

ANGUS HOUSING ASSOCIATION LIMITED



ANGUS HOUSING ASSOCIATION LIMITED

REPORT AND ACCOUNTS

31st March 2011

ANGUS HOUSING ASSOCIATION LIMITED



REPORT AND FINANCIAL STATEMENTS For the period ended 31st March 2011

| | Page |
|--|-------|
| Committee Members and Advisors | 2 |
| Chairman's Statement | 3 |
| Report of the Committee of Management | 4-6 |
| Report of the Auditors | 7-8 |
| Report of the Auditors on Corporate Governance Matters | 9 |
| Income And Expenditure Account | 10 |
| Balance Sheet | 11 |
| Cashflow Statement | 12 |
| Notes on Financial Statements | 13-27 |

ANGUS HOUSING ASSOCIATION LIMITED



Registered No. 1665R(S)
Scottish Charity No. SC020981
The Scottish Housing Regulator No. HAL65

MEMBERS OF COMMITTEE OF MANAGEMENT

| | |
|-------------------|---------------------------|
| Ms H Farquhar | (Chairman) |
| Cllr S Welsh | (Vice Chairman) |
| J O Scott | (Treasurer) |
| Mrs E M G Whitson | (Secretary) |
| A Gibson | |
| A Jack | (co-opted September 2010) |
| C MacDougall | |
| J Nicoll | |
| J Ogg | |
| R B H Young MBE | |
| G A J Grant | (deceased June 2010) |
| Mrs V Heath | (resigned March 2011) |
| Ms M Reilly | (resigned May 2011) |
| Cllr J Rymer | (resigned May 2011) |

SECRETARY AND REGISTERED OFFICE

Mrs E M G Whitson, 93 High Street, Arbroath, DD11 1DP

SOLICITOR

Thorntons Law LLP, Whitehall House, 33 Yeaman Street, Dundee

BANKERS

The Royal Bank of Scotland plc, Brothock Bridge, Arbroath

AUDITORS

Findlay & Company, 11 Dudhope Terrace, Dundee

ANGUS HOUSING ASSOCIATION LIMITED



CHAIRMAN'S STATEMENT

Since 1995, when Angus Housing Association first employed its own Staff, we have enjoyed a period of uninterrupted and unprecedented growth from owning around 350 houses for rent to now owning nearly 1,800 homes in March 2011.

In this, however, my fourth Report to you as Chairman, it seems that this extremely successful period in our history is coming to an end. For the first time since 1995, we have been forced to reduce the number of staff in our employment through a combination of voluntary redundancies, early retirements and not filling vacancies as staff left.

The simple explanation behind this contraction is a reduction in our income due to the reduced availability of public funding from our local councils and the Scottish Government. In other words, we are suffering our share of the cuts in public expenditure that have followed on from the 2008 financial and banking crisis. Looking behind the simple explanation, however, we find that there is a far bigger picture to consider when we anticipate the seismic changes in Housing Policy now being introduced by the Scottish Government.

Firstly, there was in the scale of the cuts in the Affordable Housing Investment Programme announced in 2010/11. These can only be described as having been savage and in comparison to cuts in other Scottish Government budgets, totally disproportionate.

For the first time in over 20 years, Angus Housing Association has no new build housing projects that are likely to be funded and start on site for the foreseeable future. The only potential funding for new homes that may be available to us in 2011/12 is the £30 million in the "Innovation and Investment" Fund that will be split over the whole of Scotland following a competitive bidding process. Compared to the scale of demand we face for affordable rented housing and the crisis faced by the housing and construction sectors in Scotland, this is no more than a drop in the ocean.

More worrying, however, than the lack of immediate funding in 2011/12 are the limits on public subsidy that the Scottish Government seem to be indicating will be available in the future. An indicative subsidy of £40,000 per house will mean that Housing Associations could not build new homes without charging unaffordable high rents or cross subsidising the cost of building from our existing rental income streams.

These are both options which the Committee of Management of Angus Housing Association are unwilling to consider as they would threaten our long term, financial viability and the way in which our tenants receive their service. Unfortunately, if these are limits placed on subsidy of new build housing, Angus will no longer be a developing Association.

The most disconcerting aspect, however, of the changes to the funding of new housing is that it comes at a time when we are already demonstrating our ability to deliver high quality service delivery and performance to meet the priorities set us by Government.

Our rent arrears recovery performance and our management of void properties continue to achieve outstanding levels of efficiency. At the same time, all of our housing stock is on target to meet the SHQS by 2015 and we continue to make a valuable contribution to helping the Scottish Government meets its Homelessness Target in 2012. In 2010/11, we also managed to achieve these targets while generating a surplus of more than £1.3million that we can continue to invest in improving the homes of our tenants. Much of this surplus was due to continuing low interest rates on our loans but the success of organisations like ourselves in delivering quality housing at affordable rents for over 40 years does beg the question as to why the current Scottish Government seem determined to marginalise our future role.

In summary, therefore, 2010/11 has been a mixed year of excellent performance tempered by the announcement of new policies and funding arrangements that place serious question marks over our continued expansion. As usual, however, the Staff, Committee Members and tenants of the Association have continued to work positively together through a difficult year and I would like to place on record, my thanks to all of them for their efforts.

I also know that in the coming months and years, everyone at Angus Housing Association will work together to ensure that the case for Government investing in the Housing Association model is properly heard.

HAZEL FARQUHAR
CHAIRMAN

ANGUS HOUSING ASSOCIATION LIMITED



REPORT OF THE COMMITTEE OF MANAGEMENT

Report by the Committee of Management to the Twenty Second Annual General Meeting of the amalgamated Angus Housing Association Limited to be held at Russell Square Sheltered Housing Lounge, Russell Square, Arbroath on the Wednesday 29th June 2011 at 6.30pm.

The Committee submit to the Meeting their Twenty Second Annual Report and Statement of Accounts duly audited for the year ended 31st March 2011.

OBJECTIVES AND STRUCTURE

The Association's broad objective is to contribute to providing high quality, affordable housing for all those individuals, families and communities in Angus and Dundee who are in need of the fundamental human right of a decent, secure home to call their own.

The Association aims to achieve this objective by providing good quality homes for rent and shared ownership at an affordable cost to our tenants, ensuring the criteria we use to control access to our houses is based solely on the housing needs of applicants and providing an efficient, responsive and personal housing management and maintenance service of the highest possible quality.

The Association's Committee now comprises thirteen Registered members and has three sub-committees, which deal with design and development, housing management & maintenance and finance & audit. The committees are made up of specialist consultants from relevant differing professions with a variety of skills. The Committee of Management meets eight times per annum, whilst the sub-committees meet at least four times per annum.

The Committee of Management receives reports from the sub-committees, receives information on current developments in progress and also on possible future sites, considers budgets and management accounts, all policy matters and other relevant business. The day to day management of the Association is delegated to the Director and the Management Team.

REVIEW OF THE YEAR

The Association's results for the year show a surplus of £1,327,593 (2010 Surplus £783,727) before transfers to designated reserves. A total of £927,353 has been spent on Major and Planned Repairs and charged to the Income & Expenditure Account. Over the course of the year the Association donated £2,500 to Homeless International.

The continued low interest rates have contributed to the overall surplus for the year with £400,000 being saved. The Association has taken the opportunity to fix two additional loan facilities at this time of low interest rates in order to protect the Association from rises in interest rate rises in the long term. A facility of £5.4million was placed on a 25 year fixed rate of 5.625% and the latest Development facility of £1.125million has been placed on a 15 year fixed rate of 5.92%. After these changes 78% of the outstanding loans are on a fixed rate basis which will allow the Association to plan with some certainty.

In conclusion, the Association has had a good financial year during which it has been able to continue to invest in both its newly acquired and older properties.

ELECTION OF COMMITTEE OF MANAGEMENT

In terms of the Rules of the Association Mrs E M G Whitson, Cllr Welsh, Mr J Nicoll and Mr A Jack, Members of the Committee of Management retire from office at this time and offer themselves for re-election.

ANGUS HOUSING ASSOCIATION LIMITED



REPORT OF THE COMMITTEE OF MANAGEMENT

STATEMENT OF COMMITTEE MEMBERS' RESPONSIBILITIES

Industrial and Provident Society and Registered Housing Association Law requires the Committee Members to prepare Accounts for each financial period which give a true and fair view of the state of affairs of the Association and of the surplus or deficit of the Association for that period. In preparing those Accounts, the Committee Members are required to:

- ❖ Select suitable accounting policies and then apply them consistently;
- ❖ Make judgements and estimates that are reasonable and prudent;
- ❖ Prepare the Accounts on the going concern basis unless it is inappropriate to presume that the Association will continue in business.

The Committee Members are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Association and to enable them to ensure that the Accounts comply with the Industrial and Provident Societies Acts, the Housing Associations Act 1985, Registered Social Landlords Accounting Requirements (Scotland) 2007 and the Statement of Recommended Practice: Accounting by Registered Social Landlords 2008 issued by the Accounting Standards Board. They are 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.

INTERNAL CONTROL

The Committee of Management is responsible for the Association's system of internal financial control.

The approach adopted by the Committee of Management to provide effective financial control can be summarised as follows:

- a. An appropriate control environment has been created by careful recruitment and training of both Committee and Staff and provision of comprehensive guidance on the standards and controls to be applied throughout the Association.
- b. Management information systems have been developed to provide accurate and timeous data on all aspects of the business. Management Accounts comparing actual results against budget are presented to the Committee of Management or relevant Sub Committee regularly.
- c. Major business risks and their financial implications are assessed systemically by reference to established criteria.
- d. The financial implications of major business risks are controlled by means of delegated authorities which reserve significant matters to the Committee of Management or relevant Sub Committee for decision, segregation of duties in appropriate areas and physical controls over assets and access to records.
- e. The Committee of Management monitors the operation of the internal financial control system by considering regular reports from management and the external and internal auditors and ensures appropriate corrective action is taken to address any reported weaknesses.

ANGUS HOUSING ASSOCIATION LIMITED



REPORT OF THE COMMITTEE OF MANAGEMENT

INTERNAL CONTROL (Cont'd)

The Committee of Management confirms that it has reviewed the effectiveness of the Association's system of internal financial control as it operated during the year for the year ended 31 March 2011 and up until 29th June 2011. Such a system can provide only reasonable and not absolute assurance against material misstatement or loss.

In so far as the Committee are aware:

- ❖ there is no relevant audit information (information needed by the association's auditors in connection with preparing their report) of which the association's auditors are unaware, and
- ❖ the Committee members have taken all the steps that they ought to have to taken to make themselves aware of the relevant audit information and to establish that the association's auditors are aware of that information.

RELATED PARTY TRANSACTIONS

The tenants who sit on the Committee of Management have entered into tenancies on the Association's normal terms and conditions and they cannot use their position to their advantage.

Cllr Sheena Welsh and Cllr John Rymer are councillors with Angus Council who sit on the Committee of Management, the committee can confirm that all transactions with Angus Council are made on normal commercial terms and the councillors cannot use their position to any advantage.

RE-ELECTION OF AUDITORS

Findlay & Company have expressed their willingness to continue in office as auditors and a resolution proposing their re-appointment will be submitted at the Annual General Meeting.

By Order of the Committee

Elizabeth MG Kintson

Secretary to the Committee of Management



INDEPENDENT AUDITORS' REPORT to the Members of Angus Housing Association Limited

We have audited the financial statements of Angus Housing Association Limited for the year ended 31 March 2011 which comprise income and Expenditure Account, the Balance Sheet, the Cash Flow Statement, the Statement of Total Recognised Gains and Losses and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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 auditors' 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 board and the auditor

As explained more fully in the Statement of Board's Responsibilities set out on page 5, the Committee of Management is responsible for the preparation of the financial statements which give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK & Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Association's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Committee of Management; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Report of the Committee of Management to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Association's affairs as at 31 March 2011 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 to the Housing (Scotland) Act 2001, and the Registered Social Landlords Accounting Requirements (Scotland) Order 2007.

ANGUS HOUSING ASSOCIATION LIMITED



INDEPENDENT AUDITORS' REPORT

to the Members of Angus Housing Association Limited (cont'd)

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Industrial and Provident Societies Acts, 1965 to 2002 require us to report to you if, in our opinion:

- a satisfactory system of control over transactions has not been maintained; or
- the association has not kept proper accounting records; or
- the financial statements are not in agreement with the books of account; or
- we have not received all the information and explanations we need for our audit.

Joan E G Williamson

JOAN WILLIAMSON CA (SENIOR STATUTORY AUDITOR)

For and on behalf of

FINDLAY & COMPANY

CHARTERED ACCOUNTANTS AND REGISTERED AUDITORS

11 DUDHOPE TERRACE

DUNDEE

DD3 6TS

Date: *29 June 2011*

ANGUS HOUSING ASSOCIATION LIMITED



REPORT BY THE AUDITORS ON CORPORATE GOVERNANCE MATTERS

In addition to our audit of the financial statements, we have reviewed the committee's statement on internal controls set out on page 6. The object of our review is to draw attention to any non-compliance with the section on Internal Financial Control within the Scottish Federation of Housing Association (SFHA) publication "Raising Standards in Housing".

We carried out our review in accordance with guidance issued by the Auditing Practices Board. The guidance does not require us to perform the additional work necessary to, and we do not express any opinion on the effectiveness of either the Associations system of internal financial control or its corporate governance procedures.

With respect to the committee's statements on internal control on page 6, in our opinion the committee has provided the disclosures required under the section on Internal Financial Control within the SFHA publication "Raising Standards in Housing" referred to above and such statements are not inconsistent with the information of which we are aware from our audit work on the financial statements.

Based on enquiry of certain committee members and officers of the Association and examination of relevant documents, in our opinion the committee's statement on page 6 appropriately reflects the Associations compliance with the section on Internal Financial Control within the SFHA publication "Raising Standards in Housing" specified for our review.

Joan Williamson

JOAN WILLIAMSON CA (SENIOR STATUTORY AUDITOR)
For and on behalf of
FINDLAY & COMPANY
CHARTERED ACCOUNTANTS AND REGISTERED AUDITORS
11 DUDHOPE TERRACE
DUNDEE
DD3 6TS

Date: 29 June 2011

ANGUS HOUSING ASSOCIATION LIMITED



INCOME AND EXPENDITURE ACCOUNT For the year ended 31st March 2011

| | Notes | 2011 £ | 2010 £ |
|---------------------------------------|-------|--------------------|--------------------|
| TURNOVER | 2 | 6,218,212 | 6,581,966 |
| Operating costs | 2 | <u>(3,849,867)</u> | <u>(4,803,430)</u> |
| OPERATING SURPLUS/(DEFICIT) | | 2,368,345 | 1,778,536 |
| Profit/(loss) on Sale of Fixed Assets | 5 | 73,513 | 91,829 |
| Interest receivable and other income | | 14,162 | 4,906 |
| Interest payable and similar charges | | <u>(1,128,427)</u> | <u>(1,091,544)</u> |
| SURPLUS/(DEFICIT) FOR YEAR | | <u>1,327,593</u> | <u>783,727</u> |

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

The Association had no recognised gains and losses other than those included in the income and expenditure account above.

The notes on pages 13 to 27 form part of these financial statements.

ANGUS HOUSING ASSOCIATION LIMITED



BALANCE SHEET At 31st March 2011

| | Notes | 2011 £ | 2010 £ |
|--|-------|---------------------|---------------------|
| FIXED ASSETS | | | |
| Housing properties | 7a | 87,115,589 | 84,327,706 |
| Less: Housing Association Grant | | (55,492,763) | (53,207,193) |
| Other Grants | | <u>(462,064)</u> | <u>(422,283)</u> |
| | | 31,160,762 | 30,698,230 |
| Fixed Asset Investment | 7b | 1 | Nil |
| Other | 7c | <u>466,520</u> | <u>473,810</u> |
| | | <u>31,627,283</u> | <u>31,172,040</u> |
| CURRENT ASSETS | | | |
| Debtors | 8 | 819,499 | 692,961 |
| Cash & Deposits | 17 | 2,562,090 | 1,216,861 |
| Stock of Maintenance Supplies | 9 | <u>9,868</u> | <u>8,500</u> |
| | | 3,391,457 | 1,918,322 |
| CREDITORS: amounts falling due within one year | 10 | <u>(1,749,636)</u> | <u>(1,619,718)</u> |
| NET CURRENT ASSETS | | <u>1,641,821</u> | <u>298,604</u> |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | 33,269,104 | 31,470,644 |
| CREDITORS: amounts falling due after more than one year | 11 | <u>(28,387,039)</u> | <u>(27,916,160)</u> |
| | | <u>4,882,065</u> | <u>3,554,484</u> |
| CAPITAL AND RESERVES | | | |
| Share Capital | 12 | 73 | 85 |
| Designated reserves | 13 | 1,848,410 | 1,484,831 |
| Revenue reserve | 14 | <u>3,033,582</u> | <u>2,069,568</u> |
| | | <u>4,882,065</u> | <u>3,554,484</u> |

The financial statements on pages 11 to 28 were approved by the Committee of Management on 15th June 2011 and were signed on its behalf by:

Chairman of Committee of Management

Treasurer

Secretary to Committee of Management

The notes on pages 13 to 27 form part of these financial statements.

ANGUS HOUSING ASSOCIATION LIMITED



STATEMENT OF CASH FLOWS for the year ended 31st March 2011

| | Notes | 2011 £ | 2010 £ |
|---|-------|--------------------|--------------------|
| NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES | 16 | <u>2,114,962</u> | <u>316,916</u> |
| RETURNS ON INVESTMENTS AND SERVICING OF FINANCE | | | |
| Interest received | | 9,532 | 4,104 |
| Interest paid | | <u>(1,128,427)</u> | <u>(1,172,418)</u> |
| NET CASH OUTFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE | | <u>(1,118,895)</u> | <u>(1,168,314)</u> |
| CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT | | | |
| Acquisition and construction of housing properties | | (2,340,234) | (7,716,221) |
| Purchase of other tangible fixed assets | | (16,048) | (14,755) |
| Receipts from sale of housing properties (Right to Buy) | | 77,936 | 55,668 |
| Receipts/(Costs) of shared ownership properties sales | | <u>(244)</u> | <u>34,503</u> |
| NET CASH OUTFLOW FOR CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT | | <u>(2,278,590)</u> | <u>(7,640,805)</u> |
| MANAGEMENT OF LIQUID RESOURCES | | | |
| Transfer (to)/from short term deposits | | <u>(245,969)</u> | <u>(950,095)</u> |
| FINANCING | | | |
| Share capital issued | | Nil | 1 |
| Capital grants received | | 2,214,918 | 5,372,972 |
| Capital grants repaid | | Nil | nil |
| Housing loans received | | 1,192,251 | 4,492,538 |
| Housing loans repaid | | <u>(779,417)</u> | <u>(866,086)</u> |
| NET CASH INFLOW FROM FINANCING | | <u>2,627,752</u> | <u>8,999,425</u> |
| INCREASE/(DECREASE) IN CASH | 17 | <u>1,099,260</u> | <u>(442,873)</u> |

The notes on pages 13 to 27 form part of these financial statements.

ANGUS HOUSING ASSOCIATION LIMITED



NOTES TO THE ACCOUNTS At 31st March 2011

1. ACCOUNTING POLICIES

Accounting basis

These accounts have been prepared under the historical cost convention and in accordance with the Registered Social Landlords Accounting Requirements (Scotland) 2007 and the Statement of Recommended Practice: Accounting by Registered Social Landlords (SORP) 2008 issued by the Accounting Standards Board and applicable financial reporting standards.

Fixed assets – housing land and buildings

Housing properties are stated at cost. The development costs of housing properties includes the following:

- i. Cost of acquiring land and buildings;
- ii. Development expenditure;
- iii. Interest charged during development on the loans raised to finance the schemes
- iv. Capital acquisition and development administration costs
- v. Capital clerk of works costs

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.

The proceeds arising from first tranche "sales" of Housing Association Grant funded shared ownership properties are recorded through the Income & Expenditure Account, with any subsequent sales treated as a disposal of fixed assets in accordance with the 2008 SORP.

Major repairs on the properties after completion are not capitalised unless additional facilities have been provided. No major repairs have been capitalised in the current year.

Depreciation

Depreciation is provided for at rates calculated to write off the cost of each asset evenly over its expected useful life as follows:

| | |
|---------------------------------------|-----------------|
| Housing properties (shared ownership) | - over 50 years |
| Office building | - over 50 years |
| Computer and office equipment | - over 4 years |
| Office and Furnished Flat Furnishings | - over 4 years |

Depreciation is not provided on non-shared ownership housing properties. It is the Association's policy to maintain the properties to a high standard and the resultant expected useful lives of the properties and their residual values are such that any depreciation charge would be immaterial.

As useful lives of some assets are in excess of 50 years, and others are not depreciated, FRS 11 requires an annual impairment review to be carried out. This has been done, and no impairment has been noted.

Grants

Housing Association Grants (HAG) received from ministers of the Scottish Government in respect of capital expenditure of approved schemes are deducted from the costs of acquisition of the assets. Revenue grants are credited to income in the period to which they relate.

The Association has also received a National Lotteries Charities Board Grant in order to build the Sheltered Housing Lounge at Russell Square, Arbroath. This is a restricted fund and has been shown separately in the Fixed Asset note 7. There may be circumstances where grants received may be repayable.

ANGUS HOUSING ASSOCIATION LIMITED



NOTES TO THE ACCOUNTS At 31st March 2011

1. ACCOUNTING POLICIES (continued)

Homestake

Grants are received from ministers of the Scottish Government for the purchase of properties under the Homestake scheme. The element of the property not owned by the Homestake owner will be accounted for as a Fixed Asset Investment. The cost is offset by a grant of the same amount. The unsold element of the most recent Homestake properties remain in the name of the Scottish Government therefore they are not recognised in the Association's Balance Sheet.

The proceeds and costs of the sold elements have been expensed through the Income and Expenditure Account and are detailed in Note 4.

Subsidiary

The subsidiary Musselcrag Limited is a dormant company as at 31st March 2011 and accordingly the Association has not prepared consolidated statements.

Supporting People Funding

The Association receives Supporting People funding to fund the majority of the Sheltered Housing Service. The income and expenditure for this service is shown separately with Other Activities in Note 4.

Furnished Property Provision

A provision is made for each of the Association's furnished properties at a rate which will allow the furnishings to be fully replaced on a 4 year cycle. This provision is released to cover the depreciation charge of the properties.

Lead Tenancies Major Repair Provision

A provision is made for each lead tenancy property at a rate which has been agreed as part of the Lease Agreement with the Owner of the Property. This provision is released to cover major repairs to these properties when they take place. At the end of the lease any monies left in the provision would be repayable to the Owner.

Operating Leases

Rental applicable to operating leases, where substantially all of the benefits and risks of ownership remain with the lessor are charged to the Income and Expenditure Account on a straight line basis over the term of the lease.

Designated reserves

i) Cyclical Maintenance and Major Repairs

A Life Cycle Costing for all the Association's properties has been completed and there is an ongoing commitment to ensure that the Lifecycle Costing information is regularly updated.

The completion of this exercise provides the Association with the information it requires in order to ensure that adequate transfers are made to both the designated reserves on an annual basis.

Transfers to both of these reserves has been made in order to ensure that Association's liabilities for the maintenance of its properties in accordance with the Life Cycle Costing has been provided for.

Transfers from reserves have been made to cover the actual expenditure on cyclical and major repairs through the current financial year.

Pensions

The Association participates in a pension scheme providing benefits based on final pensionable salary. Contributions are charged to the income and expenditure account so as to spread the cost of pensions over the employees working lives with the Association.

ANGUS HOUSING ASSOCIATION LIMITED



NOTES TO THE ACCOUNTS At 31st March 2011

2 PARTICULARS OF TURNOVER, OPERATING COSTS AND OPERATING SURPLUS

| | Turnover | Operating Costs | 2011 Operating Surplus/ (Deficit) £ | 2010 Operating Surplus/ (Deficit) £ |
|------------------------------------|------------------|------------------|---|---|
| | £ | £ | | |
| Income & Expenditure From Lettings | 5,695,274 | 3,280,828 | 2,414,446 | 1,777,848 |
| Other Activities | <u>522,938</u> | <u>569,039</u> | <u>(46,101)</u> | <u>688</u> |
| TOTAL | <u>6,218,212</u> | <u>3,849,867</u> | <u>2,368,345</u> | <u>1,778,536</u> |
| Total for 2010 | <u>6,581,966</u> | <u>4,803,430</u> | | |

3 PARTICULARS OF TURNOVER, OPERATING COSTS AND OPERATING SURPLUS OR DEFICIT FROM SOCIAL LETTING ACTIVITIES

| | General Needs Housing £ | Sheltered Housing £ | Shared Ownership £ | 2011 Total £ | 2010 Total £ |
|---|----------------------------------|---------------------------|--------------------------|--------------------|--------------------|
| Rent Receivable net of Service Charges | 5,341,354 | 256,245 | 13,033 | 5,610,632 | 5,326,359 |
| Service Charges Receivable | <u>152,485</u> | <u>19,792</u> | <u>464</u> | <u>172,741</u> | <u>159,595</u> |
| Gross Rent Receivable | 5,493,839 | 276,037 | 13,497 | 5,783,373 | 5,485,954 |
| LESS: Rent Losses from Voids | <u>(69,990)</u> | <u>(18,109)</u> | <u>nil</u> | <u>(88,099)</u> | <u>(97,517)</u> |
| Net Income from Rents and Service Charges | 5,423,849 | 257,928 | 13,497 | 5,695,274 | 5,388,437 |
| Management Services | 1,460,893 | 48,082 | 7,390 | 1,516,365 | 1,497,803 |
| Planned and Cyclical Maintenance | 163,182 | 25,368 | Nil | 188,550 | 167,856 |
| Reactive Maintenance | 747,549 | 179,804 | Nil | 927,353 | 1,330,902 |
| Rent Losses from Bad Debts | 547,783 | 40,879 | Nil | 588,662 | 564,664 |
| Depreciation of Social Housing | 56,787 | 1,381 | Nil | 58,168 | 47,634 |
| | <u>nil</u> | <u>nil</u> | <u>1,730</u> | <u>1,730</u> | <u>1,730</u> |
| Total Operating Costs | <u>2,976,194</u> | <u>295,514</u> | <u>9,120</u> | <u>3,280,828</u> | <u>3,610,589</u> |
| Operating Surplus/(Deficit) | <u>2,447,655</u> | <u>(37,586)</u> | <u>4,377</u> | <u>2,414,446</u> | <u>1,777,848</u> |
| Operating Surplus/(Deficit) for 2010 | <u>2,537,916</u> | <u>(760,638)</u> | <u>570</u> | | |

Note: There were no grants from Scottish Ministers or other revenue grants.
All Major Repair costs are included in Planned and Cyclical Maintenance.
There was no impairment of social housing.

ANGUS HOUSING ASSOCIATION LIMITED



NOTES TO THE ACCOUNTS At 31st March 2011

3 PARTICULARS OF INCOME AND EXPENDITURE FROM LETTINGS (continued)

The number of units of housing under development and in management at 31st March 2011 was:

| | Units under Development 2011 | 2010 | Units in Management 2011 | 2010 |
|-----------------------------------|------------------------------------|------------|--------------------------------|-------------|
| Housing accommodation for letting | | | | |
| New build – Shared Ownership | Nil | Nil | 9 | 9 |
| New build – Rented | 10 | 72 | 1231 | 1168 |
| Rehabilitation – Rented | Nil | Nil | 424 | 431 |
| Rehabilitation – Sheltered | <u>Nil</u> | <u>Nil</u> | <u>101</u> | <u>104</u> |
| | <u>10</u> | <u>72</u> | <u>1765</u> | <u>1712</u> |

4 PARTICULARS OF TURNOVER, OPERATING COSTS AND OPERATING SURPLUS OR DEFICIT FROM OTHER ACTIVITIES.

| | Grants from Scottish Ministers £ | Supporting People Income £ | Other Income £ | Total Turnover £ | Operating Costs- Bad Debts £ | Other Operating Costs £ | 2011 Operating Surplus/ (Deficit) £ | 2010 Operating Surplus/ (Deficit) £ |
|--|--|-------------------------------------|----------------------|------------------------|--|----------------------------------|---|---|
| Homestake | 72,730 | Nil | 167,972 | 240,702 | Nil | 240,702 | Nil | Nil |
| Wider Role Activities | 40,228 | Nil | Nil | 40,228 | Nil | 40,228 | Nil | Nil |
| Development & Construction of Properties | Nil | Nil | Nil | Nil | Nil | 36,338 | (36,338) | 18,025 |
| Grant Funded Disabled Adaptations | 65,971 | Nil | Nil | 65,971 | Nil | 65,971 | Nil | Nil |
| Supporting People | Nil | 99,436 | Nil | 99,436 | Nil | 117,484 | (18,048) | (5,079) |
| Factoring | Nil | Nil | 76,601 | 76,601 | 6,550 | 61,766 | 8,285 | (12,258) |
| TOTAL | 178,929 | 99,436 | 244,573 | 522,938 | 6,550 | 562,489 | (46,101) | 688 |
| Total 2010 | 560,501 | 100,945 | 532,083 | 1,193,529 | 13,358 | 1,179,483 | 688 | |

Note: There were no other revenue grants received for the above activities.

The following operating costs are not applicable for the year ended 31st March 2011:

- Care & Repair of Property
- Care Activities
- Agency/Management Services for Registered Social Landlords
- Other Agency/Management Services
- Development for Sale to Registered Social Landlords
- Development and Improvement for Sale to Non Registered Social Landlords
- Other Activities.

ANGUS HOUSING ASSOCIATION LIMITED



NOTES TO THE ACCOUNTS At 31st March 2011

5 GAIN/(LOSS) ON SALE OF FIXED ASSET

| | Shared Ownership Properties | Other Properties | 2011 Total | 2010 |
|------------------|--------------------------------|------------------|---------------|----------|
| | £ | £ | £ | £ |
| Proceeds | nil | 100,724 | 100,724 | 165,562 |
| Cost of Disposal | (244) | (26,967) | (27,211) | (73,733) |
| Gain/(Loss) | (244) | 73,757 | 73,513 | 91,829 |

6 SURPLUS/(DEFICIT) FOR THE YEAR

| a) This is stated after charging: | 2011 £ | 2010 £ |
|---|---------------|---------------|
| Auditors' remuneration (including VAT) - external audit | 9,639 | 8,323 |
| - other services | 470 | nil |
| - internal audit | 10,252 | 10,004 |
| Donations to Local Charities | 2,500 | 500 |
| Operating Leases | 36,089 | 46,811 |
| (Gain)/loss on disposal of fixed assets | 73,513 | 91,829 |
| Depreciation | <u>22,940</u> | <u>22,901</u> |

At the year-end there were 38.45 full time equivalent employees (2010: 41.5). Staff costs during the year amounted to:

| | £ | £ |
|--------------------|------------------|------------------|
| Wages and Salaries | 1,161,614 | 1,120,472 |
| National insurance | 89,952 | 89,399 |
| Pensions | <u>152,816</u> | <u>151,821</u> |
| | <u>1,404,382</u> | <u>1,361,692</u> |

The average number of persons directly employed by the Association during the year was

| No. | No. |
|-----------|-----------|
| <u>45</u> | <u>46</u> |

b) Officers' emoluments

| 2011 £ | 2010 £ |
|-----------|-----------|
|-----------|-----------|

The total emoluments (excluding pension contributions) of the Director, who was also the highest paid Officer, amounted to:

| | |
|---------------|---------------|
| <u>70,687</u> | <u>69,131</u> |
|---------------|---------------|

The Director is the only employee whose emoluments (excluding pension contributions) exceeded £60,000. The Director is an ordinary member of the Association's Pension Scheme. No enhanced or special terms apply to membership and he has no other pension arrangements to which the Association contributes. The Association contributions for the Director, the highest paid officer, in the year amounted to £ 9,915 (2010 £ 9,697)

The emoluments (including pension contributions) of the Officers were in the following ranges:

| | No. | No. |
|---------------------|----------|----------|
| £ 60,000 - £ 70,000 | 1 | 2 |
| £ 70,001 - £ 80,000 | <u>1</u> | <u>1</u> |
| | <u>2</u> | <u>3</u> |

ANGUS HOUSING ASSOCIATION LIMITED



NOTES TO THE ACCOUNTS At 31st March 2011

7 TANGIBLE FIXED ASSETS

| a) Housing properties | Wholly Owned Completed £ | Wholly Owned in Course of Construction £ | Shared Ownership Completed £ | Total £ |
|-------------------------------|-----------------------------------|--|---------------------------------------|-------------------|
| Cost: | | | | |
| At 1 st April 2010 | 77,955,076 | 6,138,904 | 272,462 | 84,366,442 |
| Additions during year | 40,704 | 2,771,248 | Nil | 2,811,952 |
| Transfer | 7,747,515 | (7,747,515) | Nil | Nil |
| Disposals in year | (22,339) | Nil | Nil | (22,339) |
| At 31 March 2011 | <u>85,720,956</u> | <u>1,162,637</u> | <u>272,462</u> | <u>87,156,055</u> |
| Depreciation: | | | | |
| At 1 st April 2010 | 16,196 | Nil | 22,540 | 38,736 |
| Additions during year | Nil | Nil | Nil | Nil |
| Disposals in year | Nil | Nil | Nil | Nil |
| Charge for year | Nil | Nil | 1,730 | 1,730 |
| At 31st March 2011 | <u>16,196</u> | <u>Nil</u> | <u>24,270</u> | <u>40,466</u> |
| Housing Association Grant: | | | | |
| At 1 st April 2010 | 49,487,107 | 3,519,442 | 200,644 | 53,207,193 |
| Additions during year | Nil | 2,302,528 | Nil | 2,302,528 |
| Transfers | 4,867,596 | (4,867,596) | Nil | Nil |
| Repaid during year | Nil | (16,958) | Nil | (16,958) |
| At 31st March 2011 | <u>54,354,703</u> | <u>937,416</u> | <u>200,644</u> | <u>55,492,763</u> |
| Other Grants: | | | | |
| At 1 st April 2010 | 422,283 | Nil | Nil | 422,283 |
| Transfers | Nil | Nil | Nil | Nil |
| Additions in Year | Nil | 39,781 | Nil | 39,781 |
| At 31st March 2011 | <u>422,283</u> | <u>39,781</u> | <u>Nil</u> | <u>462,064</u> |
| Net book value: | | | | |
| At 31st March 2011 | <u>30,927,774</u> | <u>185,440</u> | <u>47,548</u> | <u>31,160,762</u> |
| At 31st March 2010 | <u>28,029,490</u> | <u>2,619,462</u> | <u>49,278</u> | <u>30,698,230</u> |

No Major Repair Expenditure has been capitalised during the year.

ANGUS HOUSING ASSOCIATION LIMITED



NOTES TO THE ACCOUNTS At 31st March 2011

7 TANGIBLE FIXED ASSETS (continued)

| | Homestake | Subsidiary | Total |
|-----------------------------------|----------------|------------|----------------|
| | £ | £ | £ |
| b) Fixed Asset Investments | | | |
| Cost: | | | |
| As 1 st April 2010 | 216,867 | Nil | 216,867 |
| Additions during the year | <u>Nil</u> | <u>1</u> | <u>Nil</u> |
| As at 31 st March 2011 | <u>216,867</u> | <u>1</u> | <u>216,868</u> |
| Grant: | | | |
| As 1 st April 2010 | 216,867 | Nil | 216,867 |
| Additions during the year | <u>Nil</u> | <u>Nil</u> | <u>1</u> |
| As at 31 st March 2011 | <u>216,867</u> | <u>Nil</u> | <u>216,867</u> |
| Net book value At 31st March 2011 | <u>Nil</u> | <u>1</u> | <u>1</u> |

The wholly owned subsidiary Musselcrag Limited was dormant throughout the financial year.

c) Other

| | Furnished Property Contents | Office & Lounges | Computer Equipment | Office Equipment | Total |
|-------------------------------|-----------------------------------|---------------------|-----------------------|---------------------|------------------|
| | £ | £ | £ | £ | £ |
| Cost: | | | | | |
| At 1 st April 2010 | 25,900 | 1,119,930 | 211,900 | 231,757 | 1,589,487 |
| Additions during year | 681 | Nil | 11,737 | 16,478 | 28,896 |
| Disposals during year | <u>(2,834)</u> | <u>(44,882)</u> | <u>(110,577)</u> | <u>(42,342)</u> | <u>(200,635)</u> |
| At 31st March 2011 | <u>23,747</u> | <u>1,075,048</u> | <u>113,060</u> | <u>205,893</u> | <u>1,417,748</u> |
| HAG | | | | | |
| At 1 st April 2010 | 5,281 | 257,539 | Nil | Nil | 262,820 |
| Disposals during year | <u>(85)</u> | <u>(27,854)</u> | <u>Nil</u> | <u>Nil</u> | <u>(27,939)</u> |
| At 31st March 2011 | <u>5,196</u> | <u>229,685</u> | <u>Nil</u> | <u>Nil</u> | <u>234,881</u> |
| National Lottery Grant | | | | | |
| At 1 st April 2010 | Nil | 257,000 | Nil | Nil | 257,000 |
| Additions during year | <u>Nil</u> | <u>Nil</u> | <u>Nil</u> | <u>Nil</u> | <u>Nil</u> |
| At 31st March 2011 | <u>Nil</u> | <u>257,000</u> | <u>Nil</u> | <u>Nil</u> | <u>257,000</u> |
| Depreciation: | | | | | |
| At 1 st April 2010 | 19,076 | 150,801 | 201,347 | 224,633 | 595,857 |
| Disposals during year | <u>(2,749)</u> | <u>(4,179)</u> | <u>(110,576)</u> | <u>(42,342)</u> | <u>(159,846)</u> |
| Provided during year | <u>722</u> | <u>11,767</u> | <u>4,435</u> | <u>6,412</u> | <u>23,336</u> |
| At 31st March 2011 | <u>17,049</u> | <u>158,389</u> | <u>95,206</u> | <u>188,703</u> | <u>459,347</u> |
| Net book value: | | | | | |
| At 31st March 2011 | <u>1,502</u> | <u>429,974</u> | <u>17,854</u> | <u>17,190</u> | <u>466,520</u> |
| At 31st March 2010 | <u>1,543</u> | <u>454,590</u> | <u>10,553</u> | <u>7,124</u> | <u>473,810</u> |

ANGUS HOUSING ASSOCIATION LIMITED



NOTES TO THE ACCOUNTS At 31st March 2011

8 DEBTORS

| | 2011 | 2010 |
|--------------------------------------|----------------|----------------|
| | £ | £ |
| Amounts falling due within one year: | | |
| HAG receivable | 334,936 | 207,546 |
| Rental debtors | 125,718 | 122,513 |
| Recharge Account Debtors | 139,804 | 135,442 |
| Other debtors | 151,596 | 165,137 |
| Prepayment and accrued income | <u>67,445</u> | <u>62,323</u> |
| | <u>819,499</u> | <u>692,961</u> |

The Rental and Recharge Debtors figures shown above are net of the current Provision for Bad Debts of £ 57,446 (2010:£ 79,484). The provision has been reduced to ensure that 50% of the outstanding Ex-Tenant Rent and 100% of the Ex-Tenant Recharge Balances were provided for. £15,298 of the provision has been deducted from the Rental Debtors with the remaining £42,148 deducted from the Recharge Account Debtors.

9 STOCK OF MAINTENANCE SUPPLIES

| | 2011 | 2010 |
|---------------------------------------|--------------|--------------|
| | £ | £ |
| Stock of Various Items of Ironmongery | <u>9,868</u> | <u>8,500</u> |

The stock has been valued at the lower of cost and net realisable value.

10 CREDITORS: amounts falling due within one year

| | 2011 | 2010 |
|---|------------------|------------------|
| | £ | £ |
| Loans (note 11) | 665,499 | 723,544 |
| Trade creditors | 854,124 | 697,693 |
| HAG Repayable | 16,958 | Nil |
| Lead Tenancies Major Repairs Provisions | 31,156 | 14,986 |
| Furnishings Provisions | 47,283 | 55,110 |
| Rent in advance | 100,591 | 90,013 |
| Other creditors | <u>34,025</u> | <u>38,372</u> |
| | <u>1,749,636</u> | <u>1,619,718</u> |

ANGUS HOUSING ASSOCIATION LIMITED



NOTES TO THE ACCOUNTS At 31st March 2011

11 CREDITORS: amounts falling due after more than one year

Housing property loans are secured by specific charges on the Association's properties and are repayable at varying rates of interest in instalments due as follows:

| | 2011 £ | 2010 £ |
|--|-------------------|-------------------|
| Within one year | 665,499 | 723,544 |
| Between one and two years | 696,957 | 749,589 |
| Between two year and five years | 2,290,553 | 2,414,298 |
| After five years | <u>25,399,529</u> | <u>24,752,273</u> |
| | 29,052,538 | 28,639,704 |
| Included in creditors: amounts falling due within one year | <u>(665,499)</u> | <u>(723,544)</u> |
| | <u>28,387,039</u> | <u>27,916,160</u> |
| Analysis of changes in loan financing during the year: | | |
| At 1 st April 2010 | 28,639,704 | 25,013,252 |
| New loans taken out | 1,192,251 | 4,492,538 |
| Amounts repaid | <u>(779,417)</u> | <u>(866,086)</u> |
| At 31st March 2011 | <u>29,052,538</u> | <u>28,639,704</u> |

Derivatives - The Association is not permitted to enter into speculative transactions with financial instruments. The Association follows the guidance set out by the Scottish Housing Regulator. Any financial instrument entered into by the Association is covered by an underlying loan. As part of its Treasury Management Policy the Association uses financial derivatives to achieve interest rate certainty. At 31st March 2011 the Association has two interest rate SWAPs as follows:-

| Institution | Notional Amount | Rate | Start | End |
|----------------------------|-----------------|-------|----------|----------|
| Clydesdale Bank plc | £3.1 million | 2.23% | 21/02/02 | 21/02/12 |
| Royal Bank of Scotland plc | £9.3 million | 5.70% | 04/11/02 | 04/02/22 |

12 SHARE CAPITAL

| | 2011 £ | 2010 £ |
|-------------------------------|-------------|------------|
| Shares of £1 each | 85 | 91 |
| At 1 st April 2010 | Nil | 1 |
| Issued | <u>(12)</u> | <u>(7)</u> |
| Cancelled | <u>73</u> | <u>85</u> |
| At 31st March 2011 | | |

13 DESIGNATED RESERVES

| | Major Repairs Reserve | Cyclical Maintenance Reserve | Total |
|--|-----------------------------|------------------------------------|------------------|
| | £ | £ | £ |
| At 1 st April 2010 | 849,320 | 635,511 | 1,484,831 |
| Transfer From Income & Expenditure Account | 1,000,000 | 135,000 | 1,135,000 |
| Transfer to Income & Expenditure Account | <u>(672,392)</u> | <u>(99,029)</u> | <u>(771,421)</u> |
| At 31st March 2011 | <u>1,176,928</u> | <u>671,482</u> | <u>1,484,410</u> |

ANGUS HOUSING ASSOCIATION LIMITED



NOTES TO THE ACCOUNTS At 31st March 2011

14 REVENUE RESERVE

| | 2011 £ | 2010 £ |
|-----------------------------------|--------------------|--------------------|
| At 1 st April 2010 | 2,069,568 | 1,073,148 |
| Surplus/(deficit) for the Year | 1,327,593 | 783,727 |
| Transfer from Designated Reserves | 771,421 | 1,232,693 |
| Transfer to Designated Reserves | <u>(1,135,000)</u> | <u>(1,020,000)</u> |
| At 31st March 2011 | <u>3,033,582</u> | <u>2,069,568</u> |

15 RECONCILIATION OF FUNDS

| | 2011 £ | 2010 £ |
|-------------------------------------|------------------|------------------|
| Total recognised gains and losses | 704,932 | 704,932 |
| Decrease in share capital | <u>(6)</u> | <u>(6)</u> |
| Total movement during the year | 704,926 | 704,926 |
| Funds at 1 st April 2010 | <u>2,770,763</u> | <u>2,770,763</u> |
| Funds at 31st March 2011 | <u>3,475,689</u> | <u>3,475,689</u> |

16 RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES

| | 2011 £ | 2010 £ |
|--------------------------------------|------------------|--------------------|
| Operating surplus/(deficit) for year | 2,368,345 | 1,778,536 |
| Net Depreciation charge | 25,067 | 27,033 |
| Share capital surrendered | (12) | (7) |
| Decrease/(increase) in debtors | 4,114 | 12,662 |
| Increase/(decrease) in creditors | <u>(282,552)</u> | <u>(1,501,308)</u> |
| | <u>2,114,962</u> | <u>316,916</u> |

17 ANALYSIS OF CHANGES IN NET DEBT

| | At 1 April 2010 £ | Cashflows | At 31 March 2011 £ |
|--------------------------|-------------------------|------------------|--------------------------|
| Cash at Bank and in Hand | 212,830 | 1,099,260 | 1,312,090 |
| Short Term Deposits | <u>1,004,031</u> | <u>245,969</u> | <u>1,250,000</u> |
| | 1,216,861 | 1,345,229 | 2,562,090 |
| Debt Due within one year | (723,544) | 58,045 | (665,499) |
| Debt Due after one year | <u>(27,916,160)</u> | <u>(470,879)</u> | <u>(28,387,039)</u> |
| Total | <u>(27,422,843)</u> | <u>932,395</u> | <u>(26,490,448)</u> |

ANGUS HOUSING ASSOCIATION LIMITED



NOTES TO THE ACCOUNTS At 31st March 2011

18 RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

| | 2011 £ | 2010 £ |
|--|---------------------|---------------------|
| Increase/(Decrease) in cash in the year | 1,099,260 | (442,873) |
| Increase/(Decrease) in Short term deposits in the year | <u>245,969</u> | <u>950,095</u> |
| | 1,345,229 | 507,222 |
| Cash Inflow from increase in net debt | <u>(412,834)</u> | <u>(3,626,452)</u> |
| | 932,395 | (3,119,230) |
| Net Debt at 1 st April | <u>(27,422,843)</u> | <u>(24,303,613)</u> |
| Net Debt at 31 st March | <u>(26,490,448)</u> | <u>(27,422,843)</u> |

19 PENSION SCHEME

Angus Housing Association Limited participates in the Scottish Housing Associations' Pension Scheme ('the Scheme'). The Scheme is funded and is contracted-out of the State Pension scheme. The plan is a multi-employer defined benefit scheme.

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 Scheme offers five benefit structures to employers, namely:

- Final salary with a 1/60th accrual rate.
- Career average revalued earnings with a 1/60th accrual rate.
- Career average revalued earnings with a 1/70th accrual rate.
- Career average revalued earnings with a 1/80th accrual rate
- Career average revalued earnings with a 1/120th accrual rate, contracted in,

From the 1st April 2011 Angus Housing Association Limited has elected to operate the career average revalued earnings with a 1/60th accrual rate benefit option for active members and new entrants as at 1st April 2011 rather than the Final Salary with 1/60th benefit option which has been offered up to the 31st March 2010.

During the accounting period Angus Housing Association Limited paid contributions at the rate of 15.4% pensionable salaries, member contributions were 7.7%. As at the balance sheet date there were 36 active members of the Scheme employed by Angus Housing Association Limited. Angus 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 an individual participating employer as the Scheme is a multi-employer arrangement where the assets are co-mingled for investment purposes, benefits are paid from the total Scheme assets, and the contribution rate for all employers is set by reference to the overall financial position of the Scheme rather than by reference to individual employer experience. Accordingly, due to the nature of the Scheme, the accounting charge for the period under FRS17 represents the employer contribution payable.

The Trustee commissions an actuarial valuation of the Scheme every three 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 last formal valuation of the Scheme was performed as at 30 September 2009 by a professionally qualified Actuary using the Projected Unit Credit method. The market value of the Scheme's assets at the valuation date was £295 million. The valuation revealed a shortfall of assets compared with the value of liabilities of £160 million, equivalent to a past service funding level of 64.8%.

Financial assumptions underlying the 2009 Valuation were:

| | % pa |
|--|------|
| - Investment return pre retirement | 7.4 |
| - Investment return post retirement – non pensioners | 4.6 |
| - Investment return post retirement – pensioners | 4.8 |

ANGUS HOUSING ASSOCIATION LIMITED



NOTES TO THE ACCOUNTS

At 31st March 2011

19 PENSION SCHEME (Cont'd)

| | |
|---|-----|
| - Rate of salary increases | 4.5 |
| - Rate of pension increases | |
| Pension accrued pre 6 April 2005 in excess of GMP | 2.9 |
| Pension accrued from 6 April 2005 | 2.2 |
| (for leavers before 1 October 1993 pension increases are 5.0% pa) | |
| - Rate of price inflation | 3.0 |

| | |
|------------------|---|
| Mortality Tables | |
| Non-pensioners | SAPS (S1PA) All Pensioners Year of Birth Long Cohort with 1% p.a. minimum improvement |
| Pensioners | SAPS (S1PA) All Pensioners Year of Birth Long Cohort with 1% p.a. minimum improvement |

| Contribution Rates for Future Service | % |
|---|------|
| Final salary 60ths | 19.2 |
| Career average 60ths | 17.1 |
| Career average 70ths | 14.9 |
| Career average 80ths | 13.2 |
| Career average 120ths | 9.4 |
| Additional rate for deficit contributions | 10.4 |
| (* Expressed in nominal pound terms (for each employer) increasing each 1 April in line with the rate of salary increases assumption. Earnings as at 30 September 2009 are used as the reference point for calculating the additional contributions.) | |

The Scheme Actuary has prepared an Actuarial Report that provides an approximate update on the funding position of the Scheme as at 30 September 2010. Such a report is required by legislation for years in which a full actuarial valuation is not carried out. The funding update revealed an increase in the assets of the Scheme to £335 million and indicated an increase in the shortfall of assets compared to liabilities to approximately £162 million, equivalent to a past service funding level of 67.4%.

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 buy-out 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 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.

Angus Housing Association Limited has been notified by The Pensions Trust of the estimated employer debt on withdrawal from the Scottish Housing Associations' Pension Scheme based on the financial position of the Scheme as at 30 September 2010. As of this date the estimated employer debt for Angus Housing Association Limited was £4,910,187.

ANGUS HOUSING ASSOCIATION LIMITED



NOTES TO THE ACCOUNTS At 31st March 2011

19 PENSION SCHEME (Cont'd)

Growth Plan

Angus Housing Association Ltd also participates in the Pensions Trust's Growth Plan ("The Plan"). The Plan is funded and is not contracted out of the state scheme. The Plan is a multi-employer pension Plan.

Contributions paid into the Plan up to and including September 2001 were converted to defined amounts of pension payable from Normal Retirement Date. From October 2001 contributions were invested in personal funds which have a capital guarantee and which are converted to pension on retirement, either within the Plan or by the purchase of an annuity.

The rules of the Plan allow for the declaration of bonuses and/or investment credits if this is within the financial capacity of the Plan assessed on a prudent basis. Bonuses/investment credits are not guaranteed and are declared at the discretion of the Plan's Trustee.

The Trustee commissions an actuarial valuation of the Plan every three years. The purpose of the actuarial valuation is to determine the funding position of the Plan by comparing the assets with the past service liabilities as at the valuation date. Asset values are calculated by reference to market levels. Accrued past service liabilities are valued by discounting expected future benefit payments using a discount rate calculated by reference to the expected future investment returns.

The rules of the Plan give the Trustee the power to require employers to pay additional contributions in order to ensure that the statutory funding objective under the Pensions Act 2004 is met. The statutory funding objective is that a pension scheme should have sufficient assets to meet its past service liabilities, known as Technical Provisions. If the actuarial valuation reveals a deficit, the Trustee will agree a recovery plan to eliminate the deficit over a specified period of time either by way of additional contributions from employers, investment returns or a combination of these.

The rules of the Plan state that the proportion of obligatory contributions to be borne by the member and the member's employer shall be determined by agreement between them. Such agreement shall require the employer to pay part of such contributions and may provide that the employer shall pay the whole of them. Angus Housing Association paid contributions at the rate of nil% during the accounting period. As at the balance sheet date there was two active member of the Plan employed by Angus Housing Association Limited. One members paid contributions at the rate of 2%, the other at 3% during the accounting period. Angus Housing Association continues to offer membership of the Plan to its employees.

It is not possible in the normal course of events to identify on a reasonable and consistent basis the share of underlying assets and liabilities belonging to individual participating employers. The Plan is a multi-employer scheme where the Plan assets are co-mingled for investment purposes, and benefits are paid from the total Plan assets. Accordingly, due to the nature of the Plan, the accounting charge for the period under FRS17 represents the employer contribution payable. The valuation results at 30 September 2008 have now been in 2009 and have been formalised. The valuation of the Plan was performed by a professionally qualified Actuary using the Projected Unit Method. The market value of the Plan's assets at the valuation date was £742 million and the Plan's Technical Provisions (i.e. past service liabilities) were £771 million. The valuation therefore revealed a shortfall of assets compared with the value of liabilities of £29 million, equivalent to a funding level of 96%.

The financial assumptions underlying the valuation as at 30 September 2008 were as follows:

| | % per annum |
|-------------------------------------|----------------|
| - Investment return pre-retirement | 7.6 |
| - Investment return post-retirement | |
| Actives/deferred | 5.1 |
| Pensioners | 5.6 |
| - Bonuses on accrued benefits | 0.0 |
| - Rate of price inflation | 3.2 |



NOTES TO THE ACCOUNTS At 31st March 2011

19 PENSION SCHEME (Cont'd)

In determining the investment return assumptions the Trustee considered advice from the Scheme Actuary relating to the probability of achieving particular levels of investment return. The Trustee has incorporated an element of prudence into the pre and post retirement investment return assumptions; such that there is a 60% expectation that the return will be in excess of that assumed and a 40% chance that the return will be lower than that assumed over the next 10 years.

The Scheme Actuary has prepared a funding position update as at 30 September 2010. The market value of the Plan's assets at that date was £780 million and the Plan's Technical Provisions (i.e. past service liabilities) were £825 million. The valuation therefore revealed a shortfall of assets compared with the value of liabilities of £45 million, equivalent to a funding level of 95%.

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.

In view of the small funding deficit and the level of prudence implicit in the assumptions used to calculate the Plan liabilities the Trustee has prepared a recovery plan on the basis that no additional contributions from participating employers are required at this point in time. In reaching this decision the Trustee has taken actuarial advice and has been advised that the shortfall of £29 million (as at 30 September 2008) will be cleared within 10 years if the investment returns from assets are in-line with the 'best estimate' assumptions. 'Best estimate' means that there is a 50% expectation that the return will be in excess of that assumed and a 50% expectation that the return will be lower than that assumed over the next 10 years. These "best estimate" assumptions are 8.4% per annum pre-retirement, 5.1% per annum post retirement (actives and deferreds) and 5.6% per annum post-retirement (pensioners).

The Regulator has the power under Part 3 of the Pensions Act 2004 to issue scheme funding directions where it believes that the actuarial valuation assumptions and/or recovery plan are inappropriate. For example the Regulator could require that the Trustee strengthens the actuarial assumptions (which would increase the Plan liabilities and hence impact on the recovery plan) or impose a schedule of contributions on the Plan (which would effectively amend the terms of the recovery plan). A copy of the recovery plan in respect of the September 2008 valuation was forwarded to The Pensions Regulator on 18 December 2009 as is required by legislation. The next full actuarial valuation will be carried out as at 30 September 2011.

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 Plan. The Trustee's current policy is that it only applies to employers with pre-October 2001 liabilities in the Plan. The debt is due in the event of the employer ceasing to participate in the Plan or the Plan winding up.

The debt for the Plan as a whole is calculated by comparing the liabilities for the Plan (calculated on a buy-out 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 Plan. 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 Plan's pre-October 2001 liability attributable to employment with the leaving employer compared to the total amount of the Plan's pre-October 2001 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 Plan liabilities, Plan 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.

Angus Housing Association Ltd has been notified by the Pensions Trust of the estimated employer debt on withdrawal from the Plan based on the financial position of the Plan as at 30th September 2010. As of this date the estimated employer debt for Angus Housing Association Ltd was £ Nil.

ANGUS HOUSING ASSOCIATION LIMITED



NOTES TO THE ACCOUNTS At 31st March 2011

20 CAPITAL COMMITMENTS

| | 2011 | 2010 |
|-------------------------------|------------------|------------------|
| Contracted less certified | <u>1,366,951</u> | <u>1,723,540</u> |
| Authorised but not contracted | <u>Nil</u> | <u>105,164</u> |

The Committee of Management expects the majority of the expenditure they have authorised to be fully financed by Housing Association Grant from The Scottish Government or by mortgages from private sector lenders.

21 OTHER COMMITMENTS

The Association's annual commitments under non-cancellable operating leases are as follows:

| | 2011 | 2010 |
|----------------------------|---------------|---------------|
| Other operating leases | £ | £ |
| Within one year | Nil | 3,085 |
| Between one and five years | <u>35,336</u> | <u>31,548</u> |
| | <u>35,336</u> | <u>34,633</u> |

22 SUBSIDIARIES INFORMATION

Details of the investments in which the company holds more than 10% of the nominal value of any class of share capital are as follows:

| Name of Company | Country of Registration or Incorporation | Date of Incorporation | Proportion of Voting Rights | Nature of Business |
|--|--|--------------------------|--------------------------------|--------------------------------|
| Subsidiary Undertakings Musselcrag Limited | Scotland | 19/08/2010 | Wholly Controlled | Dormant since incorporation |