



SCOTT-MONCRIEFF

EDINBURGH AND GLASGOW

SHETTLESTON HOUSING ASSOCIATION LIMITED

REPORT AND FINANCIAL STATEMENTS

For the year ended 31 March 2006

SHETTLESTON HOUSING ASSOCIATION LIMITED

REPORT AND FINANCIAL STATEMENTS
For the year ended 31 March 2006

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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

Scottish Charity Number

SC 036687

Members, Executives and Advisers**Honorary President**

Helen McGregor MBE JP

Committee of Management

Mary Thomas (Chairperson)
Annie McAllister (Vice-Chairperson)
Frank Quinn (Secretary)
Betty Finnen
Nan Sangster
Gillian Johnston
Jemima Pryce
Christina Brown
Lesley Scoffield
Shirley Craig
Maureen Givens
James Tominey
Mary Cameron
Jean Hendry
Ina Duffy
Caroline Boyle
Councillor George Ryan (Council Representative)

Executive Officers

Chris Cunningham (Director)
Jim Hempsey (Finance Manager)
June Macfarlane (Housing Manager)
Margaret Paton (Performance and Compliance Manager)
Joe Whitley (Maintenance Manager)

LHO Sub-Committee Members

Annie McAllister (Chairperson)
Maureen Givens (Vice Chairperson)
Caroline Boyle (Secretary)
James Tominey
Lesley Scoffield
Mary Cameron
Jean Hendry
Mary Thomas
Betty Finnen
Jemima Pryce
Jean Sharkey (Co-opted)
Joseph McGill (Co-opted)

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

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 2006**

The Committee of Management present their report and audited financial statements for the year ended 31st March 2006.

Principal activity

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

Review of business and future developments

Prior to the beginning of last financial year, as part of its future planning, the Management Committee carried out a review of its strategic objectives. As a result, the planning period was increased from one year to three years and the Strategic Objectives set by the Association for that period were agreed to be 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.

Operational Objectives have been established in order to achieve each Strategic Objective. Senior Staff carried out quarterly reviews of the Operational Objectives over the last financial year and the outcomes of these reviews were reported to the Management Committee thereafter.

It is no accident that the number one Strategic Objective concerns service delivery. This area of work was clearly identified by Management Committee as the most important Objective and over the past year it has undoubtedly been the focus of the full breadth of the organisation. The Association's performance relating to response times for both Emergency and Urgent Repairs improved during the year while that relating to Reactive Repairs remained unchanged from the previous year. Also within this Objective, improvement in the Association's performance in relation to management of void properties was a major success. The consequent increased rental income thereby provided more finance to fund re-investment projects. Further improvement is expected during the 2006/07 financial year.

**Report of the Management Committee
For the year ended 31 March 2006**

Strategic Objective 2 concerns expansion of the Association's housing stock through transfer or development. For several years, the Association has been pursuing transfer of the GHA housing stock in the Shettleston area. Despite disappointment at the lack of progress to date, the Association remains committed to achieving stock transfer. We have worked to accommodate the information requirements of GHA and have made progress with tenant consultation and with the reappraisal options for demolition and regeneration of the area. Two years after the Association's outline proposals for second stage transfer were submitted, and more than one year later than expected, GHA provided their valuation of the stock under consideration. The Association responded quickly, has developed a strategy for moving forward and remains at the forefront of the process.

In terms of expansion through Development, progress was made during the year in obtaining the necessary permissions for the Vesalius Street/TSB site and a site start is planned for late summer 2006. More limited progress has been achieved with the site assembly at Fenella Street. A number of other sites have been identified and where possible will be acquired in 2006/2007. A funding submission has been made for the improvement of the tenement flats at 1126 Shettleston Rd and work is expected to start in the current financial year.

The third Strategic Objective is to ensure that the Association is properly and adequately funded through robust financial planning. During the financial year just completed we have developed a thirty-year plan to take account of the cost of maintaining the Association's housing stock to the expected standard, including replacement of many of the existing component parts and, crucially, delivering the Scottish Housing Quality Standard. In addition, a document has been prepared to enable negotiation of both stock transfer funding and the Association's future funding needs for its existing stock to take place at the appropriate time.

In compliance with the fourth Strategic Objective, the Association continued to invest in its housing stock through Reactive, Cyclical and Planned Maintenance programmes. Following a review by the Technical Services team of reactive repairs being undertaken, it was decided to invest heavily in the replacement of central heating systems. A window replacement programme was also undertaken during 2005/2006 and Phase 3 of the Springboig Major Refurbishment programme was completed.

The fifth Strategic Objective encourages the Association's involvement in the local community, especially in connection with regeneration of the area. The LHO Sub-Committee has developed its membership and strengthened its place within the Association, despite the delay over second stage transfer, and several of the new members of the Association's Management Committee have had their initial involvement with the Association through the LHO. In addition, three new residents' groups were set-up during the year. The result of the Tenants' Satisfaction Survey, carried out in the early months of 2005, was published early in the financial year and showed a very positive endorsement of the Association by its tenants with 96% saying that they were either satisfied or very satisfied with the Association as landlord. An Action Plan of issues arising from the Tenants' Satisfaction Survey has been prepared and some of the actions have already been implemented with other work planned.

Strategic Objective 6 urges development of staff and Committee Members as a fundamental resource to the Association. In this connection, the first joint staff and Committee Away Day was held and proved to be a very positive team building experience. The Association retained its Investor in People status following a review of the required standard with the review process itself providing some ideas and guidance for the future.

The seventh Strategic Objective involves the Association working to achieve the Scottish Housing Quality Standard for all stock. As a first step towards this objective, the Association instructed a stock condition survey and the result has been incorporated into the financial planning referred to earlier in this report. The Association duly submitted a 'Standard Delivery Plan' to Communities Scotland for achieving the standard and this has now been endorsed by that agency.

**Report of the Management Committee
For the year ended 31 March 2006**

Strategic Objective 8 relates to the Association's involvement in Wider Action initiatives. Upkeep, the trading name of the Association's subsidiary Shettleston Community Enterprises Limited, has successfully completed its first year providing close cleaning, window cleaning, void property clearance and general environmental services to Association properties. Upkeep employs nine people and is a "Social Firm" which means that at least 25% of its employees have to have a disability or other disadvantage in the labour market.

The Association has also continued its Supporting People service to some of the Association's more vulnerable tenants and has employed a Welfare Rights Assistant who has been able to identify over £500,000 of additional income to the Over-65s age group in the Shettleston area through a new project to promote welfare benefits advice to the elderly.

Strategic Objective 9 is perhaps the most onerous. Here the Association is required to continuously review its performance, the risks of all its activities, its organisational structure and context and to ensure that all statutory requirements are met timeously and in full.

In the early part of the financial year, considerable time and resources were required in order to address the terms of a call for a Special General Meeting under a motion of No Confidence in the Management Committee. The terms of this resolution had the potential to threaten the long-term stability of the Association, to the extent that Communities Scotland felt it necessary to place four Statutory Appointees on the Association's Management Committee for a six-month period. Fortunately for the well being of the Association, the motion was soundly defeated.

Shortly thereafter, a second Special General Meeting approved a change in the Association's Rules to enable the Association to become Charitable and to reintroduce its Community Based status. Formal approval of Charitable Status was made by the Inland Revenue on 12th July 2005.

The Association also took a fundamental step in extending its democracy through the creation of an Electoral Forum which gives all tenants the opportunity to vote in elections to the Management Committee irrespective of whether or not they are members of the Association. The new election arrangement was successfully introduced for the first time at the AGM in September 2005 when 439 tenants and members participated in the postal vote from an electorate of 1,885. Henceforth, all elections will be held by postal ballot conducted by an independent election agent.

The Management Committee held a Planning Day in January 2006 at which it reviewed and decided to retain the same nine Strategic Objectives previously identified. It was agreed that there should be an emphasis by staff on improving service delivery and Operational Objectives have subsequently been developed to achieve the Strategic Objectives set.

During the year a number of movements in Management Committee membership and staff occurred. As mentioned above, prior to the SGM held in May 2005, Communities Scotland appointed four people (Michael Clarke, Jean Thomson, Norman Fitzpatrick and Allison McCann) to the Management Committee to assist the Association during a potentially difficult period. Communities Scotland confirmed removal of the Appointees from the Management Committee with effect from 30 November 2005.

Following the May SGM, Mary Regan and Angela Lundie were removed as members of the Management Committee and Angela Mazzei and Agnes Paterson stood down from the Management Committee. Maureen Givens also stood down. At the AGM held in September, George McGhee retired from the Management Committee and Maureen Givens together with six new members (Caroline Boyle, Mary Cameron, Marie Dawson, Ina Duffy, Jean Hendry and James Tominey) were elected to the Management Committee.

**Report of the Management Committee
For the year ended 31 March 2006**

In October, the Association's Chairperson, Isabel McChord resigned after having seen the Association through a very difficult period in its history to date. Mary Thomas was elected Chairperson, Annie McAllister remained Vice-Chairperson and Frank Quinn became Secretary in succession to Mary Thomas. In November, Marie Dawson resigned from the Management Committee.

The Association was shocked and saddened by the sudden death in December of its Technical Services Manager, Neil Murray. Although with the Association for only just over a year, Neil had won the respect of both the staff team and the Management Committee for his knowledge and for the gentlemanly manner with which he conducted himself.

On a happier note, four members of staff (Tracy McLaughlin, Debbie Marinelli, Laura McManus and Pauline Woods) became mothers of beautiful and healthy babies.

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.

Disclosure of information to auditors

As far as each of the members of the Management Committee at the time the report is approved are aware;

- (a) there is no relevant information of which the association's auditors are unaware and
- (b) the members of the Management Committee have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of the information.

By order of the Committee

Frank Quinn
Secretary

Dated: 27 June 2006

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 International Standards on Auditing (UK and Ireland).

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 report to you whether in our opinion the information given in the Management Committee Report is consistent with the financial statements.

Basis of opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of affairs of the association at 31 March 2006 and of its results for the year then ended;
- the financial statements have been properly prepared in accordance with the Industrial and Provident Societies Acts 1965 to 2002, Schedule 7 of the Housing (Scotland) Act 2001 and the Registered Housing Associations (Accounting Requirements) (Scotland) Order 1999;
- the information given in the Management Committee Report is consistent with the financial statements.

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

Dated: 27 June 2006

**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 Internal Financial Control section within the SFHA's publication "Raising Standards in Housing". 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 Internal Financial Control section within the SFHA's publication "Raising Standards in Housing" 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 Internal Financial Control section within the SFHA's publication "Raising Standards in Housing" specified for our review.

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

Dated: 27 June 2006

**Income and Expenditure Account
For the year ended 31 March 2006**

	Notes	2006 £	2005 £
Turnover	2 & 3	3,701,560	3,595,807
Operating costs	2	3,226,866	(3,187,957)
Operating surplus	2	474,694	407,850
Gain on disposal of fixed assets		341,888	302,860
Interest receivable and other income	4	31,374	48,981
Interest payable and similar charges	5	(507,465)	(509,819)
Surplus/(deficit) on ordinary activities before taxation		340,491	249,872
Tax on surplus on ordinary activities	17	(53,809)	(134,194)
Grant receivable against taxation		64,030	100,000
Surplus/(deficit) for the year		350,712	215,678

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 2006

	Notes	2006 £	2005 £
Tangible fixed assets			
Housing properties – cost less depreciation	8	51,347,644	48,891,714
Less SHG and other grants	8	(39,766,697)	(38,855,601)
		<u>11,580,947</u>	<u>10,036,113</u>
Other fixed assets	8	265,845	270,597
		<u>11,846,792</u>	<u>10,306,710</u>
Investments			
Investments in subsidiaries		2	-
Current assets			
Debtors	9	520,725	1,153,889
Cash at bank and in hand		1,213,857	1,267,005
		<u>1,734,582</u>	<u>2,420,894</u>
Creditors: amounts falling due within one year	10	(1,532,691)	(2,032,570)
		<u>201,891</u>	<u>388,324</u>
Net current assets			
		<u>12,048,685</u>	<u>10,695,034</u>
Total assets less current liabilities			
		<u>12,048,685</u>	<u>10,695,034</u>
Creditors: amounts falling due after more than one year	11	(8,621,397)	(7,618,507)
		<u>3,427,288</u>	<u>3,076,527</u>
Net assets		<u>3,427,288</u>	<u>3,076,527</u>
Capital and reserves			
Share capital	12	410	374
Designated reserves	6	1,412,079	1,412,079
Revenue reserve	7	2,014,455	1,663,743
Capital redemption reserve		344	331
		<u>3,427,288</u>	<u>3,076,527</u>

The financial statements on pages 10 to 27 were authorised for issue by the Committee of Management on 27 June 2006 and were signed on its behalf by:

M Thomas	Chairperson
A McAllister	Vice-Chairperson
F Quinn	Secretary

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

Cash Flow Statement
For the year ended 31 March 2006

	Notes	2006 £	2005 £
Net cash inflow from operating activities	1	1,168,924	713,799
Returns on investments and servicing of finance	2	(476,091)	(460,838)
Taxation		(24,029)	56
Capital expenditure	2	(1,662,667)	(562,891)
		<u>(993,863)</u>	<u>(309,874)</u>
Financing	2	1,013,725	(95,920)
Increase/(Decrease) in cash	4	<u>19,858</u>	<u>(405,794)</u>

Notes to the Cash Flow Statement
For the year ended 31 March 2006

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

	2006	2005
	£	£
Operating surplus	474,694	407,850
Depreciation	464,473	394,727
(Increase)/decrease in debtors	597,194	(622,174)
(Decrease)/Increase in creditors	(367,437)	533,396
	<u>1,168,924</u>	<u>713,799</u>

2) Gross Cash Flows

Returns on investments and servicing of finance

Interest received	31,374	48,981
Interest paid	(507,465)	(509,819)
	<u>(476,091)</u>	<u>(460,838)</u>

Capital expenditure

Purchase and development of housing properties	(3,145,153)	(1,146,775)
SHG and other grants received	1,090,568	253,341
SHG repaid	(179,473)	(229,899)
Sale of properties	597,223	617,854
Payments to acquire other tangible fixed assets	(25,832)	(57,412)
	<u>(1,662,667)</u>	<u>(562,891)</u>

Financing

Issue of ordinary share capital	49	57
Loan finance received/(repaid)	1,013,674	(95,977)
Purchase of shares in subsidiaries	(2)	-
	<u>1,013,725</u>	<u>(95,920)</u>

**Notes to the Cash Flow Statement
For the year ended 31 March 2006**

3) Analysis of Changes in Net Debt	At 31 March 2005 £	Cash Flow £	At 31 March 2006 £
Cash in hand, at bank	1,267,005	(53,148)	1,213,857
Overdraft	(75,341)	73,006	(2,335)
	<hr/>	<hr/>	<hr/>
Debt due within 1 year	1,191,664	19,858	1,211,522
Debt due after 1 year	(545,645)	(10,784)	(556,429)
	(7,618,507)	(1,002,890)	(8,621,397)
	<hr/>	<hr/>	<hr/>
	<u>(6,972,488)</u>	<u>(993,816)</u>	<u>(7,966,304)</u>

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

	2006 £	2005 £
(Decrease)/increase for the year	19,858	(405,794)
Loan repaid/(received)	(1,013,674)	95,977
	<hr/>	<hr/>
Change in net debt	(993,816)	(309,817)
Net debt at 1 April 2005	<u>(6,972,488)</u>	<u>(6,662,671)</u>
Net debt at 31 March 2006	<u><u>(7,966,304)</u></u>	<u><u>(6,972,488)</u></u>

**Notes on the Financial Statements
For the year ended 31 March 2006**

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 2006**

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 2006**

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 19)

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.

(k) Consolidation

The Association and its subsidiary undertakings comprise a group. The Financial Services Authority has granted exemption from preparing group financial statements. The accounts therefore represent the results of the Association and not of the group.

Notes on the Financial Statements
For the year ended 31 March 2006

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

	Turnover £	2006 Operating Costs £	Operating Surplus £	Turnover £	2005 Operating Costs £	Operating Surplus £
Income and Expenditure from lettings (Note 3)						
Housing accommodation	3,497,441	2,863,833	633,608	3,398,073	2,812,312	585,761
Shared ownership accommodation	97,601	79,822	17,779	88,146	72,951	15,195
Supported accommodation	-	-	-	-	-	-
	<u>3,595,042</u>	<u>2,943,655</u>	<u>651,387</u>	<u>3,486,219</u>	<u>2,885,263</u>	<u>600,956</u>
Other Income and Expenditure						
Development	28,154	7,186	20,968	13,478	113,473	(99,995)
Management Services	33,505	68,885	(35,380)	32,556	73,969	(41,413)
Other	931	95,587	(94,656)	22,952	69,877	(46,295)
Care and repair	43,928	111,553	(67,625)	40,602	45,375	(4,773)
	<u>106,518</u>	<u>283,211</u>	<u>(176,693)</u>	<u>109,588</u>	<u>302,694</u>	<u>(193,106)</u>
Total	<u><u>3,701,560</u></u>	<u><u>3,226,866</u></u>	<u><u>474,694</u></u>	<u><u>3,595,807</u></u>	<u><u>3,187,957</u></u>	<u><u>407,850</u></u>

**Notes on the Financial Statements
For the year ended 31 March 2006**

3. Particulars of Income and Expenditure from Lettings

	Housing Accommodation £	Supported Housing £	Shared Ownership £	2006 Total £	2005 Total £
Income from lettings					
Rent receivable net of identifiable service charges	3,394,690	-	87,942	3,482,632	3,358,423
Service charges receivable (HB eligible)	172,182	-	9,659	181,841	177,664
Gross rents receivable	3,566,872	-	97,601	3,664,473	3,536,087
Less rent losses from voids	109,919	-	-	109,919	112,356
Net rents receivable	3,456,953	-	97,601	3,554,554	3,423,731
Revenue grants from Communities Scotland	40,488	-	-	40,488	62,488
Other revenue grants	-	-	-	-	-
Total income from lettings	3,497,441	-	97,601	3,595,042	3,486,219
Expenditure on letting activities					
Services	190,000	-	5,302	195,302	198,436
Management	724,255	-	20,114	744,369	736,654
Routine maintenance	1,443,493	-	40,283	1,483,776	1,172,766
Rent losses from bad debts	14,972	-	418	15,390	3,809
Major repairs expenditure	69,004	-	1,926	70,930	404,316
Other costs	-	-	-	-	-
Depreciation of housing properties	422,108	-	11,780	433,888	369,282
Total expenditure on lettings	2,863,833	-	79,822	2,943,655	2,885,263
Operating surplus or on letting activities	633,608	-	17,779	651,387	600,956

Notes on the Financial Statements
For the year ended 31 March 2006

4. Interest Receivable and Other Income						2006	2005
						£	£
Interest receivable on deposits						31,374	48,981
						<u> </u>	<u> </u>
5. Interest Payable and Similar Charges							
On private loans						507,465	505,388
On lease agreements						-	4,431
						<u> </u>	<u> </u>
						<u>507,465</u>	<u>509,819</u>
6. Designated Reserves							
	Opening	Gain on	Major	Other	Closing		
	Balance	Disposal of	Repairs	Transfers	Balance		
	£	fixed assets		£	£		
Cyclical maintenance	1,412,079	-	-	-	1,412,079		
Sales reserve	-	-	-	-	-		
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>		
	<u>1,412,079</u>	<u> </u>	<u> </u>	<u> </u>	<u>1,412,079</u>		
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>		
7. Revenue Reserves						2006	2005
						£	£
At 1 April 2005						1,663,743	1,448,065
Surplus for the year						350,712	215,678
						<u> </u>	<u> </u>
Transfer to designated reserves						2,014,455	1,663,743
						-	-
						<u> </u>	<u> </u>
At 31 March 2006						<u>2,014,455</u>	<u>1,663,743</u>

Notes on the Financial Statements
For the year ended 31 March 2006

8. 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	45,525,395	1,403,124	4,016,677	-	41,806	285,382	364,176	178,323	51,814,883
Additions during year	1,650,650	1,494,503	-	-	-	5,980	15,345	4,507	3,170,985
Transfers	-	-	-	-	-	-	-	-	-
Disposals	170,335	-	85,000	-	-	-	-	-	255,335
At end of year	47,005,710	2,897,627	3,931,677	-	41,806	291,362	379,521	182,830	54,730,533
Depreciation									
At start of year	2,021,078	-	32,404	-	7,128	108,340	332,716	150,906	2,652,572
Charge for year	433,888	-	32,404	-	1,188	4,320	8,316	16,761	464,473
On disposals	-	-	-	-	-	-	-	-	-
At end of year	2,454,966	-	32,404	-	8,316	112,660	341,032	167,667	3,117,045
SHG and other Grants									
At start of year	34,922,691	390,990	3,541,920	-	-	-	-	-	38,855,601
Received during year	268,229	822,339	-	-	-	-	-	-	1,090,568
Transfers	-	-	-	-	-	-	-	-	-
Disposals	112,473	-	67,000	-	-	-	-	-	-179,473
At end of year	35,078,447	1,213,329	3,474,920	-	-	-	-	-	39,766,696
Net Book Value									
At end of year	9,472,297	1,684,298	424,353	-	33,490	178,702	38,489	15,163	11,846,792
At beginning of year	8,581,626	1,012,134	442,353	-	34,678	177,042	31,460	27,417	10,306,710

Development Administration costs capitalised amounted to £205,972 (2005 – £181,163) for which Social Housing Grant amounted to £Nil (2005 – £Nil) was received in the year.

Notes on the Financial Statements
For the year ended 31 March 2006

9. Debtors	2006	2005
	£	£
Amounts falling due within one year:		
Rental arrears	275,480	203,367
Less: provision for bad debts	93,102	31,969
	<hr/>	<hr/>
	182,378	171,398
Social Housing Grant receivable	56,539	487,360
Corporation tax recoverable	64,030	100,000
Other debtors and prepayments	217,778	395,131
	<hr/>	<hr/>
	520,725	1,153,889
	<hr/> <hr/>	<hr/> <hr/>
 10. Creditors – Amounts falling due within one year		
Loans	556,429	545,645
Capital works and retentions	46,776	63,558
Corporation tax	64,030	134,250
Other creditors	594,159	1,004,728
Rent in advance	268,962	209,048
Bank overdrafts	2,335	75,341
	<hr/>	<hr/>
	1,532,691	2,032,570
	<hr/> <hr/>	<hr/> <hr/>
 11. Creditors – Amounts falling due outwith one year		
Leasing creditors	-	-
Loans:		
Due between one and two years	584,721	621,643
Due between two and five years	1,773,184	2,064,736
Due in five years or more	6,263,492	4,932,128
	<hr/>	<hr/>
	8,621,397	7,618,507
	<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 2006

12. Share Capital	2006	2005
	£	£
At beginning of year	374	340
Shares of £1 each fully paid and issued during the year	49	54
Shares forfeited in year	(13)	(20)
	<u>410</u>	<u>374</u>
At end of year	<u>410</u>	<u>374</u>

13. Scottish Secure Tenancy Rents

Average Scottish secure tenancy rent for housing accommodation	<u>2,235</u>	<u>2,113</u>
Percentage increase from previous year	<u>5.8%</u>	<u>4.6%</u>

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.

	2006	2005
	£	£
Aggregate emoluments payable to directors (including pension contributions and benefits in kind)	<u>204,281</u>	<u>142,542</u>
Emoluments payable to highest paid director who received emoluments (excluding pension contributions) were:	<u>55,529</u>	<u>50,832</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 2006

15. Employee Information

The average number of persons employed during the year was:

	2006	2005
Cleaning	2	2
Maintenance staff/Technical Service	11	9
Housing management	16	14
Finance and administration	13	11
	<u>42</u>	<u>36</u>
	£	£
Staff costs (including directors' emoluments):		
Wages and salaries	981,477	840,549
Social security costs	79,705	66,419
Pension costs (Note 19)	111,161	87,910
	<u>1,172,343</u>	<u>994,878</u>

16. Operating Surplus

Operating surplus is stated after charging:

	2006	2005
	£	£
Depreciation	464,473	394,727
Auditor's remuneration		
- In their capacity as auditors	7,300	7,100
- In respect of other services	3,129	2,399
	<u>474,902</u>	<u>404,226</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 2006. The Association was granted charitable status on 12 July 2005 and is not liable to pay Corporation Tax from this date.

18. Capital Commitments

	2006	2005
	£	£
Capital expenditure that has been contracted for but has not Been provided for in the financial statements	<u>Nil</u>	<u>1,720,430</u>
Approved but not contracted for	<u>Nil</u>	<u>Nil</u>

The amount contracted for at 31 March 2006 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 2006**

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 Trustee commissions an actuarial valuation of the Scheme every 3 years. The main purpose of the valuation is to determine the financial position of the Scheme in order to determine the level of future contributions required so that the Scheme can meet its pension obligations as they fall due.

The actuarial valuation assesses whether the Scheme's assets at the valuation date are likely to be sufficient to pay the pension benefits accrued by members as at the valuation date. Asset values are calculated by reference to market levels. Accrued pension benefits are valued by discounting expected future benefit payments using a discount rate calculated by reference to the expected future investment returns.

During the accounting period, Shettleston Housing Association Limited paid contributions at the rate of 12.2% for the period to 31 March 2005 and 14.0% thereafter. Member contributions were 6.0% for the period to 31 March 2005 and 7.0% thereafter.

As at the balance sheet date there were 31 active members of the Scheme employed by Shettleston Housing Association Limited. Shettleston Housing Association Limited continues to offer membership of the Scheme to its employees.

It is not possible in the normal course of events to identify the share of underlying assets and liabilities belonging to individual participating employers. Accordingly, due to the nature of the Plan, the accounting charge for the period under FRS17 represents the employer contribution payable.

The last formal valuation of the Scheme was performed as at 30 September 2003 by a professionally qualified actuary using the "projected unit credit" method. The market value of the Scheme's assets at the valuation date was £143 million. The valuation revealed a shortfall of assets compared to liabilities of £37 million.

Financial Assumptions

The financial assumptions underlying the valuation were as follows:-	% pa
- 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

**Notes on the Financial Statements
For the year ended 31 March 2006****19. Pensions (continued)****Valuation results**

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.

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.

If the valuation assumptions are borne out in practice this pattern of contributions should be sufficient to eliminate the past service deficit, on an on-going funding basis, by 30 September 2015.

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

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

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

Next Valuation

Shettleston Housing Association Limited understands that the Scheme Actuary will calculate potential employer debt figures, as at 30 September 2006, for each employer participating in the SFHA Pension Scheme as part of the next actuarial valuation process.

**Notes on the Financial Statements
For the year ended 31 March 2006**

20. Housing Stock

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

	Units in Management	
	2006	2005
General needs	1,493	1,491
Supported	-	-
Shared ownership	54	59
	<u>1,547</u>	<u>1,550</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.

23. Related Party

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

During the year, Shettleston Housing Association paid £6,606 of expenses on behalf of Shettleston Community Enterprises Limited, this remained due at the year end, and is included as a debtor on 31 March. The subsidiary company also received £112,373 in the year from Shettleston Housing Association Limited for the provision of cleaning services.