



**BARRHEAD HOUSING ASSOCIATION LIMITED**

**FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 MARCH 2010**

**Registered Housing Association No. HCB70**

**Financial Services Authority No. 2229R(S)**

**Charity No. SC 036265**

**BAKER TILLY UK AUDIT LLP**  
**Chartered Accountants**

**Glasgow**

# **BARRHEAD HOUSING ASSOCIATION LIMITED**

## **MANAGEMENT COMMITTEE, EXECUTIVES AND ADVISERS**

**31st MARCH 2010**

### **MANAGEMENT COMMITTEE**

Claire Boyd (Chairperson)  
Lesley McVicar (Vice Chairperson)  
Brian Connelly MBE (Secretary)  
Jack Tait  
Lynne Carr  
Jim Geddes  
Clr Danny Devlin

Rena McGuire  
William Anderson  
Laura Hendry  
Gavin McVicar  
John Logue  
Edward Tweedie

### **EXECUTIVE OFFICERS**

Shirley Robison  
Michael Byrne  
Douglas McIntyre  
Helen Sutherland

Director  
Housing Manager  
Property Manager  
Finance Manager

### **REGISTERED OFFICE**

60-70 Main Street  
Barrhead  
Glasgow  
G78 1SB

### **AUDITORS**

BAKER TILLY UK AUDIT LLP  
BRECKENRIDGE HOUSE  
274 SAUCHIEHALL STREET  
GLASGOW  
G2 3EH

### **BANKERS**

BANK OF SCOTLAND  
112 MAIN STREET  
BARRHEAD  
GLASGOW  
G78 1RD

### **SOLICITORS**

TC YOUNG  
7 WEST GEORGE STREET  
GLASGOW  
G2 1BA

### **REGISTRATION PARTICULARS:**

Financial Services Authority

Industrial and Provident Societies Act 1965  
Registered Number 2229R(S)

Scottish Housing Regulator

Housing Scotland Act 2001  
Registered Number HCB 70

Scottish Charities

Charities and Trustee Investment (Scotland) Act 2005  
Scottish Charity Number SCO 036265

# **BARRHEAD HOUSING ASSOCIATION LIMITED**

## **FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 MARCH 2010**

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# **BARRHEAD HOUSING ASSOCIATION LIMITED**

## **REPORT OF COMMITTEE OF MANAGEMENT**

**31 MARCH 2010**

The Committee of Management present their report and audited financial statements for the year ended 31 March 2010.

### **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.

### **Our Strategic Aims**

Barrhead's strategic aims are set out in its Internal Management Plan and are as follows:

- Promotion of tenant involvement in the management of their homes and in the management of the Association
- Have an organisation that is accountable to tenants and represents their views
- Provide a quality housing and management service for the local community
- Undertake comprehensive planned maintenance programmes including an aim to achieve secure, safe homes
- Provide quality rented housing at affordable rents
- Provide a cost effective and efficient service to tenants
- To work in partnership with other housing providers to meet housing needs
- Attract investment to build new housing as part of a development strategy and to identify partnership arrangements to fulfill this
- Contribute to the local economy through the creation of employment and training needs wherever possible and as identified by our wider action strategy
- Support initiatives that will promote a healthy community and improve the quality of peoples lives

Our vision is one of diverse communities in which people can expand their opportunities, exercise choice and maximise their potential. Some of the main objectives which we think can help achieve this aim include:

- demonstrating innovation in housing design and helping to raise standards generally
- achieving continuous improvement in all the services we deliver, and achieving and maintaining high standards of business efficiency and effectiveness
- creating opportunities for significant levels of user involvement in what we do
- being recognised by regulators and strategic partners as delivering excellent performance

We see these as challenging objectives, which will change the way we deliver our core services of housing, housing support, advice, and consultancy. In particular, we seek to challenge what we currently do and look to improve, rather than simply carry on with existing patterns of work.

# BARRHEAD HOUSING ASSOCIATION LIMITED

## REPORT OF COMMITTEE OF MANAGEMENT

31 MARCH 2010

### Business review

Barrhead made a surplus of £219,175 (2009 - £89,610) during the year. The projected surplus for the year was £156,467.

The Association has continued in 2009/10 to review its systems, controls and procedures and internal audit reports to date did not highlight any significant weaknesses in the Association's systems.

The Association has a clearly defined programme of major repair works which it is in the process of carrying out and this will also ensure that it is able to meet its commitments under the Scottish Housing Quality Standards.

### Results for the year and transfers

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

|                                  | £              |
|----------------------------------|----------------|
| Transfers to designated reserve: |                |
| Major repairs reserve            | <u>164,381</u> |
| Retained in revenue reserve      | <u>54,794</u>  |

### Members of Committee of Management

The Members of the Committee of Management of the Association during the year to 31 March 2010 were as follows:

|                                   |                  |
|-----------------------------------|------------------|
| Claire Boyd (Chairperson)         | Rena McGuire     |
| Lesley McVicar (Vice Chairperson) | William Anderson |
| Brian Connelly (Secretary)        | Jim Strang       |
| Jack Tait                         | Laura Hendry     |
| Lynne Carr                        | Gavin McVicar    |
| John Logue                        | Brian Morrow     |
| Clr Danny Devlin                  |                  |

Jim Geddes and Edward Tweedie joined the Committee during the year.

Each full member of the Committee of Management holds one fully paid share of £1 in Barrhead. The executive officers of Barrhead hold no interest in Barrhead's share capital and although not having the legal status of "director" they act as executives within the authority delegated by the Committee.

# **BARRHEAD HOUSING ASSOCIATION LIMITED**

## **REPORT OF COMMITTEE OF MANAGEMENT**

**31 MARCH 2010**

### **Executive Team**

The Executive Team Members of Barrhead are as follows:

|                  |                  |
|------------------|------------------|
| Shirley Robison  | Director         |
| Michael Byrne    | Housing Manager  |
| Douglas McIntyre | Property Manager |
| Helen Sutherland | Finance Manager  |

### **Operational Review**

#### **1 Corporate Governance**

Barrhead has a Committee of Management who are elected by the members of the Association. (See above for details). It is the responsibility of the Committee to undertake the strategy, setting of policy and overall direction for the Association. They also monitor the operational activities of the Association. The members of the Committee of Management are unpaid.

The Executive Team of Barrhead (as listed above) are responsible for achieving the strategy set, undertaking the operational activities in line with the policies set.

Our governing body is our Committee of Management, which is responsible to the wider membership. Committee of Management members serve in a voluntary capacity, and we recognise that this puts even more onus on us to ensure that we set and achieve high standards of professionalism in our work. We take governance very seriously, and in the last year we continued to build on work from previous years which strengthened our governance arrangements.

The Chair, Claire Boyd and Secretary, Brian Connelly MBE achieved the SVQ Governance qualification in 2009.

This report details issues that have arisen during the year relating to the main activities undertaken by Barrhead.

#### **2 Corporate Issues**

Tenant involvement and participation is a major part of Barrhead's Aims and Objectives, and we continue to review how Barrhead involves tenants in its activities.

Barrhead is committed to involving staff in decision making and policy making. In the year just ended, staff were fully involved in the internal management plan process and regular staff meetings were held to keep staff informed of our activities.

# **BARRHEAD HOUSING ASSOCIATION LIMITED**

## **REPORT OF COMMITTEE OF MANAGEMENT**

**31 MARCH 2010**

### **Performance Management**

Service delivery is underpinned by staff performance. This continues to be a high priority for us. In the last year we have continued with our staff appraisal system and this produces a staff training needs assessment in line with the budget provision. We also continue to review our performance management framework, which influences our reporting performance framework. Investors in People status was recognised in May 2009.

### **Best use of resources**

We regularly conduct risk assessments, and take any action necessary to reduce or limit risk. We have continued with a programme of major investment in our housing stock, which is by far our most costly asset. This includes both carrying out major repairs, and also considering whether any of our older schemes should be remodelled to meet the changing requirements of tenants in the future. We are updating our stock condition information, to ensure that our long-term financial planning reflects our future investment requirements.

### **Services**

We aim to deliver high quality services, and we set ourselves the goal of achieving continuous improvement in what we do. In our housing stock, we moved ahead with some major repairs that had become necessary. We continued in the year to deliver many completed adaptations to existing properties, to meet the specific needs of our tenants.

## **3 Development Issues**

In the year just completed the Association has spent £7,399,281 (2009 - £5,968,635) on its development programme, of which £3,420,584 (2009 - £5,174,593) was funded by grants received from the Scottish Government (Housing Association Grant).

## **4 Housing Issues**

Barrhead continues to work on reducing the period of time taken to re-let or let new properties, to ensure that we maximize our effectiveness in housing people in need, and reduce our costs. The rent loss due to empty properties was £21,082 (2009 - £12,807). Work is continuing to improve this figure. There was increase in void numbers during the year but this should reduce..

## **5. Other Areas**

### **Risk Management Policy**

The Committee has a formal risk management process, which is linked to our Internal Management Plan. This will assess business risks and the implementation of our risk management strategies. This involved identifying the types of risks the Association faces, prioritising them in terms of potential impact and likelihood of occurrence, and identifying means of mitigating the risks. As part of this process the Committee have reviewed the adequacy of the Association's current internal controls.

# **BARRHEAD HOUSING ASSOCIATION LIMITED**

## **REPORT OF COMMITTEE OF MANAGEMENT**

**31 MARCH 2010**

Accordingly they have set policies on internal controls which cover the following:

- consideration of the type of risks the Association faces;
- the level of risks which they regard as acceptable;
- the likelihood of the risks concerned materialising;
- the Association's ability to reduce the incidence and impact on the business of risks that do materialise; and the costs of operating particular controls relative to the benefit obtained.
- clarified the responsibility of management to implement the trustees' policies and to identify and evaluate risks for their consideration.
- communicated that employees have responsibility for internal control as part of their accountability for achieving objectives.
- embedded the control system in the charity's operations so that it becomes part of the culture of the Association.
- developed systems to respond quickly to evolving risks arising from factors within the charity and to changes in the external environment.
- included procedures for reporting failings immediately to appropriate levels of management and the Committee together with details of corrective action being undertaken.

### **Internal Financial Control**

The Committee of Management is responsible for establishing and maintaining the Association's system of internal control. Internal control systems are designed to meet the particular needs of the Association and the risks to which it is exposed, and by their nature can provide reasonable but not absolute assurance against material misstatement or loss. The key procedures which the Committee of Management has established with a view to providing effective internal financial control are listed on page 9.

### **Management Structure**

The Committee of Management has overall responsibility for the Association and there is a formal schedule of matters specifically reserved for decision by the Committee.

### **Budgetary Process**

Each year the Committee of Management approves the annual budget and rolling three-year strategic plan. Key risk areas are identified. Performance is monitored and relevant action taken throughout the year through quarterly reporting to the Committee of Management of variances from the budget, updated forecasts for the year together with information on the key risk areas. Approval procedures are in place in respect of major areas of risk such as major contract tenders, expenditure and treasury management.

### **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 is thirty days.



# **BARRHEAD HOUSING ASSOCIATION LIMITED**

## **REPORT OF COMMITTEE OF MANAGEMENT**

**31 MARCH 2010**

### **General Reserves Policy**

The Committee members have reviewed the reserves of Barrhead. This review encompassed the nature of the income and expenditure streams, the need to match variable income with fixed commitments and the nature of the reserves. During the year the Association's general reserve increased from £411k to £474k (see note 6).

The Association has one designated fund for major repairs. The purpose of this fund is detailed in note 1 to the financial statements.

### **Investment Appraisal**

Capital expenditure is regulated by budgetary process and authorisation levels. For expenditure beyond specified levels, detailed written proposals have to be submitted to the Committee. Reviews are carried out during the development period, to monitor expenditure and performance.

### **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.

### **Treasury Management**

The Association has an active treasury management function, which operates in accordance with the Treasury 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.

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

The Association achieved Investors in People accreditation in May 2009.

The Association encourages employee involvement in all major initiatives and maintaining Health & Safety standards in all areas.

# **BARRHEAD HOUSING ASSOCIATION LIMITED**

## **REPORT OF COMMITTEE OF MANAGEMENT**

**31 MARCH 2010**  
**(Continued)**

### **Quality and Integrity of Personnel**

The integrity and competence of personnel are ensured through high recruitment standards and subsequent training courses. High quality personnel are seen as an essential part of the control environment and the ethical standards expected are communicated through the Director.

### **Disabled Employees**

Applications for employment by disabled persons are given full and fair consideration for all vacancies in accordance with their particular aptitudes and abilities. In the event of employees becoming disabled, every effort is made to retrain them in order that their employment with the Association may continue. It is the policy of the Association that training, career development and promotion opportunities should be available to all employees.

### **Rental Income**

The Association's Rent Policy is a points system based on the size, type and facilities of the accommodation. The policy ensures that the rent structure is easy to administer and covers the wide variations within the Association's properties. This policy follows the generally accepted practice/principles of the Housing Movement.

### **Future developments**

The Association intends to continue with its policy of improving the quality of housing within its action area.

### **Auditors**

Baker Tilly UK Audit LLP have indicated their willingness to continue acting as auditor to the Association.

On behalf of the Committee of Management

Name: 

Date: 29<sup>th</sup> JULY 2010

**BARRHEAD HOUSING ASSOCIATION LIMITED**

**STATEMENT OF COMMITTEE RESPONSIBILITIES**

**31 MARCH 2010**

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 profit or loss of the Association for that period. In preparing those financial statements we are required to:

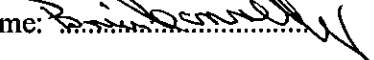
- select suitable accounting policies and apply them consistently;
- make reasonable and prudent judgements and estimates;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Association will continue in business.

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

Name: 

Date: 29<sup>th</sup> JULY 2010

## **BARRHEAD HOUSING ASSOCIATION LIMITED**

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

**31 MARCH 2010**

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 the Committee of Management.
- 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, including 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.

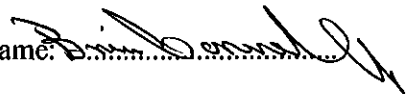
**BARRHEAD HOUSING ASSOCIATION LIMITED**

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

**31 MARCH 2010  
(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 2010 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

Name: 

Date: 29<sup>th</sup> JULY 2010

**BARRHEAD HOUSING ASSOCIATION LIMITED**

**AUDITORS' REPORT ON CORPORATE GOVERNANCE MATTERS**

**Corporate Governance**

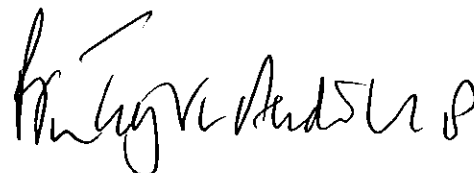
In addition to our audit of the financial statements, we have reviewed the Committee of Management's statement on pages 9 and 10 concerning the Association's compliance with the information required by the section on Internal Financial Control within SFHA's publication "Raising Standards in Housing".

**Basis of Opinion**

We carried out our review having regard to the Bulletin 2006/5 that was issued by the Auditing Practices Committee of Management. 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 9 and 10 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 UK Audit LLP  
Registered Auditors  
Chartered Accountants  
Breckenridge House  
274 Sauchiehall Street  
Glasgow  
G2 3EH

Date: .....10/8/10.....

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

We have audited the financial statements on pages 14 to 33, which have been prepared under the accounting policies set out on pages 17 to 20.

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 responsibility to anyone other than the Association and the Association's members as a body, for our audit work, for this report and 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 Social Landlords Accounting Requirements (Scotland) Order 2007. 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 directors' 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**

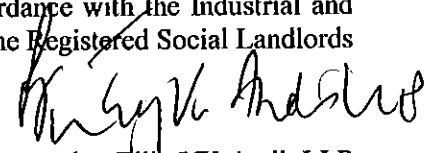
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Committee of Management. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an 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.

**BARRHEAD HOUSING ASSOCIATION LIMITED**  
**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF**  
**BARRHEAD HOUSING ASSOCIATION LIMITED**  
**(Continued)**

**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 2010 and of its surplus 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 Social Landlords Accounting Requirements (Scotland) Order 2007.



Baker Tilly UK Audit LLP  
Registered Auditors  
Chartered Accountants  
Breckenridge House  
274 Sauchiehall St  
Glasgow  
G2 3EH

Date: 10/8/10.....



**BARRHEAD HOUSING ASSOCIATION LIMITED**

**INCOME & EXPENDITURE ACCOUNT**

**FOR THE YEAR ENDED 31 MARCH 2010**

|  | Notes | 2010<br>£          | 2009<br>£          |
|--|-------|--------------------|--------------------|
| <b>Turnover</b>                                  | 2     | 2,862,462          | 2,653,667          |
| Less: Operating Costs                            | 2     | <u>(2,273,714)</u> | <u>(2,078,067)</u> |
| <b>Operating Surplus</b>                         | 2     | 588,748            | 575,600            |
| Loss on sale of fixed assets                     |       | (27,223)           | (2,540)            |
| Interest receivable and other income             |       | 7,993              | 35,524             |
| Interest payable and other charges               | 4     | <u>(350,343)</u>   | <u>(518,974)</u>   |
| <b>Surplus on ordinary activities before tax</b> |       | 219,175            | 89,610             |
| Taxation on surplus on ordinary activities       | 5     | <u>-</u>           | <u>-</u>           |
| <b>Surplus for year</b>                          |       | <u>219,175</u>     | <u>89,610</u>      |

The results for the year relate wholly to continuing activities.

The Association has no recognised gains or losses in 2009 and 2010 other than the results for the years as set out above.

# BARRHEAD HOUSING ASSOCIATION LIMITED

## BALANCE SHEET

AS AT 31 MARCH 2010

|                                     | Notes | £                  | 2010<br>£           | 2009<br>£           |
|-------------------------------------|-------|--------------------|---------------------|---------------------|
| <b>Tangible Fixed Assets</b>        |       |                    |                     |                     |
| Housing properties                  |       |                    |                     |                     |
| - gross cost less depreciation      | 7     |                    | 51,347,512          | 44,415,720          |
| Less: HAG                           | 7     |                    | <u>(37,117,712)</u> | <u>(33,824,973)</u> |
|                                     |       |                    | 14,229,800          | 10,590,747          |
| Other Assets                        | 7     |                    | <u>325,562</u>      | <u>327,893</u>      |
|                                     |       |                    | 14,555,362          | <u>10,918,640</u>   |
| <b>Current Assets</b>               |       |                    |                     |                     |
| Debtors                             | 8     | 203,258            |                     | 3,393,983           |
| Cash at bank and in hand            |       | <u>1,820,368</u>   |                     | <u>801,918</u>      |
|                                     |       | 2,023,626          |                     | 4,195,901           |
| <b>Current Liabilities</b>          |       |                    |                     |                     |
| Creditors due within one year       | 9     | <u>(1,551,861)</u> |                     | <u>(2,780,881)</u>  |
| <b>Net Current Assets</b>           |       |                    | <u>471,765</u>      | <u>1,415,020</u>    |
|                                     |       |                    | 15,027,127          | 12,333,660          |
| <b>Creditors due after one year</b> | 10    |                    | <u>(13,204,849)</u> | <u>(10,730,431)</u> |
| <b>Net Assets</b>                   |       |                    | <u>1,822,278</u>    | <u>1,603,229</u>    |
| <b>Capital Reserves</b>             |       |                    |                     |                     |
| Share capital                       | 12    |                    | 174                 | 300                 |
| Designated reserves                 | 6     |                    | 1,356,266           | 1,191,885           |
| Revenue Reserve                     | 6     |                    | <u>465,838</u>      | <u>411,044</u>      |
|                                     |       |                    | 1,822,278           | <u>1,603,229</u>    |

These financial statements were approved and authorised for issue by the Committee of Management on 29<sup>th</sup> July 2010 and signed on their behalf by:

Secretary:

*[Signature]*

Committee Member:

*[Signature]*

Committee Member:

*[Signature]*

**BARRHEAD HOUSING ASSOCIATION LIMITED**

**CASH FLOW STATEMENT**

**YEAR TO 31 MARCH 2010**

|  | Notes | £           | 2010<br>£   | 2009<br>£   |
|--|-------|-------------|-------------|-------------|
| <b>Net cash inflow/(outflow) from operating activities</b> | 13    |             | 2,845,880   | (304,629)   |
| <b>Return on investments and servicing of finance</b>      |       |             |             |             |
| Interest received  |       | 7,993       |             | 35,524      |
| Interest payable   |       | (350,343)   |             | (518,974)   |
|  |       |             | (342,350)   | (483,450)   |
| <b>Taxation</b>  |       |             |             |             |
| Corporation tax paid                                       |       | -           |             | -           |
| Net cash inflow on taxation                                |       |             | -           | -           |
| <b>Investing activities</b>                                |       |             |             |             |
| Cash paid for construction and purchases                   |       | (7,399,281) |             | (5,968,635) |
| Housing association grant received                         |       | 3,420,584   |             | 5,174,593   |
| Housing association grant repaid                           |       | (12,721)    |             | (40,054)    |
| Proceeds of sale of fixed assets                           |       | 51,620      |             | 46,488      |
| Purchase of other fixed assets                             |       | (20,218)    |             | (12,952)    |
| Net cash outflow from investing activities                 |       |             | (3,960,016) | (800,560)   |
| Net cash (outflow) before financing                        |       |             | (1,456,486) | (1,588,639) |
| <b>Financing</b>   |       |             |             |             |
| Loans received   |       | 2,743,000   |             | 1,628,998   |
| Loan principal repayments                                  |       | (268,089)   |             | (201,818)   |
| Increase in share capital                                  |       | 25          |             | 27          |
| Net cash inflow from financing                             |       |             | 2,474,936   | 1,427,207   |
| <b>Increase/(decrease) in cash</b>                         |       |             | 1,018,450   | (161,432)   |

# **BARRHEAD HOUSING ASSOCIATION LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS**

**AS AT 31 MARCH 2010**

### **1. Accounting Policies**

#### **(a) Introduction and accounting basis**

The principal accounting policies of the Association are set out in the paragraphs (b) to (o) below. The Association is incorporated under the Industrial and Provident Societies Act 1965 and is registered with the Financial Services Authority. The accounts have been prepared under the historical cost convention, and in compliance with The Registered Social Landlords Accounting Requirements (Scotland) Order 2007 and The Statement of Recommended Practice (SORP) 2008, "Accounting by Registered Social Landlords" and applicable Accounting Standards.

#### **(b) Finance**

The financial statements have been prepared on the basis that the capital expenditure referred to in note 7 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.

#### **(d) Housing Association Grants**

Housing Association Grants (HAG) 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 the grant awarding body. 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 the grant awarding bodies 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.

# BARRHEAD HOUSING ASSOCIATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 MARCH 2010

(Continued)

(f) **Fixed assets - Housing land and buildings (note 7)**

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 the grant awarding bodies 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.

If expenditure does not qualify for HAG, it is nevertheless capitalised.

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 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 at an annual rate of 2%. No depreciation is charged on the cost of land.

# BARRHEAD HOUSING ASSOCIATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 MARCH 2010

(Continued)

**(ii) Other fixed assets**

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

|                       |   |                      |
|-----------------------|---|----------------------|
| Office premises       | - | over 30 years        |
| Furniture & equipment | - | 20% reducing balance |

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) Designated Reserve - reserves for major repairs (note 6)**

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 projected that it will not be met from HAG.

**(i) 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.

**(j) Lease obligations**

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

**(k) 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.

# **BARRHEAD HOUSING ASSOCIATION LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS**

**AS AT 31 MARCH 2010**

**(Continued)**

**(m) 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.

**(n) 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.

**(o) 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.

**(p) Turnover**

Turnover represents rental income receivable from tenants, and other income.

# BARRHEAD HOUSING ASSOCIATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 MARCH 2010

(Continued)

### 2. Particulars of turnover, operating costs and operating surplus or deficit

|                         | Turnover<br>£    | Operating<br>Costs<br>£ | Operating<br>Surplus/<br>(Deficit)<br>£ | Operating<br>Surplus/(Deficit)<br>2009<br>£ |
|-------------------------|------------------|-------------------------|---|---|
| <b>Social Lettings</b>  | 2,720,571        | (2,084,300)             | 636,271                                 | 619,565                                     |
| <b>Other activities</b> | 141,891          | (189,414)               | (47,523)                                | (43,965)                                    |
| <b>Total</b>            | <u>2,862,462</u> | <u>(2,273,714)</u>      | <u>588,748</u>                          | <u>575,600</u>                              |
| 2009                    | <u>2,653,462</u> | <u>(2,078,067)</u>      | <u>575,600</u>                          |   |



# BARRHEAD HOUSING ASSOCIATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 MARCH 2010

(Continued)

### 3. Particulars of Income and Expenditure From Lettings

|   | Housing<br>Accommodation<br>£ | Supported<br>Housing<br>£ | Shared<br>Ownership<br>£ | 2010<br>Total<br>£ | 2009<br>Total<br>£ |
|---|-------------------------------|---------------------------|--------------------------|--------------------|--------------------|
| <b>Income from lettings</b>   |                               |                           |                          |                    |                    |
| Rent receivable net of<br>Identifiable Service Charges              | 2,598,277                     | 36,249                    | 32,379                   | 2,666,905          | 2,370,229          |
| Service charges receivable  | 70,199                        | 275                       | 4,274                    | 74,748             | 73,338             |
| <b>Gross income from rents and<br/>service charges</b>              | <b>2,668,476</b>              | <b>36,524</b>             | <b>36,653</b>            | <b>2,741,653</b>   | <b>2,443,567</b>   |
| <b>Less: Voids</b>  | <b>(21,082)</b>               | <b>-</b>                  | <b>-</b>                 | <b>(21,082)</b>    | <b>(12,807)</b>    |
| <b>Net income from rents and<br/>service charges</b>                | <b>2,647,394</b>              | <b>36,524</b>             | <b>36,653</b>            | <b>2,720,571</b>   | <b>2,430,760</b>   |
| Revenue grants from Scottish<br>Ministers                           | -                             | -                         | -                        | -                  | -                  |
| Other revenue grants  | -                             | -                         | -                        | -                  | -                  |
| <b>Total Turnover from Social<br/>Letting Activities</b>            | <b>2,647,394</b>              | <b>36,524</b>             | <b>36,653</b>            | <b>2,720,571</b>   | <b>2,430,760</b>   |
| Management and maintenance<br>administration costs                  | 806,639                       | 11,565                    | -                        | 818,204            | 813,565            |
| Service costs   | 62,540                        | 275                       | 4,274                    | 67,089             | 63,016             |
| Planned and cyclical<br>maintenance including major<br>repair costs | 585,815                       | -                         | -                        | 585,815            | 391,591            |
| Reactive maintenance costs  | 294,343                       | 519                       | -                        | 294,862            | 286,214            |
| Bad debts – rents and service<br>charges                            | 36,741                        | -                         | -                        | 36,741             | 39,367             |
| Depreciation of social housing                                      | 262,808                       | 7,206                     | 3,508                    | 273,522            | 204,370            |
| Tenant Participation  | 8,067                         | -                         | -                        | 8,067              | 13,072             |
| <b>Total Expenditure on<br/>Lettings</b>                            | <b>2,056,953</b>              | <b>19,565</b>             | <b>7,782</b>             | <b>2,084,300</b>   | <b>1,811,195</b>   |
| <b>Operating Surplus on<br/>Letting Activities</b>                  | <b>623,746</b>                | <b>17,566</b>             | <b>28,871</b>            | <b>636,271</b>     | <b>619,565</b>     |

The amount of service charges receivable on housing accommodation not eligible for Housing Benefit was £nil (2009 - £nil).

The total amount of major repairs expenditure incurred in the year was £449,920 (2009 - £294,008). No major repairs were capitalised. Of this figure £424,575 was in respect of direct works costs, with the balance represented by staffing costs.

BARRHEAD HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2010  
(Continued)

3b Particulars of turnover, operating costs and operating surplus or deficit from other activities

|  | Grants from<br>Scottish<br>Ministers | Other<br>revenue<br>grants | Supporting<br>people<br>income | Other<br>income | Total<br>Turnover | Operating<br>costs – bad<br>debts | Other<br>operating<br>costs | Operating<br>surplus or<br>deficit | Operating<br>surplus or<br>deficit for<br>previous period<br>of account |
|--|--------------------------------------|----------------------------|--------------------------------|-----------------|-------------------|-----------------------------------|-----------------------------|------------------------------------|---|
|  | £                                    | £                          | £                              | £               | £                 | £                                 | £                           | £                                  | £   |
| Wider action/wider role  | 48,470                               | 7,000                      | -                              | -               | 55,470            | -                                 | 89,813                      | (34,343)                           | (27,651)  |
| Care and repair of property  | -                                    | -                          | -                              | -               | -                 | -                                 | -                           | -                                  | -   |
| Factoring  | -                                    | -                          | -                              | 19,030          | 19,030            | -                                 | 21,545                      | (2,515)                            | (1,405)   |
| Development and construction of property<br>activities                       | -                                    | -                          | -                              | -               | -                 | -                                 | -                           | -                                  | -   |
| Support activities   | -                                    | -                          | 17,863                         | -               | 17,863            | -                                 | 28,528                      | (10,665)                           | (16,709)  |
| Care activities  | -                                    | -                          | -                              | -               | -                 | -                                 | -                           | -                                  | -   |
| Agency/management services for registered<br>social landlords                | -                                    | -                          | -                              | -               | -                 | -                                 | -                           | -                                  | -   |
| Other agency/management services   | -                                    | -                          | -                              | 5,390           | 5,390             | -                                 | 5,390                       | -                                  | -   |
| Developments for sale to registered social<br>landlords                      | -                                    | -                          | -                              | -               | -                 | -                                 | -                           | -                                  | -   |
| Developments and improvements for sale to<br>non registered social landlords | -                                    | -                          | -                              | -               | -                 | -                                 | -                           | -                                  | -   |
| Other activities – includes £26.4k Big Lottery<br>Funding and Expenditure    | -                                    | 44,138                     | -                              | -               | 44,138            | -                                 | 44,138                      | -                                  | 1,800   |
| <b>Total from other activities</b>   | <b>48,470</b>                        | <b>51,138</b>              | <b>17,863</b>                  | <b>24,420</b>   | <b>141,891</b>    | <b>-</b>                          | <b>189,414</b>              | <b>(47,523)</b>                    | <b>(43,965)</b>   |
| <b>2009</b>  | <b>119,407</b>                       | <b>62,632</b>              | <b>25,412</b>                  | <b>15,456</b>   | <b>222,907</b>    | <b>-</b>                          | <b>266,872</b>              | <b>(43,965)</b>                    |   |

Other Revenue Grants include £26,449 designated funding received in the year from Big Lottery Fund (2009: £60,833)

**BARRHEAD HOUSING ASSOCIATION LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**AS AT 31 MARCH 2010**  
**(Continued)**

|           |                         |                 |                |
|-----------|-------------------------|-----------------|----------------|
| <b>4.</b> | <b>Interest payable</b> | <b>2010</b>     | <b>2009</b>    |
|           |                         | £               | £              |
|           | Interest paid in period | 379,291         | 518,974        |
|           | Less capitalised        | <u>(28,948)</u> | <u>-</u>       |
|           |                         | <u>350,343</u>  | <u>518,974</u> |

**5. Taxation**

The Association became a charity on 17 December 2004. After that date there is no Corporation Tax due on its exempt activities.

**6. Reserves**

**(a) Designated Reserves**

|                       | At 31 March<br>2009<br>£ | Transfer<br>£  | 31 March<br>2010<br>£ |
|-----------------------|--------------------------|----------------|-----------------------|
| Major repairs reserve | <u>1,191,885</u>         | <u>164,381</u> | <u>1,356,266</u>      |

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

**(b) Revenue Reserves**

|                                  | 2010<br>£        | 2009<br>£       |
|----------------------------------|------------------|-----------------|
| Opening balance at 1 April 2009  | 411,044          | 388,640         |
| Surplus for year                 | 219,175          | 89,610          |
| Transfer to designated reserves  | <u>(164,381)</u> | <u>(67,206)</u> |
| Closing balance at 31 March 2010 | <u>465,838</u>   | <u>411,044</u>  |

# BARRHEAD HOUSING ASSOCIATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 MARCH 2010  
(Continued)

### 7. Tangible Fixed Assets

| Cost                             | Housing<br>Properties<br>Held for<br>Letting<br>£ | Housing<br>Properties<br>In course of<br>Construction<br>£ | Completed<br>Shared<br>Ownership<br>Properties<br>£ | Office<br>Premises<br>£ | Furniture<br>Fittings &<br>Equip-<br>ment<br>£ | Total<br>£        |
|----------------------------------|---|--|---|-------------------------|--|-------------------|
| At 1 April 2009                  | 40,294,328  | 4,591,376  | 1,058,889   | 399,853                 | 145,202  | 46,489,648        |
| Additions                        | 525,390   | 6,860,583  | 13,308  | 5,335                   | 14,883   | 7,419,499         |
| Transfers                        | 11,397,396  | (11,397,396)   | -   | -                       | -  | -                 |
| Disposals                        | (213,895)   | -  | -   | -                       | -  | (213,895)         |
| <b>At 31 March 2010</b>          | <b>52,003,219</b>                                 | <b>54,563</b>  | <b>1,072,197</b>                                    | <b>405,188</b>          | <b>160,085</b>                                 | <b>53,695,252</b> |
| <b>Housing Association Grant</b> |   |  |   |                         |  |                   |
| At 1 April 2009                  | 28,600,891  | 4,465,637  | 758,445   | -                       | -  | 33,824,973        |
| Additions                        | 307,966   | 3,112,618  | -   | -                       | -  | 3,420,584         |
| Transfers                        | 7,523,692   | (7,523,692)  | -   | -                       | -  | -                 |
| Disposals                        | (127,845)   | -  | -   | -                       | -  | (127,845)         |
| <b>At 31 March 2010</b>          | <b>36,304,704</b>                                 | <b>54,563</b>  | <b>758,445</b>                                      | <b>-</b>                | <b>-</b>                                       | <b>37,117,712</b> |
| <b>Depreciation</b>              |   |  |   |                         |  |                   |
| At 1 April 2009                  | 1,479,234   | -  | 49,639  | 102,290                 | 114,872  | 1,746,035         |
| Provided                         | 270,014   | -  | 3,508   | 13,506                  | 9,043  | 296,071           |
| Disposals                        | (19,928)  | -  | -   | -                       | -  | (19,928)          |
| <b>At 31 March 2010</b>          | <b>1,729,320</b>                                  | <b>-</b>   | <b>53,147</b>                                       | <b>115,796</b>          | <b>123,915</b>                                 | <b>2,022,178</b>  |
| <b>Net book value</b>            |   |  |   |                         |  |                   |
| As at 31 March 2010              | 13,969,195  | -  | 260,605   | 289,392                 | 36,170   | 1,555,362         |
| As at 31 March 2009              | 10,214,203  | 125,739  | 250,805   | 297,563                 | 30,330   | 10,918,640        |

Development administration costs capitalised amount to £38,300 (2009 - £53,724) for which Housing Association Grants amounting to £7,254 (2009 - £33,804) were received in the year.

# BARRHEAD HOUSING ASSOCIATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 MARCH 2010

(Continued)

### 8. Debtors

|                                      | 2010     | 2009      |
|--------------------------------------|----------|-----------|
| Amounts falling due within one year: | £        | £         |
| Gross rents in arrears               | 139,156  | 182,543   |
| Less bad debt provision              | (70,681) | (80,824)  |
|                                      | 68,475   | 101,719   |
| Prepayments and accrued income       | 32,266   | 36,406    |
| Other debtors                        | 102,517  | 3,255,858 |
|                                      | 203,258  | 3,393,983 |

### 9. Creditors due within one year

|                                 |           |           |
|---------------------------------|-----------|-----------|
| Loans                           | 289,695   | 289,202   |
| Trade creditors                 | 203,432   | 66,871    |
| Other creditors                 | 731,144   | 663,892   |
| Accruals and deferred income    | 214,828   | 1,671,670 |
| Other taxes and Social Security | 12,807    | 11,794    |
| Rents in advance                | 99,955    | 77,452    |
|                                 | 1,551,861 | 2,780,881 |

### 10. Creditors due after more than one year

|       |            |            |
|-------|------------|------------|
| Loans | 13,204,849 | 10,730,431 |
|-------|------------|------------|

Loans and development overdrafts are secured by specific charges on the Association's properties. Loans and development overdrafts were repayable at rates of interest of 0.81% to 5.485% (2009: 0.9% to 6.565%) in instalments due as follows:

|                            |            |            |
|----------------------------|------------|------------|
| In one year or less        | 289,695    | 289,202    |
| Between two and five years | 1,496,633  | 1,263,622  |
| In five years or more      | 11,708,216 | 9,466,809  |
|                            | 13,494,544 | 11,019,633 |

# BARRHEAD HOUSING ASSOCIATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

**AS AT 31 MARCH 2010**  
(Continued)

### 11. Employees

|                         | 2010           | 2009           |
|-------------------------|----------------|----------------|
| Staff costs during year | £              | £              |
| Wages and salaries      | 524,720        | 531,007        |
| Social security costs   | 40,767         | 41,188         |
| Other pension costs     | 64,798         | 64,178         |
|                         | <u>630,285</u> | <u>636,373</u> |

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

|  | No        | No        |
|--|-----------|-----------|
|  | <u>17</u> | <u>19</u> |

The Directors are defined as the members of the Management Committee, the Director and any other person reporting directly to the Director or the Management Committee whose total emoluments exceed £60,000 per year.

|   | £             | £             |
|---|---------------|---------------|
| Aggregate emoluments payable to directors<br>(including pension contributions and benefits in kind) | <u>66,476</u> | <u>65,503</u> |
| Emoluments payable to highest paid director<br>(excluding pension contributions)                    | <u>58,501</u> | <u>57,665</u> |

The emoluments of the directors whose emoluments, excluding pension contributions, were over £60,000 were as follows:

|                    | 2010 | 2009 |
|--------------------|------|------|
|                    | No   | No   |
| £60,001 to £70,000 | -    | -    |

The Director is an ordinary member of the Association's pension scheme described below. No enhanced or special terms apply to memberships and she has no other pension arrangements to which the Association contribute. The Association's contributions for the Director in the year amounted to £7,975 (2009 - £7,838).

|   |           |              |
|---|-----------|--------------|
| Total expenses reimbursed insofar as not chargeable to UK<br>Income Tax | <u>45</u> | <u>1,387</u> |
|---|-----------|--------------|

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

# BARRHEAD HOUSING ASSOCIATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 MARCH 2010

(Continued)

### 11. Employees (contd)

Barrhead Housing Association Limited participates in the SFHA Pension Scheme, (the 'Scheme'). The Scheme is funded and is contracted-out of the state scheme.

It is not possible in the normal course of events to identify the share of the underlying assets and liabilities 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

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 at 30 September 2006 by a professionally qualified actuary using the Projected Unit Credit method. The market value of the Scheme's assets as at the valuation date was £268 million. The valuation showed a shortfall of assets compared to liabilities of £54million, equivalent to a past service funding level of 83.4%.

The Scheme Actuary has prepared an Actuarial Report that provides an approximate update on the funding position of the Scheme as at 30 September 2008. Such a report is required by legislation for years in which a full actuarial valuation is not carried out. The funding update revealed a decrease in the assets of the Scheme to £265 million and indicated an increase in the shortfall of assets compared to liabilities to approximately £149 million, equivalent to a past service funding level of 63.9%.

The current triennial formal valuation of the Scheme, as at 30 September 2009, is being undertaken by a professionally qualified Actuary. The results of the valuation will be available in autumn 2010.

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 of the Scheme as a whole is calculated by comparing the liabilities for the Scheme (calculated on a buy-out basis ie 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

**BARRHEAD HOUSING ASSOCIATION LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**AS AT 31 MARCH 2010**

**(Continued)**

**11. Employees Pensions (contd.)**

employers. The amount of the debt therefore depends on many factors including the 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.

Barrhead Housing Association Limited has been notified by The Pensions Trust of the estimated employer debt on withdrawal from the SFHA Scheme based on the financial position of the Scheme as at a 30 September 2009. As of this date the estimated employer debt for Barrhead Housing Association Ltd was £2,146,652.

The SFHA Scheme is a multi—employer defined benefit scheme. The Scheme offers three benefit structures to employers, namely:

Final Salary with a 1/60<sup>th</sup> accrual rate.

Career average revalued earnings with a 1/60<sup>th</sup> accrual rate.

Career average revalued earnings with a 1/70<sup>th</sup> accrual rate.

An employer can elect to operate different benefit structures for their active members (as at the first day of April in any given year) and their new entrants. An employer can only operate one open benefit structure at any given time. An open benefit structure is the one which new entrants are able to join.

Barrhead Housing Association Limited has elected to continue to operate the final salary with 1/60<sup>th</sup> accrual rate benefit structure for active members as at 1 April 2009 and the same benefit structure for new entrants.

During the accounting period Barrhead Housing Association limited paid contributions at the rate of 15.4% of pensionable salaries. Members contributions were 7.7%.

As at the balance sheet date there were 13 active members of the scheme employed by Barrhead Housing Association Limited. The annual pensionable payroll in respect of these members was £400,814.



**BARRHEAD HOUSING ASSOCIATION LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**AS AT 31 MARCH 2010**

**(Continued)**

**11. Employees Pensions (contd.)**

The financial assumptions underlying the valuation as at 30 September 2006 were as follows:

| <b>2006</b> | <b>Valuation assumptions</b>   | <b>% pa</b> |
|-------------|--|-------------|
| -           | Investment return pre-retirement   | 7.2         |
| -           | Investment return post retirement  | 4.9         |
| -           | Rate of salary increases   | 4.6         |
|             | <b>Rate of pension increases</b>   |             |
|             | pension accrued pre 6 April 2005   | 2.6         |
|             | pension accrued from 6 April 2005<br>(for leavers before 1 October 1993<br>pension increases are 5.0%) | 2.25        |
| -           | Rate of price inflation  | 2.6         |

|                  |                 |
|------------------|-----------------|
| Mortality Tables |                 |
| Non-pensioners   | PA92C2025 short |
| Pensioners       | PA92C2013 short |

The long-term joint contribution rates required from employers and members to meet the cost of *future* benefit accrual were assessed as:

| Benefit structure                         | Long-term joint contribution rate<br>(% of pensionable salaries per annum) |
|---|--|
| Final salary 60ths                        | 17.8   |
| Career average 60ths                      | 14.6   |
| Career average 70ths                      | 12.6   |
| Additional rate for deficit contributions | 5.3  |

**BARRHEAD HOUSING ASSOCIATION LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**AS AT 31 MARCH 2010**

**(Continued)**

**12. Share Capital**

|                                    | 2010       | 2009       |
|------------------------------------|------------|------------|
|                                    | £          | £          |
| Shares of £1 fully paid and issued |            |            |
| At 1 April 2009                    | 300        | 285        |
| Shares issued during year          | 25         | 27         |
| Shares cancelled in year           | (151)      | (12)       |
|                                    | <u>174</u> | <u>300</u> |
| At 31 March 2010                   |            |            |

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.

**13. Notes to the Cash Flow Statement**

|  | 2010                | 2009                |
|--|---------------------|---------------------|
|  | £                   | £                   |
| (a) Reconciliation of surplus to net cash inflow from operating activities |                     |                     |
| Surplus for year   | 219,175             | 89,610              |
| Net interest payable   | 342,350             | 483,450             |
| Operating surplus for the year excluding interest and tax payable          | <u>561,525</u>      | <u>573,060</u>      |
| Depreciation   | 296,071             | 225,281             |
| Gain on sale of fixed assets   | 27,223              | 2,540               |
| Shares cancelled   | (151)               | (12)                |
| Decrease/(Increase) in debtors   | 3,190,725           | (2,553,688)         |
| (Decrease)/Increase in creditors   | <u>(1,229,513)</u>  | <u>1,448,190</u>    |
|  | <u>2,845,880</u>    | <u>(304,629)</u>    |
| (b) Reconciliation of net cash flow to movement in net debt                |                     |                     |
| Increase/(Decrease) in cash for the year                                   | 1,018,450           | (161,432)           |
| Loans received   | (2,743,000)         | (1,628,998)         |
| Loan repayments  | 268,089             | 201,818             |
|  | <u>(1,456,461)</u>  | <u>(1,588,612)</u>  |
| Change in net debt   |                     |                     |
| Net debt as at 31 March 2009   | <u>(10,217,715)</u> | <u>(8,629,103)</u>  |
| Net debt as at 31 March 2010   | <u>(11,674,176)</u> | <u>(10,217,715)</u> |

**BARRHEAD HOUSING ASSOCIATION LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**AS AT 31 MARCH 2010**

**(Continued)**

**13. Notes to the Cash Flow Statement (contd.)**

Analysis of Changes in net debt

|                          | As at<br>1 April 2009<br>£ | Cash<br>Flow<br>£  | Other<br>Changes<br>£ | As at<br>31 March 2010<br>£ |
|--------------------------|----------------------------|--------------------|-----------------------|-----------------------------|
| Cash at bank and in hand | 801,918                    | 1,018,450          | -                     | 1,820,368                   |
| Debt due within one year | (289,202)                  | 268,089            | (268,582)             | (289,695)                   |
| Debt due after one year  | (10,730,431)               | (2,743,000)        | 268,582               | (13,204,849)                |
|                          | <u>(10,217,715)</u>        | <u>(1,456,461)</u> | -                     | <u>(11,674,176)</u>         |

**14. Capital Commitments**

|   | 2010<br>£ | 2009<br>£        |
|---|-----------|------------------|
| Expenditure authorised by the Committee of Management contracted less certified | -         | 8,190,000        |
| Expenditure authorised by the Committee of Management not contracted            | -         | -                |
|   | <u>-</u>  | <u>8,190,000</u> |

The amount contracted for at 31 March 2009 was funded from grants approved by the Scottish Government, financed from private finance and met from association's reserves.

**15. Contingent Liabilities**

**Pensions**

Barrhead Housing Association has been notified by the Pensions Trust of the estimated employer debt on withdrawal from the Scheme based on the financial position of the Scheme as at 30<sup>th</sup> September 2009. As of this date the estimated employer debt for Barrhead Housing Association was £2,146,652. The Association has no current plans to withdraw from the scheme.

At 31 March 2010 the Association had no other contingent liabilities (2009 -£Nil).

**16. Housing Stock**

|  | 2010<br>£  | 2009<br>£  |
|--|------------|------------|
| The number of units in Management at 31 March was as follows |            |            |
| General Needs - Rehabilitation                               | 305        | 301        |
| General Needs - New Build                                    | 532        | 443        |
|  | <u>837</u> | <u>744</u> |
| Supported Accommodation                                      | 12         | 12         |
| Shared Ownership   | 19         | 20         |
|  | <u>868</u> | <u>776</u> |

**BARRHEAD HOUSING ASSOCIATION LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**AS AT 31 MARCH 2010**

**(Continued)**

**17. Auditors' Remuneration**

|  | <b>2010</b>  | <b>2009</b>  |
|--|--------------|--------------|
|  | <b>£</b>     | <b>£</b>     |
| The remuneration of the auditors (including expenses and excluding VAT for the year) | 6,240        | 5,366        |
| Remuneration of the auditors in respect of services other than those of auditors     | -            | -            |
|  | <u>6,240</u> | <u>5,366</u> |

**18. Average Tenancy Rents**

|  | <b>2010</b>  | <b>2009</b>  |
|--|--------------|--------------|
|  | <b>£</b>     | <b>£</b>     |
| Average annual tenancy rent for non-controlled housing accommodation | <u>3,387</u> | <u>3,268</u> |
| Number of non-controlled tenancies                                   | <u>868</u>   | <u>776</u>   |
| Percentage increase from previous year                               | <u>3.6%</u>  | <u>5.1%</u>  |

**19. Related Parties**

Various members of the Committee are tenants of the Association. The terms applicable to them are the same as applicable to all of the tenants. Councillor Danny Devlin served on the Management Committee during the year. He is a councillor with East Renfrewshire Council. Any transactions with East Renfrewshire Council are made at arm's length, on normal commercial terms and Councillor Devlin cannot use his position to his advantage

**20. Stock Transfer**

The Association purchased stock from Communities Scotland during 2001/02. The purchase price for the stock was calculated in accordance with a 30 year discounted cash flow model. During the year any contractual obligations terminated.