



SCOTT-MONCRIEFF

EDINBURGH AND GLASGOW

SHETTLESTON HOUSING ASSOCIATION LIMITED

Report and Financial Statements

For the year ended 31 March 2009

SHETTLESTON HOUSING ASSOCIATION LIMITED

**Report and Financial Statements
For the year ended 31 March 2009**

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Registration information

Financial Services Authority

Industrial and Provident Societies Act 1965
Registered number SP1884RS

The Scottish Housing Regulator

Housing (Scotland) Act 2001
Registered number 183

Scottish Charity Number

SC 036687

**Report and Financial Statements
For the year ended 31 March 2009**

Members, Executives and Advisers

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
James Tominey
Caroline Boyle
John Hastie
Tom McDonald (appointed 18 September 2008)
Alex McWhinnie (appointed 18 September 2008)
Eleanor McFadyen (appointed 18 September 2008 and resigned 7 April 2009)
Margaret Russell (Appointed 18 September 2008 and resigned 3 March 2009)
Robert Shields (resigned 3 June 2008)

Executive Officers

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

LHO Sub-Committee Members

Annie McAllister (Chairperson)
Maureen Givens (Vice Chairperson)
Mary Thomas
Betty Finnen
Caroline Boyle
John Hastie
Tom McDonald
Mary Hain
Morag Allan
James Dick
Eleanor McFadyen

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

Tods Murray LLP
33 Bothwell Street
Glasgow
G2 6NL

**Report of the Management Committee
For the year ended 31 March 2009**

The Committee of Management present their report and the audited financial statements for the year ended 31st March 2009.

Principal activity

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

Review of business and future developments

At the commencement of the 2008/09 financial year, the Association adopted the following strategic objectives for the forthcoming and subsequent two years:

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 to fit with these strategic objectives were also agreed and were reported on to Committee each quarter.

In considering the progress made against these objectives, the following key achievements of the year can be noted:

Above all other achievements, the transfer of 731 housing properties plus 16 garages from GHA on 30th March 2009 was the highlight of a successful year for the Association and brought with it the greatest change to the organisation for many years. This successful transfer marked the culmination of years of effort by Committee Members and staff alike who will now work hard to ensure that the promises made to the transferring tenants are put in place.

**Report of the Management Committee
For the year ended 31 March 2009**

Throughout the financial year, SST became almost the all-consuming quest for staff and Committee. The Association acted as lead negotiator for the sixteen (subsequently fifteen) Associations involved in Second Stage Transfer in negotiations with GHA, their lawyers and lawyers appointed to represent the SST Associations. The eventual outcome was the Transfer Agreement which was central to the whole exercise and which is to be used as a template for future SSTs. This is easily stated in black and white, but gives no clue to the innumerable meetings or hours of commitment given by everyone involved on behalf of the Association.

The ballot for the transfer was held over three weeks in November and December and was preceded by a major effort and campaign by the Association aimed at setting out our case to the tenants and convincing them of the value of local control and transfer to Shettleston. Both Committee and staff were enthused by the campaign and the response of tenants on the doorstep and the overwhelming YES vote of 87% is the measure of that success.

It was, therefore, a joyous moment when Mary Thomas, the Association's Chairperson, and Chris Cunningham, the Association's Director, took their places beside Nicola Sturgeon, the Deputy First Minister, and representatives of the three other first transferee Associations and GHA on a platform at Glasgow Concert Hall at the ceremony to mark the successful completion of the first four SSTs.

Away from SST, the Association also maintained and improved its level of service delivery, achieving or exceeding the Key Performance targets set in its Internal Management Plan for 2008/2009 as well as achieving high levels of tenant satisfaction in surveys carried out throughout the year. Points worthy of note are :-

- All Maintenance Targets were achieved.
- Rent Loss from Voids is well under control, continuing the improvement made during recent years.
- The performance target to reduce Rent Arrears was achieved .
- Tenant Surveys carried out during the year gave a high level of satisfaction on both the Association's Repairs and Allocations services.
- The Vesalius Street new build development continued to progress, albeit following an unexpected delay due to ground conditions. 7 units were added to the Association's stock and, as agreed, were let to GHA tenants as part of the re-provisioning arrangements for the GHA stock in Pettigrew Street/Balintore Street which have been zoned for demolition. The contract is ongoing and it is expected that the remaining 13 units will be completed before Christmas 2009.
- The staff were successfully decanted from the Pettigrew Street office to the temporary office at 1682 Shettleston Road. The Association's services have continued with minimum disruption to its tenants.
- Redevelopment of the Pettigrew Street office was well under way by the end of March and it is expected that the staff will move back to Pettigrew Street before Christmas 2009.
- The Youth Facility, FUSE, in Shettleston Road was developed with support from the Association. The Association owns the property which is leased to a local charity BEET (Bringing the East End Together).
- The Association achieved a site start in March 2009 on a small new build development at Killin Street, part of the former John Wheatley College site.

**Report of the Management Committee
For the year ended 31 March 2009**

- Clearance of empty properties at Pettigrew Street/Balintore Street has taken place as planned during the SST negotiations.
- The Association continued to invest in its properties during the year, spending approx £1.7m in replacing components such as central heating systems, kitchens, bathrooms and rewiring.

In addition to these main achievements, the Association has also maintained the normal functions that pertain to an increasingly large and complex organisation:

- All statutory requirements were met on time.
- Financial management continued to be robust and audited.
- Revision and review of key policies was carried out along with the development of new procedures.

Although SHA generally met its targets for 2008/09, there was disappointment that, due to ongoing problems with ground conditions, there was little progress with the cladding contract at Springboig. However, by the end of March 2009, there was optimism that a way forward had been identified and that progress might be possible during 2009/2010.

The AGM was held in September 2008 and Thomas McDonald, Margaret Russell, Alex McWhinnie and Eleanor McFadyen were elected to the Management Committee. Four members retired by rotation and, having offered themselves for re-election, were duly re-elected for a further term.

The staff team remained fairly constant throughout the year, but at the end of March 2009 Agnes Coyle retired from the Finance Department after 25 years' service to the Association. As part of SST, the Association welcomed 12 members of staff from GHA under TUPE.

After a full and exhausting year, the Association is in good heart and the Committee and staff look forward with confidence to the many new challenges which lie ahead.

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.

**Report of the Management Committee
For the year ended 31 March 2009**

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

Frank Quinn
Secretary

Dated: 7 July 2009

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 31, which have been prepared under the accounting policies set out on pages 16 to 18, and the Statement of Recommended Practice (SORP) Accounting by Registered Social Landlords 2008.

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, Schedule 7 the Housing (Scotland) Act 2001 and the Registered Social Landlords Accounting Requirements (Scotland) Order 2007. 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.

Group accounts Section 14 (2) of the Friendly and Provident Societies Act 1968

We agree with the opinion of the Committee of Management of the Association that it would be of no real value to the members of the Association to consolidate or include the accounts of the Association's subsidiaries in group accounts required to be prepared under Section 13 of the Friendly and Industrial and Provident Societies Act 1968 for the year ended 31 March 2009, because of the immaterial nature of the subsidiaries' transactions in the year.

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 2009 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, Schedule 7 the Housing (Scotland) Act 2001 and the Registered Social Landlords Accounting Requirements (Scotland) Order 2007.

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

Dated: 7 July 2009

**Report of the Auditors to the Management Committee of
Shettleston Housing Association Limited on Corporate Governance Matters**

In addition to our audit of the Financial Statements, we have reviewed your Statement on page 4 concerning the Association's compliance with the paragraphs of the 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 2006/5 issued by the Auditing Practices Board. The Bulletin does not require us to perform the additional work necessary to, and we do not, express any opinion on the effectiveness of either the Association's system of internal financial control or its corporate governance procedures.

Opinion

In our opinion, your statement on internal financial control on page 4 has provided the disclosures required by the 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.

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

Dated: 7 July 2009

Income and Expenditure Account
For the year ended 31 March 2009

	Notes	2009 £	2008 £
Turnover	2	4,465,465	4,023,786
Operating costs	2	(3,727,013)	(3,256,684)
Operating surplus	2	738,452	767,102
Gain on disposal of fixed assets		123,631	401,647
Re-financing costs		-	(186,200)
Interest receivable and other income	5	22,088	26,808
Interest payable and similar charges	6	(577,549)	(622,813)
Surplus on ordinary activities before taxation		306,622	386,544
Tax on surplus on ordinary activities	24	(6,338)	-
Surplus for the year		<u>300,284</u>	<u>386,544</u>

The results for the year relate wholly to continuing activities.

SHETTLESTON HOUSING ASSOCIATION LIMITED
Statement of Total Recognised Gains and Losses
For the year ended 31 March 2009

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	2009	2008
	£	£
Retained surplus for the year	300,284	386,544
Actuarial (loss) / gain recognised in the retirement benefit scheme (Note 19)	(71,000)	-
Total recognised gains and losses relating to the year	<u>229,284</u>	<u>386,544</u>

Balance Sheet
As at 31 March 2009

	Notes	2009 £	2008 £
Tangible fixed assets			
Housing properties – cost less depreciation	9	60,029,797	56,935,370
Less SHG and other grants	9	(43,581,668)	(42,722,517)
		<u>16,448,129</u>	<u>14,212,853</u>
Other fixed assets	9	827,593	480,724
		<u>17,275,722</u>	<u>14,693,577</u>
Investments			
Investments in subsidiaries	10	2	2
		<u>2</u>	<u>2</u>
Current assets			
Debtors	11	931,573	766,167
Cash at bank and in hand		3,840,607	465,735
		<u>4,772,180</u>	<u>1,231,902</u>
Creditors: amounts falling due within one year	12	(1,170,607)	(1,029,089)
		<u>3,601,573</u>	<u>202,813</u>
Net current assets		<u>3,601,573</u>	<u>202,813</u>
Total assets less current liabilities		<u>20,877,297</u>	<u>14,896,392</u>
Creditors: amounts falling due after more than one year	13	(12,500,000)	(10,500,000)
Retirement benefit scheme deficit	19	(71,000)	-
		<u>8,306,297</u>	<u>4,396,392</u>
Net assets		<u><u>8,306,297</u></u>	<u><u>4,396,392</u></u>
Capital and reserves			
Share capital	14	330	355
Designated reserves	7	5,200,594	1,492,840
Revenue reserve	8	3,175,936	2,902,793
Pension reserve	8	(71,000)	-
Capital redemption reserve		437	404
		<u>8,306,297</u>	<u>4,396,392</u>
		<u><u>8,306,297</u></u>	<u><u>4,396,392</u></u>

The financial statements on pages 10 to 31 were authorised for issue by the Committee of Management on 7 July 2009 and were signed on its behalf by:

M Thomas

Chairperson

A McAllister

Vice-Chairperson

F Quinn

Secretary

The notes on pages 16 to 31 form part of these financial statements

Cash Flow Statement
For the year ended 31 March 2009

	Notes	2009 £	2008 £
Net cash inflow from operating activities	1	1,321,205	1,597,865
Returns on investments and servicing of finance	2	(555,461)	(596,005)
Taxation		-	-
Capital expenditure	2	(3,071,493)	(2,565,924)
		<u>(2,305,749)</u>	<u>(1,564,064)</u>
Financing	2	5,680,621	852,783
Increase/(Decrease) in cash	4	<u>3,374,872</u>	<u>(711,281)</u>

Notes to the Cash Flow Statement
For the year ended 31 March 2009

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

	2009 £	2008 £
Operating surplus	738,452	767,102
Depreciation	612,979	537,537
(Increase) / decrease in debtors	(165,406)	481,035
Increase /(decrease) in creditors	135,180	(268,570)
Transfer of furniture reserve to creditors	-	80,761
	<u>1,321,205</u>	<u>1,597,865</u>

2) Gross Cash Flows

Returns on investments and servicing of finance

Interest received	22,088	26,808
Interest paid	(577,549)	(622,813)
	<u>(555,461)</u>	<u>(596,005)</u>

Capital expenditure

Purchase and development of housing properties	(3,792,539)	(5,008,379)
SHG and other grants received	953,787	2,270,474
SHG repaid	(72,135)	42,572
Sale of properties	209,586	385,329
Payments to acquire other tangible fixed assets	(370,192)	(255,920)
	<u>(3,071,493)</u>	<u>(2,565,924)</u>

Financing

Issue of ordinary share capital	8	3
Loan finance received	2,000,000	1,038,980
Financing costs with regards loan facility	-	(186,200)
GHA Dowry at SST	3,680,613	-
	<u>5,680,621</u>	<u>852,783</u>

**Notes to the Cash Flow Statement
For the year ended 31 March 2009**

3) Analysis of Changes in Net Debt	At 31 March 2008 £	Cash Flow £	At 31 March 2009 £
Cash in hand, at bank	465,735	3,374,872	3,840,607
Overdraft	-	-	-
	<u>465,735</u>	<u>3,374,872</u>	<u>3,840,607</u>
Debt due within 1 year	-	-	-
Debt due after 1 year	(10,500,000)	(2,000,000)	(12,500,000)
	<u>(10,034,265)</u>	<u>1,374,872</u>	<u>(8,659,393)</u>

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

	2009 £	2008 £
Increase / (decrease) for the year	3,374,872	(711,281)
Loan received	(2,000,000)	(1,038,980)
	<u>1,374,872</u>	<u>(1,750,261)</u>
Net debt at 1 April 2008	<u>(10,034,265)</u>	<u>(8,284,004)</u>
Net debt at 31 March 2009	<u>(8,659,393)</u>	<u>(10,034,265)</u>

**Notes on the Financial Statements
For the year ended 31 March 2009**

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 in accordance with applicable accounting standards and comply with the requirements of the Industrial and Provident Societies Acts 1965 to 2002, Schedule 7 the Housing (Scotland) Act 2001, the Registered Social Landlords Accounting Requirements (Scotland) Order 2007 and the Statement of Recommended Practice (SORP) Accounting by Registered Social Landlords 2008.

(b) Turnover

Turnover represents rental and service charge income, factoring service income, and fees or revenue grants receivable from local authorities and from the Scottish Government. Also included is any income from first tranche shared ownership disposals. This represents a change in accounting policy arising from the adoption of the SORP 2008. The Management Committee have examined the Association's recent history of shared ownership disposals and is satisfied that no prior year adjustment is required.

(c) Loans

Mortgage loans are advanced by Private Lenders or the Scottish Government 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 The Scottish Government.

(d) Social Housing Grant (SHG)

Social Housing Grant, at amounts approved by the Scottish Government, 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.

(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

These costs are either termed "qualifying costs" by the Scottish Government for approved social housing grant schemes or 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.

**Notes on the Financial Statements
For the year ended 31 March 2009**

1. Accounting policies (continued)

(e) Fixed assets - Housing properties (continued)

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. 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.

(g) Designated Reserves (Note 7)

(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.

(iii) Furniture Reserve

The reserve is based on the Association's requirement to furnish certain properties. The reserve represents amounts set aside in respect of future costs and will be transferred to General Reserves as appropriate.

1. **Accounting policies** (continued)

(g) Designated Reserves (Note 7) (continued)

(iv) SST Properties Reserve

The reserve comprises the dowry provided by Glasgow Housing Association as part of the second stage transfer. This dowry is a contribution towards the cost of the future major repairs and improvements expenditure which will be incurred by Shettleston Housing Association Limited to bring the stock transferred up to the requirements of the Scottish Housing Quality Standard. The reserve will be transferred to the General Reserves as these costs are incurred.

(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)

SFHA Pension Scheme

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.

Strathclyde Pension Fund

In accordance with 'FRS 17 – Retirement Benefits', the operating and financing costs of pension and post retirement schemes (determined by a qualified actuary) are recognised separately in the income and expenditure account. Service costs are systematically spread over the service lives of the employees and financing costs are recognised in the period in which they arise.

The difference between actual and expected returns on assets during the year, including changes in the actuarial assumptions, are recognised in the total statement of recognised gains and losses.

(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 2009

2. Particulars of Turnover, Operating Costs and Operating Surplus

	Turnover	2009 Operating Costs	Operating Surplus	Turnover	2008 Operating Costs	Operating Surplus
	£	£	£	£	£	£
Income and Expenditure From lettings						
Social Lettings (Note 3)	4,112,699	(3,257,275)	855,424	3,864,661	(2,940,768)	923,893
Other activities (Note 4)	352,766	(469,738)	(116,972)	159,125	(315,916)	(156,791)
	<u>4,465,465</u>	<u>(3,727,013)</u>	<u>738,452</u>	<u>4,023,786</u>	<u>(3,256,684)</u>	<u>767,102</u>

Notes to the financial statements
For the year ended 31 March 2009

3. Particulars of turnover, operating costs and operating surplus from social letting activities

	General Needs Housing £	Supported Housing Accommodation £	Shared Ownership Accommodation £	2009 Total £	2008 Total £
Income from rent and service charges					
Rent receivable net of service charges	3,853,761	-	83,110	3,936,871	3,730,676
Service charges	214,447	-	9,422	223,869	214,766
Gross income from rents and service charges	4,068,208	-	92,532	4,160,740	3,945,442
Less voids	(48,041)	-	-	(48,041)	(80,781)
Net income from rents and service charges	4,020,167	-	92,532	4,112,699	3,864,661
Grants from the Scottish Ministers	-	-	-	-	-
Other revenue grants	-	-	-	-	-
Total turnover from social letting activities	4,020,167	-	92,532	4,112,699	3,864,661
Expenditure					
Management and maintenance administration costs	(1,318,381)	-	(31,540)	(1,349,921)	(1,256,141)
Service charges	(195,725)	-	(7,080)	(202,805)	(272,096)
Planned cyclical maintenance including major repairs	(464,277)	-	(9,730)	(474,007)	(411,505)
Reactive maintenance costs	(488,505)	-	(11,320)	(499,825)	(463,593)
Bad debts – rents and service charges	(30,783)	-	-	(30,783)	82,107
Depreciation of social housing	(512,926)	-	(76,730)	(589,656)	(512,970)
Property insurance	(107,780)	-	(2,498)	(110,278)	(106,570)
Operating costs for social letting activities	(3,118,377)	-	(138,898)	(3,257,275)	(2,940,768)
Operating Surplus/(Deficit) on letting activities, 2009	901,790	-	(46,366)	855,424	
Operating Surplus/(Deficit) on letting activities, 2008	968,187		(44,294)		923,893

Notes to the financial statements for the year ended 31 March 2009

4. Particulars of turnover, operating costs and operating surplus from other activities

	Grants from Scottish Ministers	Other revenue grants	Supporting people income	Other income	Total Turnover		Operating costs - bad debts	Other operating costs	Operating Surplus or (deficit)	
					2009	2008			2009	2008
	£	£	£	£	£	£	£	£	£	£
Wider role activities #	-	-	-	-	-	-	-	(7,602)	(7,602)	-
Care and repair of property	-	-	-	-	-	-	-	-	-	-
Factoring	-	-	-	47,344	47,344	39,166	(5,580)	(26,914)	14,850	(35,218)
Development and construction of property activities	117,467	-	-	-	117,467	13,269	-	(106,546)	10,921	13,269
Support activities	-	-	40,558	-	40,558	58,928	-	(253,833)	(213,275)	(147,826)
Care activities	-	-	-	-	-	-	-	-	-	-
Agency/management services for RSLs	-	-	-	13,374	13,374	12,984	-	-	13,374	12,984
Other agency / management services	-	-	-	-	-	-	-	-	-	-
Developments for sale to RSLs	-	-	-	-	-	-	-	-	-	-
Development and improvements for sale to non RSLs	-	-	-	-	-	-	-	-	-	-
Commercial rent	-	-	-	62,804	62,804	30,866	-	-	62,804	-
RTB allowance	1,956	-	-	-	1,956	3,912	-	-	1,956	-
Seedcorn funding	69,263	-	-	-	69,263	-	-	(69,263)	-	-
Total from other activities, 2009	<u>188,686</u>	<u>-</u>	<u>40,558</u>	<u>123,522</u>	<u>352,766</u>		<u>(5,580)</u>	<u>(464,158)</u>	<u>(116,972)</u>	
Total from other activities, 2008	<u>13,269</u>	<u>-</u>	<u>43,928</u>	<u>101,928</u>		<u>159,125</u>	<u>(10,064)</u>	<u>(305,852)</u>		<u>(156,791)</u>

Undertaken to support the community, other than the provision, construction, improvement and management of housing

**Notes on the Financial Statements
For the year ended 31 March 2009**

5. Interest Receivable and Other Income			2009	2008
			£	£
Interest receivable on deposits			22,088	26,808
			<u> </u>	<u> </u>
6. Interest Payable and Similar Charges				
On private loans			577,549	622,813
			<u> </u>	<u> </u>
7. Designated Reserves				
	Opening Balance	Major Repairs	Other Transfers	Closing Balance
	£	£	£	£
Cyclical maintenance	1,412,079	-	-	1,412,079
Furniture Reserve	80,761	-	27,141	107,902
SST Properties Reserve	-	-	3,680,613	3,680,613
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
	1,492,840	-	3,707,754	5,200,594
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
8. Revenue Reserves			2009	2008
			£	£
At 1 April 2008			2,902,793	2,516,249
Statement of total recognised gains and losses			229,284	386,544
			<u> </u>	<u> </u>
Transfer to designated reserves			3,132,077	2,902,793
			(27,141)	-
			<u> </u>	<u> </u>
At 31 March 2009			3,104,936	2,902,793
			<u> </u>	<u> </u>
Split as:				
At 31 March 2009				
Revenue reserve (excluding pension reserve)			3,175,936	2,902,793
Pension reserve			(71,000)	-
			<u> </u>	<u> </u>
			3,104,936	2,902,793
			<u> </u>	<u> </u>

**Notes on the Financial Statements
For the year ended 31 March 2009**

9. 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	48,448,075	8,171,133	3,736,502	-	282,475	291,362	381,998	208,856	61,520,401
Additions during year	-	3,792,539	-	-	-	288,369	63,905	17,918	4,162,731
Transfers	-	-	-	-	-	-	-	-	-
Disposals	(74,520)	-	(40,000)	-	-	-	-	(103,010)	(217,530)
At end of year	48,373,555	11,963,672	3,696,502	-	282,475	579,731	445,903	123,764	65,465,602
Depreciation									
At start of year	3,308,089	-	112,251	-	15,155	121,554	353,918	193,340	4,104,307
Charge for year	512,926	-	76,730	-	-	3,940	6,615	12,768	612,979
On disposals	(6,064)	-	-	-	-	-	-	(103,010)	(109,074)
At end of year	3,814,951	-	188,981	-	15,155	125,494	360,533	103,098	4,608,212
SHG and other Grants									
At start of year	35,019,533	4,383,261	3,319,723	-	-	-	-	-	42,722,517
Received during year	-	953,787	-	-	-	-	-	-	953,787
Transfers	-	-	-	-	-	-	-	-	-
Disposals	(54,636)	-	(40,000)	-	-	-	-	-	(94,636)
At end of year	34,964,897	5,337,048	3,279,723	-	-	-	-	-	43,581,668
Net Book Value									
At end of year	9,593,707	6,626,624	227,798	-	267,320	454,237	85,370	20,666	17,275,722
At beginning of year	10,120,453	3,787,872	304,528	-	267,320	169,808	28,080	15,516	14,693,577

Development Administration costs capitalised amounting to £161,091 (2008 – £211,304) for which Social Housing Grant amounting to £Nil (2008 – £Nil) was received in the year.

**Notes on the Financial Statements
For the year ended 31 March 2009**

10. Investments	2009	2008
	£	£
Investment in subsidiary undertakings	2	2
	<u>2</u>	<u>2</u>

Shettleston Housing Association Limited owns 1 ordinary £1 share in Shettleston Community Enterprises Limited. This represents a 100% shareholding in Shettleston Community Enterprises Limited, a company registered in Scotland, whose principal activity is the provision of estate caretaker services.

Shettleston Housing Association Limited owns 1 ordinary £1 share in East End Housing Development Company Limited. This represents a 100% shareholding in East End Housing Development Company Limited, a company registered in Scotland. This company is dormant.

11. Debtors	2009	2008
	£	£
Amounts falling due within one year:		
Rental arrears	269,801	217,310
Less: provision for bad debts	(92,173)	(23,030)
	<u>177,628</u>	<u>194,280</u>
Amounts owed by subsidiary	33,142	5,650
Social Housing Grant receivable	85,762	129,778
Other debtors and prepayments	635,041	436,459
	<u>931,573</u>	<u>766,167</u>

12. Creditors – Amounts falling due within one year

Loans	-	-
Capital works and retentions	100,276	-
Corporation tax	6,338	-
Amounts owed to subsidiary	5,997	11,537
Other creditors	855,653	793,376
Rent in advance	202,343	224,176
	<u>1,170,607</u>	<u>1,029,089</u>

13. Creditors – Amounts falling due outwith one year

Loans:		
Due between one and two years	-	-
Due between two and five years	-	-
Due in five years or more	12,500,000	10,500,000
	<u>12,500,000</u>	<u>10,500,000</u>

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 2009**

14. Share Capital	2009	2008
	£	£
At beginning of year	355	386
Shares of £1 each fully paid and issued during the year	8	3
Shares forfeited in year	(33)	(34)
	<u>330</u>	<u>355</u>

15. 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. Only the chief executive's total emoluments exceeded £60,000 per year. No emoluments were paid to any member of the Management Committee during the year.

	2009	2008
	£	£
Emoluments (excluding pension contributions) of Chief Executive	<u>67,261</u>	<u>62,776</u>
Numbers of Directors whose emoluments exceed £60,000 during the year were as follows (excluding pension contributions):-		
£60,001 - £65,000	-	1
£65,001 - £70,000	<u>1</u>	<u>-</u>

The chief executive is an ordinary member of the Association's pension scheme described in note 19. No enhanced or special terms apply to membership and he has no other pension arrangements to which the Association contributes. The Association's contribution for the Chief Executive in the year amounted to £9,699 (2008: £8,478)

**Notes on the Financial Statements
For the year ended 31 March 2009**

16. Employee Information

	2009 Number	2008 Number
The average number of persons employed by the Association during the year	34	35
	<u> </u>	<u> </u>
	£	£
Staff costs (including directors' emoluments):		
Wages and salaries	1,106,923	1,086,496
Social security costs	88,648	87,798
Pension costs (Note 19)	129,172	112,557
	<u> </u>	<u> </u>
	<u>1,324,743</u>	<u>1,286,851</u>

17. Operating Surplus

	2009 £	2008 £
Operating surplus is stated after charging:		
Depreciation	612,979	537,537
Auditor's remuneration (including VAT)		
- In their capacity as auditors	12,305	12,080
- In respect of other services	4,600	620
	<u> </u>	<u> </u>

18. Capital Commitments

	2009 £	2008 £
Contracted for but not provided in these accounts	4,963,000	1,711,291
This is to be funded by:		
HAG	602,000	-
Private Finance	4,361,000	1,711,291
	<u> </u>	<u> </u>
	<u>4,963,000</u>	<u>1,711,291</u>
Approved but not contracted for	<u> </u>	<u> </u>
	Nil	Nil

**Notes on the Financial Statements
For the year ended 31 March 2009**

19. Pensions

SFHA Pension Scheme

Shettleston Housing Association Limited (the "Association") 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 and from April 2008 there are three benefit structures available, namely:

- (a) Final salary with a 1/60th accrual rate
- (b) Career average revalued earnings with a 1/60th accrual rate;
- (c) Career average revalued earnings with a 1/70th accrual rate

An employer can elect to operate different benefit structures for their active members (as at the first day of April in any given year) and their new entrants. An employer can only operate one open benefit structure at any one time. An open benefit structure is one which new entrants are able to join. The Association has chosen to operate the Final salary with a 1/60th accrual rate structure.

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 15.4%. Member contributions were 7.7%.

As at the balance sheet date there were 23 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 2006 by a professionally qualified actuary using the "projected unit credit" method. The market value of the Scheme's assets at the valuation date was £268 million. The valuation revealed a shortfall of assets compared to liabilities of £54 million (equivalent to a past service funding level of 83%).

Financial Assumptions

The financial assumptions underlying the valuation were as follows:-	% pa
- Investment return pre retirement	7.2
- Investment return post retirement	4.9
- Rate of salary increases	4.6
- Rate of pension increases -pension accrued pre 6 April 2005	2.6
-pension accrued from 6 April 2005	2.25

**Notes on the Financial Statements
For the year ended 31 March 2009**

19. Pensions (continued)

(for leavers before 1 October 1993 pension increases are 5.0% pa)
-Rate of price inflation 2.6

The valuation was carried out using the PA92C2025 short cohort mortality table for non-pensioners and PA92C2013 short cohort mortality table for pensioners. Using these tables the assumed life expectancy in years for pension scheme members at age 65 are as follows;

	Males	Females
Non Pensioners	21.6 years	24.4 years
Pensioners	20.7 years	23.6 years

The long term joint contribution rates required from employers and members to meet the cost of future benefit accrual for the final salary 60ths benefit structure were assessed as 17.8%, being employer contributions of 10.1% and member contributions of 7.7%. If an actuarial valuation reveals a shortfall of assets compared to liabilities the Trustee must prepare a recovery plan setting out the steps to be taken to make up the shortfall. Following consideration of the results of the valuation it was agreed that the shortfall of £54 million would be dealt with by the payment of additional contributions of 5.3% of pensionable salaries with effect from 1 April 2008.

With effect from 1 April 2008, the joint contribution rates for the Final salary 60ths benefit structure is a total of 23.1% being employer contributions of 15.4% and a member contributions of 7.7% pensionable salaries.

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 March 2020.

The next full actuarial valuation will be carried out as at 30 September 2009. An actuarial Report will be prepared as at 30 September 2008 in line with statutory regulations.

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 liabilities for the Scheme (calculated in 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 Association has been notified by the Pensions Trust of the estimated employer debt on withdrawal from the Scheme based on the financial position of the Scheme as at 30 September 2006. As of this date the estimated employer debt for the Association was £3,193,284.

The Association does not intend to withdraw from the scheme and the trustee has confirmed that there is no intention to wind up the Scheme.

**Notes on the Financial Statements
For the year ended 31 March 2009**

19. Pensions (continued)

Strathclyde Pension Fund

As a result of the second stage transfer, 12 employees were transferred from Glasgow Housing Association to Shettleston Housing Association Limited. These 12 employees are members of the Strathclyde Pension Fund which is a statutory multi-employer defined benefit scheme. It is administered by Glasgow City Council in accordance with the Local Scheme (Scotland) Regulations 1998, as amended.

An initial valuation of the Strathclyde Pension Fund was done at 31 March 2009, with the first formal valuation due as at 31 March 2010.

The main financial assumptions used by the Council's Actuary, Hymans Robertson, in their FRS 17 calculations are as follows;

Assumptions as at	31 March 2009
Price increases	3.1%
Salary increases	4.6%
Expected return on assets	5.9%
Discount rate	6.9%

The following details relate to Shettleston Housing Association Limited and the initial asset allocation at the point of transfer, 31 March 2009.

Analysis of amount recognised in statement of total recognised gains and losses (STRGL)

	Year to 31 March 2009
Assumed initial funding level of new employer	84%
Estimated amount of liability in respect of LGPS past service of transferring members at commencement date if all members transferred	£ 000 (434)
Assumed amount of assets notionally allocated to the new employer at commencement	363
Approximate past service deficit in respect of transferring members at commencement date if all members transferred	(71)
Actuarial (loss) /gain recognised in STRGL	(71)

**Notes on the Financial Statements
For the year ended 31 March 2009**

20. Housing Stock

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

	Units in Management	
	2009	2008
General Needs Housing	2211	1,470
Supported Housing Accommodation	-	-
Shared Ownership Accommodation	50	51
	<u>2261</u>	<u>1521</u>

21. Other property

The other property held by the Association was as follows:-

	2009	2008
Commercial units	9	6
Garages	16	-
Main Office	1	1
	<u>26</u>	<u>7</u>

22. Legislative Provisions

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

23. Related Party

During the year, Shettleston Housing Association Limited paid £25,000 (2008 £24,500) of expenses on behalf of Shettleston Community Enterprises Limited. The balance owed to the Association by Shettleston Community Enterprise Limited at 31 March 2009 was £33,142 (2008: £5,650). This is included within debtors at the year end (note 11).

The subsidiary company also received £240,668 in the year from Shettleston Housing Association Limited for the provision of services such as cleaning and a handyman service (2008: £240,212). The balance owed by the Association to Shettleston Community Enterprise Limited at 31 March 2009 was £5,997 (2008: £11,537). This is included within creditors at the year end (note 12).

During 2008, Shettleston Community Enterprises Limited provided a handyman service on behalf of Shettleston Housing Association Limited. For providing this service Shettleston Housing Association Limited made monthly payments of £1,852 to Shettleston Community Enterprises Limited. The total paid in 2008 amounted to £22,224. In 2009, the monthly payments ceased and the cost of providing this service was recharged to Shettleston Housing Association Limited via invoice. This cost is included in the provision of services figure above.

**Notes on the Financial Statements
For the year ended 31 March 2009**

23. Related Party (continued)

Shettleston Housing Association has another subsidiary called East End Housing Development Company Limited (Formerly called Shettleston Housing Association Services Limited). This was dormant for the years ended 31 March 2009 and 31 March 2008.

24. Taxation	2009	2008
	£	£
Provision has been made for corporation tax at 21% as follows:		
UK corporation tax	6,338	-
	<u>6,338</u>	<u>-</u>

As a charity, Shettleston Housing Association's charitable activities are not subject to taxation. However non charitable activities are subject to taxation and those income streams have led to the above corporation tax charge in the year.

25. Second Stage Transfer

On 30 March 2009, the Association successfully concluded the transfer of 731 housing properties and 16 garages from Glasgow Housing Association Limited, (GHA), under the process known as second stage transfer, (SST). As a result of the Association's commitment to carry out major repairs and improvements to these properties in future, GHA has paid a dowry as shown below, and the properties have been recorded at zero value in the records of the Association:-

Dowry received	£ 3,588,898
Rental debtors at date of transfer	36,232
Furniture acquired	55,483
	<u>3,680,613</u>