

**CLYDEBANK HOUSING ASSOCIATION LIMITED**

**FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 MARCH 2006**

**Registered Housing Association No. HAL86**

**Financial Services Authority No. 2191 R(S)**

**Charity No. SCO33962**

**Baker Tilly  
Chartered Accountants**

**Glasgow**

# CLYDEBANK HOUSING ASSOCIATION LIMITED

## FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2006

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### **Registration Particulars**

Financial Services Authority	Industrial and Provident Societies Act 1965 Registered Number 2191 R(S)
Communities Scotland	Housing (Scotland) Act 2001 Registered Number HAL86
Scottish Charities	Law Reform (Misc Provisions)(Scotland) Act 1990 Scottish Charity Number SC033962

# CLYDEBANK HOUSING ASSOCIATION LIMITED

## REPORT OF COMMITTEE OF MANAGEMENT

31 MARCH 2006

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

### Principal activity

The principal activity of the Association is the provision of housing for let at rents affordable to the client groups for whom it intends to provide.

### Business review

A deficit was incurred in the year primarily due to the impairment of the investment in the Association's subsidiary. The asset written down in the subsidiary would have been written off as major repairs, if the costs had remained in the Association, but due to the necessity to keep non charitable trading outwith the Association the costs had to be transferred to the subsidiary as part of the future activities of the subsidiary will involve sales of heat & power to non tenants. Despite this deficit Clydebank is in a strong financial position with almost £5m deposited as cash funds, and has loan facilities available to it on demand. Clydebank continues to have a substantial major repair investment programme with door replacements, windows and digital upgrades due in a substantial proportion of properties over the next few years. We have also provided substantial funds over the next five years to meet our commitments under the Scottish Housing Quality Standards. Cash surpluses will continue to be made, subject to our planned major repair programme over the next few years.

### Deficit for the year and transfers

The results for the year are shown in the Income and Expenditure Account on page 8.

Transfers (from)/to designated reserve:	£
Major repairs reserve	(188,498)
Transfer to revenue reserve	-
Deficit for the year	<u>(188,498)</u>

### Members of Committee of Management

The Members of the Management Committee of the Association during the year to 31 March 2006 were as follows:

Mr J Hillhouse (Chairperson)	Mr N Crilley
Miss E Mackie (Secretary)	Miss P Rice
Mr J B Hearn (Vice Chairperson)	Ms B Follon (resigned April 2006)
Mr S Hynds	Mrs C Hynds
Mrs S Hearn	Mr J Mooney
Mr J Wilson (resigned March 2006)	Mrs M Reid
Mr A Hamilton	Mr T P Winter

# **CLYDEBANK HOUSING ASSOCIATION LIMITED**

## **REPORT OF COMMITTEE OF MANAGEMENT**

**31 MARCH 2006**

### **Treasury Management**

The Association has an active treasury management function, which operates in accordance with the Treasury Management Policy approved by the Committee of Management. In this way the Association manages its borrowing arrangements to ensure that it is always in a position to meet its financial obligations as they fall due, whilst minimising excess cash and liquid resources held.

The Association, as a matter of policy, does not enter into transactions of a speculative nature. At 31 March 2006, the Association has a mix of fixed and variable rate finance, which it considers appropriate at this time.

### **Maintenance policies**

The Association seeks to maintain its properties to the highest standard. To this end programmes of cyclical repairs are carried out in the medium term to deal with the gradual and predictable deterioration of building components. It is expected that the cost of all these repairs would be charged to the Income and Expenditure account.

In addition the Association has a long-term programme of major repairs to cover for works which have become necessary since the original development was completed, including works required by subsequent legislative changes. This includes replacement or repairs to features of the properties, which have come to the end of their economic lives. The cost of these repairs would be charged to the Income and Expenditure account, unless it was agreed they could be capitalised within the terms outlined in the SORP.

### **Credit Payment Policy**

The Association's policy concerning the payment of its trade creditors complies with the Confederation of British Industry guidelines. The average payment period of the Association is thirty days.

### **Employee Involvement and Health & Safety**

The Association encourages employee involvement in all major initiatives.

### **Future developments**

The Association looks forward to involvement in the development of the Riverside and the regeneration of Whitecrook and Radnor Park.

### **Auditors**

Baker Tilly have agreed to offer themselves for re-appointment as auditors of the Association.

On behalf of the Committee of Management

John B Hearn

Date: 20 June 2006

# **CLYDEBANK HOUSING ASSOCIATION LIMITED**

## **STATEMENT OF COMMITTEE RESPONSIBILITIES**

Under the legislation relating to Industrial and Provident Societies we are required 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 surplus or deficit of the Association of that period. In preparing those financial statements we are required to:

- select suitable accounting policies and apply them consistently;
- make reasonable and prudent judgements and estimates;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Association will continue in business.

We are also responsible for:

- keeping proper accounting records;
- safeguarding the Association's assets;
- taking reasonable steps for the prevention and detection of fraud.

As far as the Committee members are aware there is no relevant audit information of which the auditors are unaware and the Committee members have taken all the steps they ought to have taken to make themselves aware of any relevant audit information and to ensure that the auditors are aware of any such information.

By order of the Committee of Management

John B Hearn

Date: 20 June 2006

# **CLYDEBANK HOUSING ASSOCIATION LIMITED**

## **COMMITTEE OF MANAGEMENT'S STATEMENT ON INTERNAL FINANCIAL CONTROLS**

**31 March 2006**

The Committee of Management acknowledge their ultimate responsibility for ensuring that the Association has in place a system of controls that is appropriate to the various business environments in which it operates. These controls are designed to give reasonable assurance with respect to:

- the reliability of financial information used within the Association or for publication;
- the maintenance of proper accounting records; and
- the safeguarding of assets (against unauthorised use or disposition).

It is the Committee of Management's responsibility to establish and maintain systems of internal financial control. Such systems can only provide reasonable and not absolute assurance against material financial mis-statement or loss. Key elements include ensuring that;

- formal policies and procedures are in place, including the documentation of key systems and rules relating to the delegation of authorities, which allow the monitoring of controls and restrict the unauthorised use of the Association's assets.
- experienced and suitably qualified staff take responsibility for important business functions. Annual appraisal procedures have been established to maintain standards of performance.
- forecasts and budgets are prepared regularly which allow the Committee of Management and staff to monitor the key business risks and financial objectives, and progress towards financial plans set for the year and the medium term; regular management accounts are prepared promptly, providing relevant, reliable and up-to-date financial and other information and significant variances from budgets are investigated as appropriate.
- all significant new initiatives, major commitments and investment projects are subject to formal authorisation procedures, through relevant sub-committees comprising Committee of Management members and others.
- the Committee of Management review reports from management, from directors, staff and from the internal and external auditors to provide reasonable assurance that control procedures are in place and are being followed. This includes a general review of the major risks facing the Association
- formal procedures have been established for instituting appropriate action to correct weaknesses identified from the above reports.

**CLYDEBANK HOUSING ASSOCIATION LIMITED**

**COMMITTEE OF MANAGEMENT'S STATEMENT ON INTERNAL FINANCIAL  
CONTROLS**

**31 March 2006  
(Continued)**

The Committee of Management have reviewed the effectiveness of the system of internal financial control in existence in the Association for the year ended 31 March 2006 and until the below date. No weaknesses were found in internal financial controls which resulted in material losses, contingencies, or uncertainties which require disclosure in the financial statements or in the auditors' report on the financial statements.

By order of the Committee of Management

John B Hearn

Date: 20 June 2006

# **CLYDEBANK HOUSING ASSOCIATION LIMITED**

## **AUDITORS' REPORT ON CORPORATE GOVERNANCE MATTERS**

### **Corporate Governance**

In addition to our audit of the financial statements, we have reviewed the Committee of Management's statement on pages 4 and 5 concerning the Association's compliance with the information required by the section on Internal Financial Control within SFHA's publication "Raising Standards in Housing".

### **Basis of Opinion**

We carried out our review having regard to Bulletin 1999/5 that was issued by the Auditing Practices Board. The Bulletin does not require us to review the effectiveness of the Association's procedures for ensuring compliance with the guidance notes, nor to investigate the appropriateness of the reasons given for non-compliance.

### **Opinion**

In our opinion the statement on internal financial control on pages 4 and 5 has provided the disclosures required by the section on Internal Financial Control within SFHA's publication "Raising Standards in Housing" and is consistent with the information which came to our attention as a result of our audit work on the financial statements.

Baker Tilly  
Registered Auditors  
Chartered Accountants  
Glasgow

Date: 26 June 2006



# **CLYDEBANK HOUSING ASSOCIATION LIMITED**

## **INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF CLYDEBANK HOUSING ASSOCIATION LIMITED**

We have audited the financial statements on pages 8 to 25, which have been prepared under the accounting policies set out on pages 11 to 14.

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 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 opinion we have formed.

### **Respective responsibilities of Committee of Management and auditors**

The Management Committee's responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards are set out in the Statement of Management Committee's Responsibilities.

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, the 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's 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 director's remuneration and other transactions with the Association is not disclosed.

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

### **Basis of opinion**

We conducted our audit in accordance with 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 mis-statement, whether caused by fraud or error or other irregularity. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

### **Opinion**

In our opinion the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Association's affairs as at 31 March 2006 and of its deficit for the year then ended and have been properly prepared in accordance with the Industrial and Provident Societies Acts 1965 to 2002, the Housing (Scotland) Act 2001 and the Registered Housing Associations (Accounting Requirements)(Scotland) Order 1999.

Baker Tilly  
Registered Auditors  
Chartered Accountants  
Glasgow

Date: 26 June 2006

# CLYDEBANK HOUSING ASSOCIATION LIMITED

## INCOME & EXPENDITURE ACCOUNT

FOR THE YEAR ENDED 31 MARCH 2006

	Notes	2006 £	2005 £
<b>Turnover</b>	2	2,729,072	2,668,966
Less: Operating costs	2	<u>(1,881,278)</u>	<u>(2,018,867)</u>
<b>Operating surplus</b>	2	847,794	650,099
Gain on sale of fixed assets	2	1,037,552	105,099
Impairment	9	(2,007,461)	-
Interest receivable	2	209,837	203,931
Interest payable and other charges	2	<u>(276,220)</u>	<u>(290,473)</u>
<b>(Deficit)/surplus on ordinary activities before tax</b>	2	(188,498)	668,656
Taxation on surplus on ordinary activities	6	<u>-</u>	<u>-</u>
<b>(Deficit)/surplus for year</b>	7	<u>(188,498)</u>	<u>668,656</u>

The results for the year relate wholly to continuing activities.

### Statement of total recognised gains and losses

(Deficit)/surplus for the financial year	<u>(188,498)</u>	<u>668,656</u>
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All activities relate to continuing activities within the year.

There have been no other recognised surpluses or deficits apart from those noted above.

# CLYDEBANK HOUSING ASSOCIATION LIMITED

## BALANCE SHEET

AS AT 31 MARCH 2006

	Notes	2006		2005
		£	£	
<b>Tangible Fixed Assets</b>				
Housing properties				
- gross cost less depreciation	8		22,104,036	22,213,940
Less: HAG	8		<u>(17,769,751)</u>	<u>(17,738,701)</u>
			4,334,285	4,475,239
Other Assets	8		582,139	581,452
Investment	9		321,389	-
			<u>5,237,813</u>	<u>5,056,691</u>
<b>Current Assets</b>				
Debtors	10	527,089		719,872
Cash at hand and in bank		<u>4,901,893</u>		<u>4,779,284</u>
		5,428,982		5,499,156
<b>Current Liabilities</b>				
Creditors due within one year	11		<u>(959,732)</u>	<u>(773,424)</u>
<b>Net Current Assets</b>				
			<u>4,469,250</u>	<u>4,725,732</u>
			9,707,063	9,782,423
Creditors due after one year	12		<u>(4,858,832)</u>	<u>(4,745,693)</u>
<b>Net Assets</b>			<u>4,848,231</u>	<u>5,036,730</u>
<b>Capital and Reserves</b>				
Share capital	15		247	248
Designated reserves	7		4,347,984	4,536,482
Revenue reserves	7		<u>500,000</u>	<u>500,000</u>
			<u>4,848,231</u>	<u>5,036,730</u>

These financial statements were approved by the Committee of Management on 20 June 2006 and signed on their behalf by:

Member: John Mooney

Member: John B Hearn

Secretary: Elizabeth Mackie

# CLYDEBANK HOUSING ASSOCIATION LIMITED

## CASH FLOW STATEMENT

YEAR TO 31 MARCH 2006

	Notes	2006		2005	
		£	£	£	£
<b>Net cash inflow from operating activities</b>	16		2,316,559		863,569
<b>Returns on investments and servicing of finance</b>					
Interest received		209,837		203,931	
Interest paid		<u>(276,220)</u>		<u>(290,473)</u>	
<b>Net cash (outflow) from returns on investments and servicing of finance</b>			(66,383)		(86,542)
<b>Taxation</b>					
Corporation tax paid		-		-	
Less: Grants received		<u>-</u>		<u>54,284</u>	
Net cash inflow on taxation			-		54,284
<b>Investing activities</b>					
Cash paid for construction and purchases		(79,545)		(195,659)	
Housing association grant received		79,545		119,080	
Other grants received		-		122,510	
Sales of housing properties		414,163		398,114	
Purchase of other fixed assets		(76,471)		(224,065)	
Housing Association Grant repaid		(48,495)		(383,606)	
Investment in subsidiary		<u>(2,328,850)</u>			
Net cash (outflow)/inflow from investing activities			(2,039,653)		(163,626)
Net cash inflow before financing			210,523		667,686
<b>Financing</b>					
Loan received		-		-	
Loan principal repayments		(87,931)		(105,693)	
Increase in share capital		17		15	
Net cash (outflow) on financing			<u>(87,914)</u>		<u>(105,678)</u>
Increase in cash and cash equivalents			<u>122,609</u>		<u>562,008</u>

Further details are given in note 16.

# CLYDEBANK HOUSING ASSOCIATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 MARCH 2006

### 1. Accounting Policies

#### (a) Introduction and accounting basis

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

The Association is incorporated under the Industrial and Provident Societies Act 1965 and is registered by The Financial Services Authority. These financial statements are prepared under the historical cost convention and are based on the Registered Housing Associations (Accounting Requirements) (Scotland) Order 1999 and the Statement of Recommended Practice "Accounting by Registered Social Landlords", and in accordance with applicable accounting standards.

#### (b) Finance

The financial statements have been prepared on the basis that the capital expenditure referred to in note 8 will be grant aided, funded by loans or met out of reserves, or from proceeds of sales.

#### (c) Mortgages

Mortgage loans are advanced by private lenders under the terms of the 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 for Housing Association Grant by Communities Scotland.

#### (d) Housing Association Grants

Housing Association Grants (HAG) are made by Communities Scotland and are utilised to reduce the amount of mortgage loan in respect of an approved scheme to the amount which it is estimated can be serviced by the net annual income of the scheme. The amount of HAG is calculated on the qualifying cost (note 1(f)) of the scheme in accordance with instructions issued from time to time by Communities Scotland. HAG and other grants are repayable under certain circumstances. These include the disposal of the properties to which the grants relate.

#### (e) Housing Association Grant - Acquisition and Development Allowances receivable

Acquisition and Development Allowances are determined by Communities Scotland and are advanced as grants. They are intended to finance certain internal administrative costs relating to the acquisition and development of housing land and buildings for approved schemes. Development allowances become available in instalments according to the progress of work on the scheme. These allowances are credited to development costs when they are receivable.

# CLYDEBANK HOUSING ASSOCIATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 MARCH 2006

(Continued)

(f) **Fixed assets - Housing land and buildings** (note 8)

Properties included in housing properties are stated at cost. The cost of such properties includes the following:

- (i) cost of acquiring land and buildings
- (ii) development expenditure including applicable overheads
- (iii) interest charged on the loans raised to finance the scheme

These costs are either termed "qualifying costs" by Communities Scotland for approved HAG schemes and are considered for mortgage loans by the relevant lending authorities or they 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 financial statements for the year, provided that the dates of issue or valuations are prior to the year end.

Development costs are capitalised to the extent that they are attributable to specific schemes, where such costs are not felt to be excessive.

Expenditure on schemes which are subsequently aborted is written off in the year in which it is recognised that the scheme will not be developed to completion.

Interest on the loan financing the development is capitalised up to the relevant date of HAG completion.

(g) **Depreciation**

(i) **Housing Properties**

Housing Properties are stated at cost, less social housing and other public grants and less accumulated depreciation. Depreciation is charged on a straight-line basis over the expected economic useful lives of the properties, which is stated to be 50 years.

No depreciation is charged on the cost of land.

# CLYDEBANK HOUSING ASSOCIATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 MARCH 2006

(Continued)

(ii) **Other fixed assets**

The Association's assets are written off evenly over their expected useful lives as follows:

Office Property	-	over 20 years
Furniture & equipment	-	between 3 and 5 years

A full year's depreciation is charged on these assets in the year of purchase, but no charge is made in the year of disposal.

(h) **Impairment of fixed assets**

Reviews for impairment of housing properties are carried out on an annual basis and any impairment in an income-generating unit is recognised by a charge to the income and expenditure account. Impairment is recognised where the carrying value of an income-generating unit exceeds the higher of its net realisable value or its value in use. Value in use represents the net present value of expected future cash flows from these units.

Impairment of assets would be recognised in the income and expenditure account.

(i) **Improvements**

Improvements are capitalised where these result in an enhancement of the economic benefits of the property. Such enhancement can occur if the improvements result in:-

- an increase in rental income or
- a material reduction in future maintenance costs or
- a significant extension of the life of the property.

Works to existing properties, which fail to meet the above criteria, are charged to the income and expenditure account.

(j) **Reserve**

**Designated reserve - reserve for major repairs** (note 7)

Accrued major repair expenditure, being the Association's commitment to undertake major repairs to its properties, is set-aside in a designated reserve to the extent that it is not met from HAG.

(k) **Apportionment of management expenses**

Direct employee administration and operating costs have been apportioned to the income and expenditure account on the basis of costs of the staff to the extent that they are directly engaged in each of the operations dealt with in those accounts.

# CLYDEBANK HOUSING ASSOCIATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 MARCH 2006

(Continued)

(l) **Sale of housing properties**

Properties are disposed of under the appropriate legislation and guidance. 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 and the grants removed from the financial statements.

(m) **Lease obligations**

Rentals paid under operating leases are charged to the income and expenditure account on the accruals basis.

(n) **Value added tax**

The Association is VAT registered. However, a large proportion of the income, namely rents, is exempt for VAT purposes and therefore gives rise to a partial exemption calculation. Expenditure as a result is shown inclusive of VAT

(o) **Pensions**

The Association participates in the centralised SFHA Defined Benefit Pension Scheme and retirement benefits to employees of the Association are funded by contributions from all participating employers and employees in the Scheme. Payments are made in accordance with periodic calculations by consulting actuaries and are based on pension costs applicable across the various participating Associations taken as a whole.

The expected cost to the Association of pensions is charged to the Income and Expenditure Account so as to spread the cost of pensions over the service lives of the employees.

(p) **Turnover**

Turnover represents rental income from tenants, development administration and other income.

(q) **Consolidation**

The Association and its subsidiary undertaking comprise a group. Application has been made to the Financial Services Authority for exemption from preparing group accounts. The accounts represent the results of the Association and not of the group.



**CLYDEBANK HOUSING ASSOCIATION LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**AS AT 31 MARCH 2006**

**(Continued)**

**2. Particulars of turnover, operating costs and operating surplus and surplus before taxation by class of business**

	<b>Turnover</b>	<b>Operating</b>	<b>Operating</b>	<b>Gain on sale</b>	<b>Interest</b>	<b>Interest</b>	<b>(Deficit)/</b>	<b>2005</b>
	<b>£</b>	<b>Costs</b>	<b>Surplus</b>	<b>of Fixed</b>	<b>Receivable</b>	<b>Payable</b>	<b>Before</b>	<b>Total</b>
		<b>£</b>	<b>£</b>	<b>Assets</b>	<b>£</b>	<b>£</b>	<b>Taxation</b>	<b>£</b>
				<b>£</b>			<b>£</b>	<b>£</b>
<b>Income and expenditure from letting</b>								
Housing accommodation	2,515,568	(1,622,239)	893,329	-	-	-	893,329	673,443
Shared ownership accommodation	104,206	(34,777)	69,429	-	-	-	69,429	67,241
	<u>2,619,774</u>	<u>(1,657,016)</u>	<u>962,758</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>962,758</u>	<u>740,684</u>
Factoring	7,164	(7,617)	(453)	-	-	-	(453)	985
Commercial properties	11,828	-	11,828	-	-	-	11,828	13,643
Social economy centre	50,399	(64,294)	(13,895)	-	-	-	(13,895)	(21,327)
Wider role	32,676	(106,455)	(73,779)	-	-	-	(73,779)	(40,930)
Development administration	7,231	(45,896)	(38,665)	-	-	-	(38,665)	(42,956)
	<u>2,729,072</u>	<u>(1,881,278)</u>	<u>847,794</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>847,794</u>	<u>650,099</u>
Sale of fixed assets			-	1,037,552	-	-	1,037,552	105,099
Impairment			-	(2,007,461)	-	-	(2,007,461)	-
Investment income			-	-	209,837	-	209,837	203,931
Interest payable			-	-	-	(276,220)	(276,220)	(290,473)
			<u>847,794</u>	<u>(969,909)</u>	<u>209,837</u>	<u>(276,220)</u>	<u>(188,498)</u>	<u>668,656</u>
<b>2005</b>	<u>2,668,966</u>	<u>(2,018,867)</u>	<u>650,099</u>	<u>105,099</u>	<u>203,931</u>	<u>(290,473)</u>	<u>668,656</u>	

Included within Operating Costs of Other Income is an amount of £170,748 in relation to spending on Wider Action initiatives. Included in other income is £25,135 in revenue grants from West Dunbartonshire Partnership. The Association also received £173,242 in capital funding from the Partnership in relation to the Whitecrook Centre.

# CLYDEBANK HOUSING ASSOCIATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 MARCH 2006

(Continued)

### 3. Particulars of income and expenditure from lettings

	Housing Accommodation £	Shared Ownership £	2006 Total £	2005 Total £
<b>Income from lettings</b>				
Rent receivable net of				
Identifiable Service charges	2,508,452	105,957	2,614,409	2,554,234
Service charges receivable	21,600	2,427	24,027	18,145
Gross Rents Receivable	2,530,052	108,384	2,638,436	2,572,379
Less: Rent Losses from Voids	(18,662)	-	(18,662)	(34,229)
	2,511,390	108,384	2,619,774	2,538,150
Revenue Grants from Communities Scotland	-	-	-	70,000
<b>Total Income from Lettings</b>	<b>2,511,390</b>	<b>108,384</b>	<b>2,619,774</b>	<b>2,608,150</b>
<b>Expenditure on Letting Activities</b>				
Services	207,447	-	207,447	218,781
Management	383,520	24,079	407,599	365,389
Routine maintenance	587,080	-	587,080	548,331
Major repairs expenditure	355,681	-	355,681	625,014
Rent losses from bad debts	9,943	-	9,943	19,608
Property depreciation	78,568	10,698	89,266	90,343
<b>Total Expenditure on Lettings</b>	<b>1,622,239</b>	<b>34,777</b>	<b>1,657,016</b>	<b>1,867,466</b>
<b>Operating Surplus on Letting Activities</b>	<b>889,151</b>	<b>73,607</b>	<b>962,758</b>	<b>740,684</b>

The amount of service charges receivable on housing accommodation not eligible for Housing Benefit was £2,755 (2005- £Nil).

The total amount of major repairs expenditure incurred in the year was £355,681. No major repairs were capitalised.

# CLYDEBANK HOUSING ASSOCIATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 MARCH 2006

(Continued)

### 4. Sales of Housing Properties

	2006 £	2005 £
Sale proceeds	407,534	398,114
Cost of sales	<u>(298,620)</u>	<u>(293,015)</u>
Gain on disposal	<u>108,914</u>	<u>105,099</u>

The sales of housing properties have occurred under the right to buy legislation and shared ownership tranche sales.

In addition to the above as noted in note 9 there is a gain of £928,638, relating to the right to use various equipment and major repair upgrades were purchased by the Associations subsidiary.

### 5. Interest Payable

	2006 £	2005 £
Interest payable in the year has been charged as follows:		
Loans	276,220	290,473
Less: Capitalised	<u>-</u>	<u>-</u>
Income & expenditure account	<u>276,220</u>	<u>290,473</u>

### 6. Taxation

The Association was granted charitable status on 10 December 2002 and is not liable for Corporation Tax on its exempt activities.

# CLYDEBANK HOUSING ASSOCIATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 MARCH 2006

(Continued)

### 7. Reserves

#### (a) Designated reserves

	<b>Opening Balance</b>	<b>Transfer to Revenue Reserve</b>	<b>Closing Balance</b>
	<b>£</b>	<b>£</b>	<b>£</b>
Major repairs reserve	<u>4,536,482</u>	<u>(188,498)</u>	<u>4,347,984</u>

No restrictions are placed upon this reserve, but the Committee has designated its use for specific purposes.

#### (b) Revenue reserve

	<b>2006</b>	<b>2005</b>
Opening balance at 1 April 2005	500,000	1,451,026
(Deficit) for year	(188,498)	668,656
Transfer from/(to) designated reserves	<u>188,498</u>	<u>(1,619,682)</u>
Closing balance at 31 March 2006	<u>500,000</u>	<u>500,000</u>

**CLYDEBANK HOUSING ASSOCIATION LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**AS AT 31 MARCH 2006  
(Continued)**

**8. Tangible Fixed Assets**

	<b>Housing properties held for letting</b>	<b>Housing properties in course of construction</b>	<b>Completed Shared ownership properties</b>	<b>Housing properties total</b>	<b>Office property</b>	<b>Office fittings &amp; equipment</b>	<b>Total</b>
	£	£	£	£	£	£	£
<b>Cost</b>							
At 1 April 2005	20,161,428	-	2,554,273	22,715,701	942,490	188,323	23,846,514
Additions during year	79,545	-	-	79,545	5,237	71,235	156,017
Transfers	-	-	-	-	-	-	-
Disposals in year	(47,207)	-	(55,124)	(102,331)	-	-	(102,331)
At 31 March 2006	<u>20,193,766</u>	<u>-</u>	<u>2,499,149</u>	<u>22,692,915</u>	<u>947,727</u>	<u>259,588</u>	<u>23,900,200</u>
<b>Housing Association Grant</b>							
At 1 April 2005	15,587,677	-	2,151,024	17,738,701	246,250	-	17,984,951
Additions during year	79,545	-	-	79,545	-	-	79,545
Transfers	-	-	-	-	-	-	-
Repaid and abated during year	-	-	(48,495)	(48,495)	-	-	(48,495)
At 31 March 2006	<u>15,667,222</u>	<u>-</u>	<u>2,102,529</u>	<u>17,769,751</u>	<u>246,250</u>	<u>-</u>	<u>18,016,001</u>
<b>Depreciation</b>							
At 1 April 2005	442,259	-	59,502	501,761	140,726	162,385	804,872
Provided during year	79,228	-	10,032	89,266	33,517	42,267	165,050
Eliminated on disposal	(448)	-	(1,700)	(2,148)	-	-	(2,148)
At 31 March 2006	<u>521,039</u>	<u>-</u>	<u>67,840</u>	<u>588,879</u>	<u>174,243</u>	<u>204,652</u>	<u>967,774</u>
<b>Net book value</b>							
As at 31 March 2006	<u>4,005,505</u>	<u>-</u>	<u>328,780</u>	<u>4,334,285</u>	<u>527,234</u>	<u>54,905</u>	<u>4,916,424</u>
As at 31 March 2005	<u>4,131,492</u>	<u>-</u>	<u>343,747</u>	<u>4,475,239</u>	<u>555,514</u>	<u>25,938</u>	<u>5,056,691</u>

None of the Association's properties is held under a lease. Capitalised development and interest costs in the year amounted to £Nil (2005 – £Nil).

# CLYDEBANK HOUSING ASSOCIATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 MARCH 2006

(Continued)

### 9. Investments

	2006 £	2005 £
Opening balance	-	-
Additions in year	2,328,850	-
Impairment	<u>(2,007,461)</u>	-
Closing balance	<u>321,389</u>	<u>-</u>

During the year the Association formed a subsidiary CHA Power Limited, to supply heat and electricity to its tenants and owner occupiers from a single generating facility. The right to use various equipment and major repair upgrades were purchased by the subsidiary which generated a gain of £928,638 in the Association. The assets purchased were subsequently written down in the subsidiary's accounts and this together with the loss on the company's activities has led to the above impairment charge as the investment was written down to match the net assets position of the subsidiary at 31<sup>st</sup> March 2006.

Company	Holding	Turnover £	(Deficit) for period £	Capital and reserves £
CHA Power Limited	100%	14,634	(2,007,461)	321,389

### 10. Debtors

	2006 £	2005 £
Amounts falling due within one year:		
Gross Rents arrears	61,103	53,004
Bad debt provision	<u>(28,385)</u>	<u>(28,489)</u>
	32,718	24,515
Housing benefit due	107,329	114,097
Trade debtors	17,494	51,891
Prepayments and accrued income	369,548	182,468
Other debtors	-	346,901
	<u>527,089</u>	<u>719,872</u>

### 11. Creditors due within one year

Loans	94,891	90,895
Trade creditors	249,000	324,760
Other creditors	20,195	17,593
Accruals and deferred income	556,678	321,052
Rents in advance	<u>38,968</u>	<u>19,124</u>
	<u>959,732</u>	<u>773,424</u>

# CLYDEBANK HOUSING ASSOCIATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

**AS AT 31 MARCH 2006**

(Continued)

### 12. Creditors due after one year

Loans	4,570,850	4,662,777
Other creditors	287,982	82,916
	4,858,832	4,745,693

Loans are secured by specific charges on the Association's properties. Loans are repayable at varying rates of interest of 5.32% to 6.84% (2005 - 5.47% to 6.84%) in instalments due as follows:

In one year or less	94,891	90,895
Between two and five years	1,380,958	1,406,795
In five years or more	3,189,892	3,255,982
	4,665,741	4,753,672

### 13. Employees

	2006	2005
	£	£
Staff costs during year		
Wages and salaries	461,689	416,800
Social security costs	41,663	34,356
Other pension costs	85,764	74,443
	589,116	525,599

The average full time equivalent number of persons employed by the Association during the year were as follows:

Administration and maintenance	23	21
--------------------------------	----	----

The average number of persons employed by the Association during the year were as follows:

Administration and maintenance	23	22
--------------------------------	----	----

The Directors are defined as the members of the Management Committee, the Director and any other person reporting directly to the Directors or the Management Committee whose total emoluments exceed £40,000 per year.

	£	£
Aggregate Emoluments payable to Directors (including pension contributions)	147,918	49,310
Emoluments payable to Highest Paid Director (excluding pension contributions)	50,089	44,000

# CLYDEBANK HOUSING ASSOCIATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 MARCH 2006

(Continued)

### 13. Employees (contd.)

The Director is an ordinary member of the Association's pension scheme described in note 18. No enhanced or special terms apply to membership and she has no other pension arrangements to which the Association contribute. The Association's contributions for the Director in the year amounted to £6,898 (2005 - £5,310). Remuneration for other directors included above excluding pension contributions was:

	2006 No	2005 No
£40,000 - £45,000	<u>2</u>	<u>-</u>
Total expenses reimbursed insofar as not chargeable to UK Income Tax	£	£
- Committee of Management	<u>1,567</u>	<u>1,182</u>

No member of the Committee of Management received any emoluments in respect of their services to the Association.

### 14. Auditors' Remuneration

The remuneration of the auditors (including expenses and excluding VAT for the year)

Remuneration of the auditors in respect of services other than those of external auditors

7,087	6,110
<u>7,545</u>	<u>-</u>
<u>14,632</u>	<u>6,110</u>

### 15. Share Capital

Shares of £1 fully paid and issued at beginning of year

Shares issued during year

Shares cancelled in year

Shares issued at end of year

248	238
17	15
<u>(18)</u>	<u>(5)</u>
<u>247</u>	<u>248</u>

Each member of the Association holds one share of £1 in the Association. These shares carry no rights to dividend or distributions on a winding up. When a shareholder ceases to be a member, that person's share is cancelled and the amount paid thereon becomes the property of the Association. Each member has a right to vote at members' meetings.

### 16. Notes to the Cash Flow Statement

(a) Reconciliation of surplus to net cash inflow from operating activities

(Deficit)/surplus for year	(188,498)	668,656
Net interest payable	<u>66,383</u>	<u>86,542</u>
Operating surplus for the year excluding interest and tax payable	(122,115)	755,198
Share capital surrendered	(18)	(5)
Depreciation	165,050	143,663
Impairment	2,007,461	-
Gain on sale of property	(108,914)	(105,099)
Decrease/(increase) in debtors	192,783	(349,473)
Increase in creditors	<u>182,312</u>	<u>419,285</u>
	<u>2,316,559</u>	<u>863,569</u>



# CLYDEBANK HOUSING ASSOCIATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

**AS AT 31 MARCH 2006**

(Continued)

### 16 Notes to the Cash Flow Statement (contd.)

	2006 £	2005 £
(b) Reconciliation of net cash flow to movement in net debt		
Increase in cash for the year	122,609	562,008
Loans received	-	-
Loan repayments	87,931	105,693
	210,540	667,701
Change in net debt	210,540	667,701
Net debt as at 1 April 2005	25,612	(642,089)
Net debt as at 31 March 2006	236,152	25,612

### (c) Analysis of Changes in net debt

	As at 31 March 2005 £	Cash Flow £	Other Changes £	As at 1 April 2006 £
Cash at bank and in hand	4,779,284	122,609		4,901,893
Overdraft	-	-	-	-
Debt due within one year	(90,895)	87,931	(91,927)	(94,891)
Debt due after one year	(4,662,777)	-	91,927	(4,570,850)
	25,612	210,540	-	236,152

### 17. Capital Commitments

	2006 £	2005 £
Expenditure authorised by the committee of management contracted less certified	-	-
Expenditure authorised by the committee of management not contracted	-	-

### 18. Contingent Liabilities

As part of the transfer agreement with Communities Scotland for the LSVT properties, the Association had undertaken to spend specific amounts on major repairs, planned maintenance and reactive maintenance. The expenditure was to be incurred before 31 March 2005. The final totals included a shortfall which by agreement with Communities Scotland has been carried over into the next review period.

In addition there were conditions in the transfer agreement relating to right to buy sales. If the number of sales exceeded a stated total, there was the possibility of further sums being payable to Communities Scotland. The sales total was exceeded and a creditor for the sums repayable has been included within the financial statements.

# CLYDEBANK HOUSING ASSOCIATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 MARCH 2006

(Continued)

### 19. Pension Commitments

#### General

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

The last formal valuation of the Scheme was performed at 30 September 2003 by a professionally qualified actuary using the "projected unit credit" method. During the accounting period Clydebank 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 fifteen active members of the Scheme employed by Clydebank Housing Association. Clydebank continues to offer membership of the Scheme to its employees.

It is not possible to identify the share of underlying assets and liabilities belonging to individual participating employers. Due to the nature of the Scheme, the profit and loss account charge for the period under both SSAP24 and FRS17 represents the employer contribution payable.

The pension charge for the year to 31 March 2006 was £85,764 (2005- £74,443).

#### 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	2.5
(for leavers before 1 October 1993 pension increases are 5.0% pa)	
- Rate of price inflation	2.5

#### Valuation results

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

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

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

# CLYDEBANK HOUSING ASSOCIATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 MARCH 2006

(Continued)

### 19 Pension Commitments (contd)

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

On the basis of the valuation assumptions this pattern of contributions will be sufficient to eliminate the past service deficit by 30 September 2015. The next valuation will be as at 30 September 2006 and the results will be available in September 2007.

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.

Clydebank 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.

### 20. Housing Stock

The number of units in Management at 31 March 2006 was as follows: -

	<b>2006</b>	<b>2005</b>
	<b>No</b>	<b>No</b>
Rehabilitation	820	834
New build	219	219
Shared ownership	70	72
	<u>1,109</u>	<u>1,125</u>

### 21. Related parties

Various members of the Management Committee are tenants of the Association. The transactions with the Association are all done on standard terms, as applicable to all tenants.