507)	(7,690,468)
		<u>3,076,527</u>	<u>2,860,792</u>
<b>Net assets</b>		<u><u>3,076,527</u></u>	<u><u>2,860,792</u></u>
<b>Capital and reserves</b>			
Share capital	11	374	340
Designated reserves	6	1,412,079	1,412,079
Revenue reserve		1,663,743	1,448,065
Capital redemption reserve		331	308
		<u>3,076,527</u>	<u>2,860,792</u>

The financial statements on pages 10 to 27 were approved by the Committee of Management on 5 July 2005 and were signed on its behalf by:

I McChord Chairperson

A McAllister Vice-Chairperson

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

Cash Flow Statement  
For the year ended 31 March 2005

	Notes	2005 £	2004 £
Net cash inflow from operating activities	1	713,799	273,424
Returns on investments and servicing of finance	2	(460,838)	(463,522)
Taxation		56	(2,940)
Capital expenditure	2	(562,891)	(168,849)
		<u>(309,874)</u>	<u>(361,887)</u>
Financing	2	(95,920)	817,635
Increase/(Decrease) in cash	4	<u>(405,794)</u>	<u>455,748</u>

**Notes to the Cash Flow Statement**  
**For the year ended 31 March 2005**

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

	<b>2005</b>	<b>2004</b>
	<b>£</b>	<b>£</b>
Operating surplus	407,850	50,150
Depreciation	394,727	391,353
(Increase)/decrease in debtors	(622,174)	76,353
(Decrease)/Increase in creditors	533,396	(244,432)
	<u>713,799</u>	<u>273,424</u>

**2) Gross Cash Flows**

**Returns on investments and servicing of finance**

Interest received	48,981	44,232
Interest paid	(509,819)	(507,754)
	<u>(460,838)</u>	<u>(463,522)</u>

**Capital expenditure**

Purchase and development of housing properties	(1,146,775)	(1,334,862)
SHG and other grants received	253,341	762,173
SHG repaid	(229,899)	(129,165)
Sale of properties	617,854	549,392
Payments to acquire other tangible fixed assets	(57,412)	(16,387)
	<u>(562,891)</u>	<u>(168,849)</u>

**Financing**

Issue of ordinary share capital	57	17
Loan finance received/(repaid)	(95,977)	817,618
	<u>(95,920)</u>	<u>817,635</u>

**Notes to the Cash Flow Statement  
For the year ended 31 March 2005**

<b>3) Analysis of Changes in Net Debt</b>	<b>At 31 March 2004 £</b>	<b>Cash Flow £</b>	<b>At 31 March 2005 £</b>
Cash in hand, at bank	1,756,635	(489,630)	1,267,005
Overdraft	(159,177)	83,836	(75,341)
	<hr/>	<hr/>	<hr/>
	1,597,458	(405,794)	1,191,664
Debt due within 1 year	(569,661)	24,016	(545,645)
Debt due after 1 year	(7,690,468)	71,961	(7,618,507)
	<hr/>	<hr/>	<hr/>
	<u>(6,662,671)</u>	<u>(309,817)</u>	<u>(6,972,488)</u>

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

	<b>2005 £</b>	<b>2004 £</b>
(Decrease)/increase for the year	(405,794)	455,748
Loan repaid/(received)	95,977	(817,618)
	<hr/>	<hr/>
Change in net debt	(309,817)	(361,870)
<b>Net debt at 1 April 2004</b>	<hr/> <b>(6,662,671)</b>	<hr/> <b>(6,300,801)</b>
<b>Net debt at 31 March 2005</b>	<u><b>(6,972,488)</b></u>	<u><b>(6,662,671)</b></u>

**Notes on the Financial Statements  
For the year ended 31 March 2005**

**1. Accounting policies**

**(a) Introduction and accounting basis**

The principal accounting policies of the Association are set out in paragraphs (b) to (j) 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 Communities Scotland. 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 the Financial Statements  
For the year ended 31 March 2005**

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.

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

**(f) Depreciation**

1. Housing properties

Housing properties at cost, less grants received, less land, are depreciated over their expected useful lives of between 11 and 50 years.

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 the Financial Statements**  
**For the year ended 31 March 2005**

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) 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.

**(i) Pensions (note 18)**

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.

**(j) 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 the Financial Statements  
For the year ended 31 March 2005

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

	Turnover £	2005 Operating Costs £	Operating Surplus £	Turnover £	2004 Operating Costs £	Operating Surplus £
<b>Income and Expenditure from lettings (Note 3)</b>						
Housing accommodation	3,398,073	2,812,312	585,761	3,160,940	3,020,430	140,510
Shared ownership accommodation	88,146	72,951	15,195	86,765	82,645	4,120
Supported accommodation	-	-	-	27,580	26,270	1,310
	<u>3,486,219</u>	<u>2,885,263</u>	<u>600,956</u>	<u>3,275,285</u>	<u>3,129,345</u>	<u>145,940</u>
<b>Other Income and Expenditure</b>						
Development	13,478	113,473	(99,995)	8,644	57,062	(48,418)
Management Services	32,556	73,969	(41,413)	29,104	29,101	3
Other	22,952	69,877	(46,295)	17,179	76,157	(58,978)
Care and repair	40,602	45,375	(4,773)	42,264	30,661	11,603
	<u>109,588</u>	<u>302,694</u>	<u>(193,106)</u>	<u>97,191</u>	<u>192,981</u>	<u>(95,790)</u>
<b>Total</b>	<u><u>3,595,807</u></u>	<u><u>3,187,957</u></u>	<u><u>407,850</u></u>	<u><u>3,372,476</u></u>	<u><u>3,322,326</u></u>	<u><u>50,150</u></u>

Notes on the Financial Statements  
For the year ended 31 March 2005

3. Particulars of Income and Expenditure from Lettings

	Housing Accommodation £	Supported Housing £	Shared Ownership £	2005 Total £	2004 Total £
<b>Income from lettings</b>					
Rent receivable net of identifiable service charges	3,276,534	-	81,889	3,358,423	3,219,178
Service charges receivable (HB eligible)	171,407	-	6,257	177,664	162,495
<b>Gross rents receivable</b>	3,447,941	-	88,146	3,536,087	3,381,673
<b>Less rent losses from voids</b>	112,356	-	-	112,356	111,536
<b>Net rents receivable</b>	3,335,585	-	88,146	3,423,731	3,270,137
Revenue grants from Communities Scotland	62,488	-	-	62,488	4,408
Other revenue grants	-	-	-	-	740
<b>Total income from lettings</b>	3,398,073	-	88,146	3,486,219	3,275,285
<b>Expenditure on letting activities</b>					
Services	193,419	-	5,017	198,436	178,063
Management	718,186	-	18,468	736,654	710,608
Routine maintenance	1,143,114	-	29,652	1,172,766	1,392,895
Rent losses from bad debts	3,713	-	96	3,809	(5,471)
Major repairs expenditure	394,093	-	10,223	404,316	486,344
Other costs	-	-	-	-	-
Depreciation of housing properties	359,787	-	9,495	369,282	366,906
<b>Total expenditure on lettings</b>	2,812,312	-	72,951	2,885,263	3,129,345
<b>Operating surplus or on letting activities</b>	585,761	-	15,195	600,956	145,940

**Notes on the Financial Statements**  
**For the year ended 31 March 2005**

<b>4. Interest Receivable and Other Income</b>		<b>2005</b>	<b>2004</b>		
		<b>£</b>	<b>£</b>		
Interest receivable on deposits		48,981	44,232		
		<u>          </u>	<u>          </u>		
<b>5. Interest Payable and Similar Charges</b>					
On private loans		505,388	498,762		
On lease agreements		4,431	8,992		
		<u>          </u>	<u>          </u>		
		509,819	507,754		
		<u>          </u>	<u>          </u>		
<b>6. Designated Reserves</b>					
	<b>Opening</b>	<b>Gain on</b>	<b>Major</b>	<b>Other</b>	<b>Closing</b>
	<b>Balance</b>	<b>Disposal of</b>	<b>Repairs</b>	<b>Transfers</b>	<b>Balance</b>
	<b>£</b>	<b>fixed assets</b>		<b>£</b>	<b>£</b>
Cyclical maintenance	1,412,079	-	-	-	1,412,079
Sales reserve	-	-	-	-	-
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
	1,412,079	-	-	-	1,412,079
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>

Notes on the Financial Statements  
For the year ended 31 March 2005

## 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	45,698,212	335,446	4,082,289	-	41,806	285,382	342,109	238,109	51,023,353
Additions during year	47,832	1,104,555	(5,612)	-	-	-	22,067	35,345	1,204,187
Transfers	-	-	-	-	-	-	-	-	-
Disposals	220,649	36,877	60,000	-	-	-	-	95,131	412,657
At end of year	45,525,395	1,403,124	4,016,677	-	41,806	285,382	364,176	178,323	51,814,883
<b>Depreciation</b>									
At start of year	1,663,823	-	22,909	-	5,940	103,849	326,162	232,825	2,355,508
Charge for year	359,787	-	9,495	-	1,188	4,491	6,554	13,212	394,727
On disposals	2,532	-	-	-	-	-	-	95,131	97,663
At end of year	2,021,078	-	32,404	-	7,128	108,340	332,716	150,906	2,652,572
<b>SHG and other Grants</b>									
At start of year	35,105,007	143,232	3,583,920	-	-	-	-	-	38,832,159
Received during year	5,583	247,758	-	-	-	-	-	-	253,341
Transfers	-	-	-	-	-	-	-	-	-
Disposals	187,899	-	42,000	-	-	-	-	-	229,899
At end of year	34,922,691	390,990	3,541,920	-	-	-	-	-	38,855,601
<b>Net Book Value</b>									
At end of year	8,581,626	1,012,134	442,353	-	34,678	177,042	31,460	27,417	10,306,710
At beginning of year	8,929,382	192,214	475,460	-	35,866	181,533	15,947	5,284	9,835,686

Development Administration costs capitalised amounted to £181,163 (2004 – £140,972) for which Social Housing Grant amounted to £Nil (2004 – £Nil) was received in the year.

**Notes on the Financial Statements**  
**For the year ended 31 March 2005**

<b>8. Debtors</b>	<b>2005</b>	<b>2004</b>
	<b>£</b>	<b>£</b>
Amounts falling due within one year:		
Rental arrears	203,367	185,235
Less: provision for bad debts	31,969	31,969
	<hr/>	<hr/>
	171,398	153,266
Social Housing Grant receivable	487,360	76,967
Corporation tax recoverable	100,000	64,734
Other debtors and prepayments	395,131	201,482
	<hr/>	<hr/>
	<u>1,153,889</u>	<u>496,449</u>
	<hr/> <hr/>	<hr/> <hr/>
<b>9. Creditors – Amounts falling due within one year</b>		
Loans	545,645	569,661
Capital works and retentions	63,558	68,209
Corporation tax	134,250	64,734
Other creditors	1,004,728	522,532
Rent in advance	209,048	153,197
Bank overdrafts	75,341	159,177
	<hr/>	<hr/>
	<u>2,032,570</u>	<u>1,537,510</u>
	<hr/> <hr/>	<hr/> <hr/>
<b>10. Creditors – Amounts falling due outwith one year</b>		
Leasing creditors	-	-
Loans:		
Due between one and two years	621,643	598,473
Due between two and five years	2,064,736	1,942,562
Due in five years or more	4,932,128	5,149,433
	<hr/>	<hr/>
	<u>7,618,507</u>	<u>7,690,468</u>
	<hr/> <hr/>	<hr/> <hr/>

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

**Notes on the Financial Statements**  
**For the year ended 31 March 2005**

<b>11. Share Capital</b>	<b>2005</b>	<b>2004</b>
	<b>£</b>	<b>£</b>
At beginning of year	340	354
Shares of £1 each fully paid and issued during the year	54	17
Shares forfeited in year	(20)	(31)
	<u>374</u>	<u>340</u>

<b>12. Assured Tenancy Rents</b>		
Average assured tenancy rent for housing accommodation	<u>2,113</u>	<u>2,020</u>
Percentage increase from previous year	<u>4.6%</u>	<u>2.65%</u>

**13. 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>2005</b>	<b>2004</b>
	<b>£</b>	<b>£</b>
Aggregate emoluments payable to directors (including pension contributions and benefits in kind)	<u>142,542</u>	<u>135,138</u>
Emoluments payable to highest paid director who received emoluments (excluding pension contributions) were:	<u>50,832</u>	<u>47,090</u>
Total expenses reimbursed to directors in so far as not chargeable to United Kingdom income tax	<u>-</u>	<u>-</u>

**Notes on the Financial Statements**  
**For the year ended 31 March 2005**

**14. Employee Information**

The average number of persons employed during the year was:

	<b>2005</b>	<b>2004</b>
Cleaning	2	2
Maintenance staff/Technical Service	9	9
Housing management	14	12
Finance and administration	11	11
	<u>36</u>	<u>34</u>
	<b>£</b>	<b>£</b>
Staff costs (including directors' emoluments):		
Wages and salaries	840,549	800,939
Social security costs	66,419	60,813
Pension costs (Note 18)	87,910	87,702
	<u>994,878</u>	<u>949,454</u>

**15. Operating Surplus**

Operating surplus is stated after charging:

	<b>2005</b>	<b>2004</b>
	<b>£</b>	<b>£</b>
Depreciation	394,727	391,353
Auditor's remuneration		
- In their capacity as auditors	7,100	6,900
- In respect of other services	2,399	2,592
	<u>399,226</u>	<u>399,845</u>

**16. 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 2005. A replacement mechanism is expected for accounting periods after 1 April 2005.

**17. Capital Commitments**

	<b>2005</b>	<b>2004</b>
	<b>£</b>	<b>£</b>
Capital expenditure that has been contracted for but has not been provided for in the financial statements	<u>1,720,430</u>	<u>26,000</u>
Approved but not contracted for	<u>Nil</u>	<u>1,925,000</u>

The amount contracted for at 31 March 2005 will be funded from grants approved by Communities Scotland, financed from private loans or met from the Association's reserves.

**Notes on the Financial Statements  
For the year ended 31 March 2005**

**18. 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 2003 by a professionally qualified actuary using the "projected unit credit" method.

Shettleston Housing Association Limited paid contributions at the rate of 12.2% during the accounting period. Member contributions were 6.0%.

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:-

	<b>% pa</b>
- Investment return pre retirement	7.8
- Investment return post retirement	5.2
- Rate of salary increases	4.0
- Rate of pension increases (for leavers before 1 October 1993 pension increases are 5.0% pa)	2.5
- Rate of price inflation	2.5

**Valuation results**

The market value of the Scheme's assets as at the 30 September 2003 valuation date was £143 million. The valuation showed a shortfall of assets compared to liabilities of £37 million (equivalent to a past service funding level of 80%).

The employer's ongoing future service contribution rate, after allowing for changes in benefits, was assessed as 9.3% of pensionable salaries. In view of the past service shortfall it was agreed that:

- The standard employer contribution rate would be increased from 12.2% to 14.0% of pensionable salaries with effect from April 2005.
- Member contributions would be increased from 6.0% to 7.0% with effect from April 2005.

**Notes on the Financial Statements**  
**For the year ended 31 March 2005**

**18. Pensions (continued)**

**Valuation results**

A small number of employers that have closed the Scheme to new entrants are required to pay an additional contribution loading of 3.5% to reflect the higher costs of a closed arrangement.

On the basis of the valuation assumptions this pattern of contributions will be sufficient to eliminate the past service deficit by 30 September 2015.

**19. Housing Stock**

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

	<b>Units in Management</b>	
	<b>2005</b>	<b>2004</b>
General needs	1,491	1,507
Supported	-	-
Shared ownership	59	59
	<u>1,550</u>	<u>1,566</u>

**20. 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.

**Notes on the Financial Statements  
For the year ended 31 March 2005**

**21. Legislative Provisions**

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

**22. Related Party**

During the year a new company, Shettleston Community Enterprises Limited, was set up as a wholly owned subsidiary of the Association.