



Perthshire Housing Association Ltd

## **ANNUAL ACCOUNTS 2010/2011**

Registered with The Scottish Housing Regulator Reg. No. HEP 224  
and having Charitable Status SCO13988  
Registered as an Industrial Provident Society Reg. No. 2343 R (S)



INVESTOR IN PEOPLE

**PERTSHIRE HOUSING ASSOCIATION LTD**

**REPORT AND ACCOUNTS**

**YEAR ENDED 31 MARCH 2011**

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## PERTSHIRE HOUSING ASSOCIATION LTD

### MANAGEMENT BOARD

The Management Board, who held office during the year, each with an interest of a £1 fully paid share in the Association, were as follows:

#### BOARD MEMBERS

		As At 31/03/11	
Mr Ian McMillan	Chair	Yes	
Mr John McLaren	Vice-Chair	Yes	
*Mr Robin Grant	Treasurer	Yes	
*Mr Andrew Mackie	Secretary	Yes	
Mr Tom Band		Yes	
Mr Mike Cheesewright		Yes	
Mr Alan Donald		Yes	
Mr James Ferguson		No	Resigned 31 August 2010
Mrs Elizabeth Brown		Yes	
*Mrs Penny Coburn		Yes	
Mr William Miller		Yes	
Mr Andrew Flockhart		Yes	
Mr David Grant		Yes	Appointed 31 August 2010
Mr Michael Gallagher		No	Resigned 31 August 2010
Mrs Kay Mechri		Yes	Co-opted 31 August 2010
Mr Gavin Stewart		Yes	Co-opted 31 August 2010

\*Re-appointed at AGM on 31 August 2010

As at 31 March 2011, 2 members of the Management Board (2010 - 2) were also tenants/sharing owners of the Association. Both held standard Scottish Secure Tenancies or Exclusive Occupancy Agreements.

### CHIEF EXECUTIVE

John Kernahan

### REGISTERED OFFICE

5 South St Johns Place  
Perth PH1 5SU

### BANKERS

The Royal Bank of Scotland PLC  
12 Dunkeld Road  
Perth PH1 5RB

### SOLICITORS

McCash & Hunter  
25 South Methven Street  
Perth PH1 5ES

Miller Gerrard  
13 High Street  
Blairgowrie PH10 6ET

### AUDITORS

Findlay & Company  
11 Dudhope Terrace  
Dundee DD3 6TS

## **PERTSHIRE HOUSING ASSOCIATION LTD**

### **REPORT OF THE MANAGEMENT BOARD**

The Management Board has pleasure in presenting their report and the audited Financial Statements for the year ended 31 March 2011.

### **THE MANAGEMENT BOARD AND CHIEF EXECUTIVE**

Each member of the Management Board holds one fully paid share of £1 in the Association. The Chief Executive of the Association holds no interest in the Association's share capital and although not having the legal status of Director, he acts as Chief Executive within the authority delegated by the Board. The members of the Management Board are unpaid.

The governance arrangements include a Management Board with additional Committees for Audit, Finance & Strategy, Customer Services and Development.

### **STATEMENT OF MANAGEMENT BOARD'S RESPONSIBILITIES**

Housing association legislation requires the Management Board to prepare Financial Statements for each financial year which gives a true and fair view of the state of affairs of the Association and of the income and expenditure of the Association for that period. In preparing those Financial Statements, the Management Board are required to:

- i) Select suitable accounting policies and then apply them consistently.
- ii) Make judgements and estimates that are reasonable and prudent.
- iii) State whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the Financial Statements.
- iv) Prepare the Financial Statements on a going concern basis unless it is inappropriate to presume that the Association will continue in business.

The Management Board is 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 Financial Statements comply with the Industrial and Provident Societies Acts 1965 to 2002, the Housing Scotland Act 2010 and the Registered Social Landlords Accounting Requirements (Scotland) Order 2007. 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.

### **STATEMENT ON INTERNAL FINANCIAL CONTROLS**

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

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

It is the Management Board'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:

- (i) 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.
- (ii) Experienced and suitably qualified staff take responsibility for important business functions. The Association has Investors in People (IIP) accreditation and appraisal procedures along with training & development programmes are in place to maintain standards of performance.

## **PERTSHIRE HOUSING ASSOCIATION LTD**

- (iii) Cash flow forecasts and budgets are prepared which allow the Board and management to monitor the key financial risks with quarterly management accounts prepared promptly, providing relevant, reliable and up-to-date financial and other information. Significant variances from budgets are investigated as appropriate. Long term financial plans were considered by the Finance and Strategy Committee in November 2009 and further reviewed during 2010. This demonstrates forward planning and reported on a sound and viable financial position.
- (iv) All significant new initiatives, major commitments and investment projects are subject to formal appraisal techniques and authorisation procedures, through the Management Board.
- (v) The Audit Committee has the responsibility of reviewing the internal financial and other controls of the Association and will review reports from management, from the internal auditors and from the external auditors.
- (vi) Formal procedures have been established for instituting appropriate action to correct weaknesses identified from the above reports.

The Management Board has reviewed the effectiveness of the system of internal financial control in existence in the Association for the year ended 31 March 2011 and until 30 June 2011. 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 auditor's report on the Financial Statements.

In so far as the Board 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 Board members have taken all the steps that they ought to have taken to make themselves aware of the relevant audit information and to establish that the Association's auditors are aware of that information.

### **PRINCIPAL ACTIVITY**

The principal activity of the Association is the provision and management of good quality homes for people in need at an affordable cost for rent, shared ownership and shared equity.

### **REVIEW OF BUSINESS AND FUTURE DEVELOPMENTS**

The Association remains dedicated to offering housing solutions to households in need by building, managing and maintaining a range of affordable housing. The Association continues to grow and during the year completed 71 new rental properties, purchased 18 newly built properties for rent and purchased 4 properties through the mortgage to rent scheme. One property was sold outright through the shared ownership scheme. The total number of housing units in management as at 31 March 2011 is 1,769 units.

Significant changes in the business environment and the Scottish Housing Association sector in recent years have forced the Association to examine the best ways of continuing to meet its objectives, and during 2010 the Association entered into formal negotiations with Servite Housing Association to explore the benefits of a constitutional merger. Following the outcome of an Options Appraisal it was agreed to proceed with a merger of the two organisations, with an anticipated merger date of 1<sup>st</sup> October 2011.

A Joint Business Plan has been produced which lays out our plans for the future, along with the key benefits of proceeding with the merger. These include economies of scale, one-off cost savings, procurement efficiencies and further improvements in service standards, as well as the ability to continue developing in an increasingly challenging financial environment. We have defined our strategic objectives and set out a series of key actions across the operation to assist in achieving these objectives.

We continue to promote tenant and customer involvement and participation through regular resident's panel meetings, tenant group meetings, viewfinders panel and surveys and annual Residents Conference. Similarly, a Staff Consultative Forum meets quarterly providing a forum for management and staff to discuss and debate issues relating to the running of the Association's business. The Staff Consultative Forum arrangements are compliant with the Information and Consultation of Employees Regulations 2004. Both the tenants' and staff organisations remain fully involved in the ongoing discussions over the future of the Association.



## **PERTSHIRE HOUSING ASSOCIATION LTD**

### **FINANCIAL REVIEW**

The surplus for the year before transfers to and from Designated Reserves was £822,618. The amount retained in the Revenue Reserve was £279,026. This was after making net transfers to Designated Reserves for future planned maintenance and in support of development activity of £543,592. Income from Lettings has increased by reflecting growth in housing stock and general inflation increase in our income. Net Assets have increased by £822,612. The Management Board is satisfied with the overall financial performance of the Association.

### **TREASURY MANAGEMENT**

There is a comprehensive Treasury Management Strategy and Policy in place. The main aim of the Strategy is to control the borrowing and investment activity risks to the Association. At 31 March 2011, the Association has a balance of fixed and variable rate finance funding which was agreed by the Finance & Strategy Committee on 18 November 2010 and which it considers appropriate at this time. The Weighted Average Cost of Capital (WACC) as at 31 March 2011 was 3.77%, which is below average for the social housing sector at this time.

### **RENTAL INCOME**

The Association's Rent Policy for existing properties is a points system based on the size, type and facilities of accommodation allowing a structure for the administration of a wide variation of properties. The points value is reviewed annually to ensure the rents cover the required costs. The policy follows the generally accepted principles of the social housing sector. For properties completed from April 2011, the Scottish Government's standard rents will be applied.

### **CREDIT PAYMENT POLICY**

The Association's policy concerning the payment of its trade creditors complies with the Confederation of British Industry guidelines.

### **MAINTENANCE POLICY**

The Association seeks to maintain its properties to a high standard. To this end, programmes of cyclical and planned maintenance are carried out in the medium term to deal with the gradual and predictable deterioration of building components. In order to comply with Financial Reporting Standard (FRS) 15, all future component replacements will be capitalised then depreciated over their useful life.

### **RESERVES POLICIES**

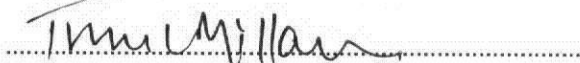
The Management Board has reviewed the Associations Reserves. This review encompassed the nature of the income and expenditure streams, the need to match income with commitments and the need to react to any unexpected and unplanned costs. The policy on Designated Reserves is laid out in the Notes to these Accounts under Accounting Policies.

### **AUDITORS**

A resolution to reappoint the Auditors, Findlay & Company, will be proposed at the Annual General Meeting to be held in September 2011.

### **APPROVAL**

The report of the Management Board was approved and signed by the Chair on 30 June 2011.

  
Mr Ian McMillan (Chair)

## **PERTSHIRE HOUSING ASSOCIATION LTD**

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

We have audited the Financial Statements of Perthshire 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 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 THE BOARD AND THE AUDITOR**

As explained more fully in the Statement of Board's Responsibilities set out on page 4, the board is responsible for the preparation of 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 applicable law and International Standards on Auditing (UK and 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 board; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Report of the Management Board 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.

## **PERTSHIRE HOUSING ASSOCIATION LTD**

### **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.



ALEXANDER SQUIRES, CA (SENIOR STATUTORY AUDITOR)  
For and on behalf of  
FINDLAY & COMPANY  
CHARTERED ACCOUNTANTS & STATUTORY AUDITORS  
11 DUDHOPE TERRACE  
DUNDEE, DD3 6TS  
30 JUNE 2011



## **PERTSHIRE HOUSING ASSOCIATION LTD**

### **REPORT BY THE AUDITORS ON CORPORATE GOVERNANCE MATTERS**

In addition to our audit of the Financial Statements, we have reviewed the Management Board's statement on internal controls set out on pages 4 and 5. The object of our review is to draw attention to any non-compliance with SFHA's publication "Raising Standard 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 Association's system of internal financial control or its corporate governance procedures.

With respect to the statements on internal control on pages 4 and 5, in our opinion, the Management Board have provided the disclosures required by Raising Standard 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 Management Board members and officers of the Association, and examination of relevant documents, in our opinion, the Management Board's statement on pages 4 and 5 appropriately reflects the Association's compliance with the information required by the section on internal financial control within the SFHA's publication Raising Standard in Housing.



ALEXANDER SQUIRES, CA (SENIOR STATUTORY AUDITOR)  
For and on behalf of  
FINDLAY & COMPANY  
CHARTERED ACCOUNTANTS & STATUTORY AUDITORS  
11 DUDHOPE TERRACE  
DUNDEE, DD3 6TS  
30 JUNE 2011

**PERTSHIRE HOUSING ASSOCIATION LTD**  
**INCOME AND EXPENDITURE ACCOUNT**  
**FOR YEAR ENDED 31 MARCH 2011**

	Notes	31 March 2011 £	31 March 2010 £
<b>TURNOVER</b>			
Income from Lettings	1 and 2	5,207,254	4,876,142
Other Activities	1 and 3	<u>342,854</u>	<u>3,197,865</u>
		5,550,108	8,074,007
Less: Operating Costs	2 and 3	<u>(3,774,201)</u>	<u>(6,673,193)</u>
<b>OPERATING SURPLUS</b>	7	1,775,907	1,400,814
Gain (loss) on Sale of Properties	4	(17,183)	174,874
Interest Receivable		15,886	3,384
Interest Payable		<u>(951,992)</u>	<u>(975,433)</u>
<b>SURPLUS ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		822,618	603,639
Taxation on Surplus on Ordinary Activities	19	<u>-</u>	<u>-</u>
<b>SURPLUS FOR THE YEAR</b>		<u><u>822,618</u></u>	<u><u>603,639</u></u>

In each of the years ended 31 March 2010 and 2011 the only gain or loss recognised by the Association was the surplus or deficit for the year. All of the activities undertaken by the Association were continuing activities and the reported surplus or deficit was determined under the historical cost convention.

The notes on pages 14 - 27 form part of these Financial Statements.

**PERTSHIRE HOUSING ASSOCIATION LTD**  
**BALANCE SHEET**  
**AS AT 31 MARCH 2011**

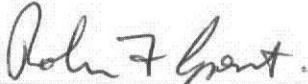
	Notes	31 March 2011 £	31 March 2010 £
<b>TANGIBLE FIXED ASSETS</b>			
Housing Properties - Gross Cost		113,412,663	106,027,496
Less: HAG		(76,337,222)	(72,702,929)
Less: Other Capital Grants		(5,138,465)	(5,100,232)
Less: Property Depreciation & Impairment		<u>(1,051,246)</u>	<u>(918,336)</u>
	8	30,885,730	27,305,999
Fixed Asset Investments		1,268,034	1,268,034
Less: Homestake Grant		<u>(1,268,034)</u>	<u>(1,268,034)</u>
		-	-
Other Fixed Assets	9	<u>485,739</u>	<u>514,603</u>
		31,371,469	27,820,602
<b>CURRENT ASSETS</b>			
Investments	10	1,000,000	550,000
Stock and Work in Progress	11	157,022	-
Debtors	12	1,407,834	1,549,100
Cash at Bank & in Hand		<u>522,875</u>	<u>1,156,900</u>
		<u>3,087,731</u>	<u>3,256,000</u>
<b>CURRENT LIABILITIES</b>			
Amounts falling due within one year:	13	<u>(1,719,128)</u>	<u>(2,111,508)</u>
<b>NET CURRENT ASSETS</b>			
		<u>1,368,603</u>	<u>1,144,492</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			
		32,740,072	28,965,094
<b>LONG TERM LIABILITIES</b>			
Amounts falling due after more than one year	14	(24,813,706)	(22,023,340)
<b>PROVISIONS FOR LIABILITIES AND CHARGES</b>			
Restructuring Provision	15	<u>(162,000)</u>	<u>-</u>
<b>NET ASSETS</b>			
		<u>7,764,366</u>	<u>6,941,754</u>
Financed by:-			
<b>CAPITAL AND RESERVES</b>			
Called up Share Capital	18	82	88
Revenue Reserves	20	1,691,811	1,412,785
Designated Reserves	21	6,072,473	5,528,881
		<u>7,764,366</u>	<u>6,941,754</u>

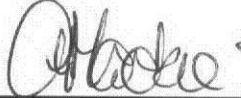
The notes on pages 14 - 27 form part of these Financial Statements.

**PERTSHIRE HOUSING ASSOCIATION LTD**  
**BALANCE SHEET**  
**AS AT 31 MARCH 2011**

The Financial Statements on pages 10 - 27 were approved by the Management Board on 30 June 2011 and were signed on its behalf by:

CHAIRMAN   
MR TAN McMILLAN

TREASURER   
MR ROBIN GRANT

SECRETARY   
MR ANDREW MACKIE

**PERTSHIRE HOUSING ASSOCIATION LIMITED**  
**CASHFLOW STATEMENT**  
**FOR THE YEAR ENDED 31 MARCH 2011**

	Notes	31 March 2011 £	31 March 2010 £
<b>RECONCILIATION OF OPERATING SURPLUS TO NET CASH INFLOW FROM OPERATING ACTIVITIES</b>			
Operating Surplus		1,775,907	1,400,814
Add Depreciation and Impairment		186,270	178,110
(Increase)/Decrease in Debtors		51,657	828,252
Increase/(Decrease) in Creditors		(280,387)	(145,243)
<b>NET CASH INFLOW FROM OPERATING ACTIVITIES</b>		<b>1,733,447</b>	<b>2,261,933</b>
<b>CASHFLOW STATEMENT</b>			
	26		
Net Cash Inflow from Operating Activities		1,733,447	2,261,933
Returns on Investment & Servicing of Finance		(936,106)	(972,049)
Capital Expenditure		(3,821,726)	(1,975,168)
Financing		2,840,360	2,008,665
<b>INCREASE IN CASH</b>		<b>(184,025)</b>	<b>1,323,381</b>
<b>RECONCILIATION OF NET CASHFLOW TO MOVEMENT IN NET DEBT</b>			
Increase in Cash in Year		(184,025)	1,323,381
Cash Inflow from Increase in Debt		(2,840,366)	(2,008,664)
		(3,024,391)	(685,283)
NET DEBT AT 1 APRIL 2010	27	(21,066,440)	(20,381,157)
NET DEBT AT 31 MARCH 2011		(24,090,831)	(21,066,440)



**PERTSHIRE HOUSING ASSOCIATION LTD  
ACCOUNTING POLICIES ON THE ACCOUNTS  
FOR YEAR ENDED 31 MARCH 2011**

**(a) LEGAL STATUS**

The Association is registered under the Industrial and Provident Societies Act 1965 and is registered with The Scottish Government as a Registered Social Landlord. It is also a registered Scottish Charity.

**(b) PRINCIPAL ACCOUNTING POLICIES**

The principal accounting policies of the Association are set out in paragraphs (c) to (l) below. These Financial Statements are prepared in compliance with the Industrial and Provident Societies Acts 1965 to 2002, the Housing (Scotland) Act 2001, the Registered Social Landlords Accountancy Requirements (Scotland) Order 2007 and Statement of Recommended Practice; Accounting by Registered Social Landlords 2008 and under the historical cost convention.

**(c) FINANCE**

The Financial Statements have been prepared on the basis that the capital expenditure referred to in Note 8 will be grant aided, funded by loan contribution from other organisations, or met out of the reserves of the Association.

**(d) MORTGAGES**

Mortgage loans are advanced by private lenders, under the terms of mortgage deeds in respect of housing schemes. Advances are in respect of those developments, which have been given approval for Housing Association Grant (HAG) by The Scottish Government.

**(e) HOUSING ASSOCIATION GRANTS**

Housing Association Grant is awarded by The Scottish Government and is 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 costs (Note 1(f)) of the scheme in accordance with instructions issued from time to time by the Scottish Government.

HAG is paid directly to the Association when available to meet the HAG eligible share of the costs mainly during the development phase.

HAG is repayable under certain circumstances, primarily following sale of property, but will normally be restricted to net proceeds of sale.

**(f) FIXED ASSETS - HOUSING PROPERTIES (NOTE 8)**

Housing properties are stated at cost. The development cost of housing properties funded with HAG includes the following:

- (i) Cost of acquiring land and buildings.
- (ii) Development expenditure.
- (iii) Interest charged on mortgage loans during project development.

These costs are termed "qualifying costs" by The Scottish Government for approved housing association grant schemes and are considered for mortgage loans by the relevant lending authorities.

All invoices and architect's certificates relating to capital expenditure incurred in the period at the net value including retentions are included in the Financial Statements for the year, provided that the dates of issue or valuation are prior to the year end.

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

**PERTSHIRE HOUSING ASSOCIATION LTD  
ACCOUNTING POLICIES ON THE ACCOUNTS  
FOR YEAR ENDED 31 MARCH 2011 (Cont.)**

Interest charged during development on the loans raised to finance the schemes is capitalised. This will normally occur after HAG has been claimed up to the agreed limit for that year.

**(g) (i) Housing Properties**

Housing properties owned by the Association are stated at cost less depreciation and impairment.

Depreciation is currently charged on all properties with the exception of shared ownership properties and land. Depreciation has been considered immaterial on shared ownership properties due to their high residual value. Depreciation has been calculated on all other properties after subtracting land value and HAG received on a straight-line basis over their estimated economic useful lives. As the useful economic lives are in excess of 50 years, FRS 11 requires impairment reviews to be carried out. This is done on an annual basis with any adjustments made as necessary.

From April 2011, the recently issued Statement of Recommended Practice (SORP) 2010 requires us to comply with FRS 15 in respect of tangible fixed assets, therefore the treatment of depreciation will change with effect from 1 April 2011.

**(ii) Shared Ownership Properties**

Properties constructed for shared ownership are part funded by the Scottish Government. On completion and prior to sale the estimated cost element relating to the first tranche sales is included in current assets as work-in-progress. When the first tranche is sold this cost element is taken to cost of sales within the Income and Expenditure account, along with any adjustment required relating to the actual percentage sold. Income from the first tranche sales is included within turnover. Subsequent sales are accounted for in Profit or Loss on sale of Fixed Assets.

**(iii) Homestake Properties**

Grant is received from The Scottish Government for the construction of properties under the 'Homestake' scheme. This grant is revenue grant and credited to other income. The cost of building these properties is also taken to the Income & Expenditure Account in the year of completion. Whilst under construction or awaiting the first sale the cost is recorded within current assets, and the corresponding grant is shown in creditors; amounts falling due within one year. For properties where the first sale has been concluded, the element of the property not sold and relating grant is held as a Fixed Asset Investment and shown in the Balance Sheet.

**(iv) Shared Equity Properties**

These differ from Homestake Properties in that there is no security held by the Association. As such these are treated differently within the accounts. Whilst under construction or unsold the costs are held in the Current Assets as Shared Equity for sale. The corresponding grant is held in Current Liabilities as Shared Equity grant. At time of sale income goes through turnover and costs through cost of sale.

**(v) Other Fixed Assets (Note 9)**

Depreciation on other fixed assets is provided at the following rates:

Office Fixtures & Fittings & CHP System	-	10% straight line or over lease term
Computer Equipment	-	25% straight line
Furniture & Equipment	-	20% straight line
Motor Vehicles	-	25% reducing balance

**PERTSHIRE HOUSING ASSOCIATION LTD  
ACCOUNTING POLICIES ON THE ACCOUNTS  
FOR YEAR ENDED 31 MARCH 2011 (Cont.)**

**(vi) Office Premises**

Depreciation has been provided on the office fixtures & fittings. No provision is made on the office premises, land and buildings due to the length of the remaining useful life and high residual value. The premises are considered to have a useful life of at least 50 years and at the present time it cannot be envisaged that with an on-going maintenance and improvements programme the premises will have reached the stage where it is no longer economic to maintain them.

The premises however are reviewed annually for impairment in line with the accounting requirements and any adjustment made if necessary.

**(h) Stock and Work in Progress (Note 11)**

Stocks and work in progress are stated at the lower of cost and net realisable value. Developments in progress for other Associations are included in WIP at cost, net of any related HAG. Shared Ownership Development costs for estimated first tranche sales are included in WIP.

**(i) Reserve for Future Planned Maintenance (Note 21)**

This Reserve is based on the Association's liability to maintain the properties in accordance with a planned programme of works, provided for to the extent that it will not be met from revenue in the year in which it is incurred. The actual cost of such repairs is charged annually to the Income & Expenditure Account. The movement in the Association's liability for such repairs over the year is reflected as a movement into Designated Reserves.

**(j) Development Reserve (Note 21)**

This Reserve is based on the Association's ability to continue to support the development activity in future years. An element of the surplus for the year is designated to this Reserve to alleviate the risk of any significant future development costs in excess of those specially covered by source of income adversely affecting the Revenue Reserve.

**(k) Turnover**

Turnover represents rental and service charge income, income from the sale of land and properties, revenue grants and other sundry income.

**(l) Pension**

The Association operates a defined benefit pension scheme, the cost of which is written off on an accruals basis. The assets of the scheme are held separately from those of the Association in an independently administered fund.

**(m) Leases (Note 23)**

Rentals payable under operating leases are charged against income on a straight line basis over the lease term.

**PERTSHIRE HOUSING ASSOCIATION LTD**  
**NOTES TO THE ACCOUNTS**  
**FOR THE YEAR ENDED 31 MARCH 2011**

**1. PARTICULARS OF TURNOVER, OPERATING COSTS AND OPERATING SURPLUS OR DEFICIT**

				31 March 2011		31 March 2010
	Note	Turnover £	Operating Costs £	Operating Surplus £	Turnover £	Operating Surplus £
INCOME & EXPENDITURE FROM LETTINGS						
Housing Accommodation General Needs		4,739,957	(3,190,561)	1,549,396	4,427,474	1,208,577
Shared Ownership Accommodation		467,297	(292,078)	175,219	448,668	189,051
	2	<u>5,207,254</u>	<u>(3,482,639)</u>	<u>1,724,615</u>	<u>4,876,142</u>	<u>1,397,628</u>
OTHER ACTIVITIES	3	<u>342,854</u>	<u>(291,562)</u>	<u>51,292</u>	<u>3,197,865</u>	<u>3,186</u>
TOTAL		<u>5,550,108</u>	<u>(3,774,201)</u>	<u>1,775,907</u>	<u>8,074,007</u>	<u>1,400,814</u>

**2. PARTICULARS OF TURNOVER, OPERATING COSTS & OPERATING SURPLUS OR DEFICIT FROM SOCIAL LETTING ACTIVITIES**

	General Needs Accommodation £	Shared Ownership Accommodation £	31 March 2011 Total £	31 March 2010 Total £
<b>INCOME FROM LETTING ACTIVITIES</b>				
Rent Receivable net of Identifiable Service Charges	4,330,204	400,733	4,730,937	4,464,182
Service Charges	302,288	66,071	368,359	343,423
<b>GROSS RENTS RECEIVABLE</b>	<u>4,632,492</u>	<u>466,804</u>	<u>5,099,296</u>	<u>4,807,605</u>
Less: Rent Losses from Voids	(12,763)	-	(12,763)	(26,517)
<b>NET RENTS RECEIVABLE</b>	<u>4,619,729</u>	<u>466,804</u>	<u>5,086,533</u>	<u>4,781,088</u>
Grants from Scottish Ministers	-	-	-	-
Revenue Grants from Scottish Government, Adaptations & Other Management Allowances	120,228	493	120,721	95,054
<b>Total Turnover from Social Letting Activities</b>	<u>4,739,957</u>	<u>467,297</u>	<u>5,207,254</u>	<u>4,876,142</u>
<b>EXPENDITURE ON LETTING ACTIVITIES</b>				
Service Costs	322,288	66,071	388,359	384,259
Management & Maintenance Staffing & Administration Costs	1,630,099	225,411	1,855,510	1,516,848
Reactive Maintenance Costs	602,051	-	602,051	604,797
Major Structural Repairs	(253,074)	-	(253,074)	400,000
Bad Debts- Rents & Service Charges	37,396	596	37,992	44,905
Planned Maintenance including Direct Management Time	718,891	-	718,891	263,855
Major Improvement Works met from Development Reserve	-	-	-	148,089
Property Depreciation of Social Housing	132,910	-	132,910	115,761
Property Impairment of Social Housing	-	-	-	-
<b>Operating Costs for Social Letting Activities</b>	<u>3,190,561</u>	<u>292,078</u>	<u>3,482,639</u>	<u>3,478,514</u>
<b>Operating Surplus on Social Letting Activities 2011</b>	<u>1,549,396</u>	<u>175,219</u>	<u>1,724,615</u>	<u>1,397,628</u>
<b>Operating Surplus on Social Letting Activities 2010</b>	<u>1,208,577</u>	<u>189,051</u>	<u>1,397,628</u>	

**PERTSHIRE HOUSING ASSOCIATION LTD**  
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**FOR THE YEAR ENDED 31 MARCH 2011**

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

	Grants from Scottish Ministers £	Other Revenue Grants £	Other Income £	Total Turnover £	Operating Costs £	Operating Surplus/ (Deficit) 31 March 2011 £	Turnover 31 March 2010 £	Operating Surplus/ (Deficit) 31 March 2010 £
Wider Role Activities	-	-	42,811	42,811	47,399	(4,588)	15,963	(55,097)
Care & Repair Projects	236,466	-	-	236,466	229,504	6,962	186,092	6,007
Factoring	-	-	-	-	-	-	-	-
Support Activities	-	-	-	-	-	-	-	-
Care Activities	-	-	-	-	-	-	-	-
Agency/Management Services	-	-	-	-	-	-	-	-
Shared Equity	-	-	-	-	-	-	2,933,279	-
Shared Ownership	-	-	-	-	-	-	-	-
Income from Office Lease	-	-	45,200	45,200	-	45,200	44,240	44,240
Other Activities	-	-	18,377	18,377	14,659	3,718	18,291	8,036
	<u>236,466</u>	<u>-</u>	<u>106,388</u>	<u>342,854</u>	<u>291,562</u>	<u>51,292</u>	<u>3,197,865</u>	<u>3,186</u>

**4. GAIN ON SALE OF PROPERTIES**

	Sales Proceeds £	Net of HAG Cost of Sales £	Gain 31 March 2011 £	Sales Proceeds 31 March 2010 £	Gain 31 March 2010 £
Sale under Development Agreement	-	-	-	412,404	-
Shared Ownership - 1st Tranche extra cost	(31,817)	-	(31,817)	480,502	55,027
Shared Ownership - Subsequent Tranches	14,634	-	14,634	295,000	119,847
	<u>(17,183)</u>	<u>-</u>	<u>(17,183)</u>	<u>1,187,906</u>	<u>174,874</u>



**PERTSHIRE HOUSING ASSOCIATION LTD**  
**NOTES TO THE ACCOUNTS**  
**FOR THE YEAR ENDED 31 MARCH 2011**

**5. DIRECTORS EMOLUMENTS**

	31 March 2011 £	31 March 2010 £
Total Emoluments (excluding pension contributions and benefits in kind)	<u>260,212</u>	<u>276,484</u>
The Emoluments (excluding pension contributions) of highest paid Director	77,984	75,550
Emoluments of the Directors for loss of office	<u>75,012</u>	<u>-</u>
	<u>152,996</u>	<u>75,550</u>

The Emoluments of the Directors exceeding £60,000 per annum (excluding pension contributions) were within the following ranges:

£60,001 to £70,000	1	1
£70,001 to £80,000	0	1
£150,001 to £160,000	1	0

Directors are defined to include the Chief Executive and any other person reporting directly to the Chief Executive or the Board. The Chief Executive was a member until the end of October 2010 of the Association's pension scheme described in Note 6, no enhanced or special terms applied to his membership and the Association does not contribute to any other pensions on his behalf. The Association's pension contributions for the Chief Executive in the year amounted to £6,420.

Included above is £75,012 for emoluments for loss of office. It should be noted that this amount has been recognised as a provision for restructuring costs in line with Note 15. This is a best estimate of the likely outcome should restructuring go ahead and does not at this point represent a legal obligation for payment.

**6. EMPLOYEE INFORMATION**

	31 March 2011	31 March 2010
<b>Full time equivalents number of employees during the year:</b>		
Office Staff (incl. Care & Repair Project)	39	36
Manual Workers	<u>8</u>	<u>8</u>
	47	44
Total number of employees at 31 March	52	52
<b>Employee costs during the year:</b>	£	£
Wages & Salaries	1,127,037	1,130,690
Social Security Costs	87,215	81,495
Pension Costs	151,076	151,499
Emoluments receivable for loss of office	<u>162,000</u>	<u>-</u>
	<u>1,527,328</u>	<u>1,363,684</u>

**PENSION:**

Perthshire Housing Association Ltd ("The Association") participates in the Scottish Housing Associations' Pension Scheme ("the scheme"). N.B. the scheme was formerly known as the SFHA Pension Scheme. The scheme is funded and is contracted-out of the State Pension scheme.

During the year, the Association elected to close the final salary scheme for active members and new members with effect from 31 March 11. As of 01 April 2011, existing members will transfer to a Career average re-valued earnings (CARE) scheme with a 1/60th accrual rate benefit structure and no new members will be permitted to join.

**PERTSHIRE HOUSING ASSOCIATION LTD**  
**NOTES TO THE ACCOUNTS**  
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**6. EMPLOYEE INFORMATION (Continued)**

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 FRS 17 represents the employer contributions 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.

During the accounting period the Association paid contributions at the rate of 15.4% of pensionable salaries. Member contributions were 7.7%. As at the balance sheet date there were 33 active members of the Scheme employed by the Association.

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 to liabilities of £160 million, equivalent to a past service funding level of 64.8%.

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%.

The key valuation assumptions used to determine the assets and liabilities of the SFHA Pension Scheme are:

2009 Valuation Assumptions		% pa
Investment return pre retirement		7.4
Investment return post retirement – Non-pensioners		4.6
Investment return post retirement – Pensioners		4.8
Rate of salary increases		4.5
Rate of pension increases accrued pre 6 April 2005 in excess of GMP		2.9
Rate of pension increases accrued post 6 April 2005 (For leavers before 1 October 1993 pension increases are 5.0%)		2.2
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 (Payable from 1 April 2011)		%
CARE 1/60ths – total contribution employers and members		17.1
Additional rate for deficit contributions*		10.4

\*Expressed in nominal pound terms (for each employer) increasing each 1 April in line with rate of salary increases assumption. Earnings as at 30 September 2009 are used as the reference point for calculating additional contributions.

If an actuarial valuation reveals a shortfall of assets compared to liabilities the Trustees must prepare a recovery plan setting out the steps to be taken to make up the shortfall. Following consideration of the results of the valuation at 2009 it was agreed that the shortfall of £160 million would be dealt with by splitting the contributions into past deficit and future contributions. With effect from 01 April 2011, the past service deficit contribution of 10.4% will be met by the employer, while the contribution for future service will now be split equally between employers and members.

**PERTSHIRE HOUSING ASSOCIATION LTD**  
**NOTES TO THE ACCOUNTS**  
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**6. EMPLOYEE INFORMATION (Continued)**

Following a change in legislation in September 2005, there is a potential debt on the employer that could be levied by the Trustee of the Scheme. The debt is due in the event of the employer ceasing to participate in the Scheme or the Scheme winding up. The debt for the Scheme as a whole is calculated by comparing the liabilities for the Scheme (calculated on a buyout basis i.e. the cost of securing benefits by purchasing annuity policies from an insurer, plus an allowance for expenses) with the assets of the Scheme. If the liabilities exceed assets there is a buy-out debt.

The leaving employer's share of the buy-out debt is the proportion of the Scheme's liability attributable to employment with the leaving employer compared to the total amount of the Scheme's liabilities (relating to employment with all the 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.

The Association 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 30 September 2010. As of this date the estimated employer debt for the Association was £4,059,373. This is shown in note 24 to these Financial Statements as a Contingent Liability.

**PERTSHIRE HOUSING ASSOCIATION LTD**  
**NOTES TO THE ACCOUNTS**  
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**7. OPERATING SURPLUS**

Operating Surplus is stated after charging / (crediting):-

	31 March 2011 £	31 March 2010 £
Depreciation of Housing Properties	132,910	115,761
Depreciation of Other Assets	53,360	62,349
Auditor's Remuneration:-		
- External Audit	10,350	6,933
- Accountancy & VAT related work	9,694	999
Amounts Paid under Operating Lease Contracts	60,000	58,657

**8. HOUSING PROPERTIES**

	Housing Properties Held for Letting £	Housing Properties under Construction £	Shared Ownership Properties £	Shared Ownership Properties under Construction £	31 March 2011 TOTAL £	31 March 2010 TOTAL £
<b>COST</b>						
At Beginning of Year	91,731,199	2,954,259	11,342,038	-	106,027,496	99,553,288
Additions During Year	2,751,442	4,854,555	-	301,441	7,907,438	8,363,948
Disposals During Year (S/O&RTB)	-	-	(38,802)	-	(38,802)	(1,889,740)
Transfer to Completed Schemes	6,308,023	(6,308,023)	31,817	(31,817)	-	-
Transfer to Current Asset	-	(416,063)	-	(67,406)	(483,469)	-
	<u>100,790,664</u>	<u>1,084,728</u>	<u>11,335,053</u>	<u>202,218</u>	<u>113,412,663</u>	<u>106,027,496</u>
<b>HOUSING ASSOC. GRANT</b>						
At Beginning of Year	62,350,957	1,757,740	8,594,232	-	72,702,929	69,161,042
Additions During Year	1,720,600	2,070,799	-	251,759	4,043,158	4,936,170
Disposals During Year(S/O & RTB)	-	-	(3,455)	-	(3,455)	(1,394,283)
Transfer to Completed Schemes	2,824,132	(2,824,132)	3,757	(3,757)	-	-
Transfer to Current Asset	-	(405,410)	-	-	(405,410)	-
	<u>66,895,689</u>	<u>598,997</u>	<u>8,594,534</u>	<u>248,002</u>	<u>76,337,222</u>	<u>72,702,929</u>
<b>OTHER CAPITAL GRANTS</b>						
At Beginning of Year	4,565,232	535,000	-	-	5,100,232	4,295,060
Additions During Year	-	38,233	-	-	38,233	805,172
Transfer to Completed Schemes	573,233	(573,233)	-	-	-	-
	<u>5,138,465</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,138,465</u>	<u>5,100,232</u>
<b>DEPRECIATION AND IMPAIRMENT</b>						
At Beginning of Year	918,336	-	-	-	918,336	802,575
Depreciation Charge During Year	132,910	-	-	-	132,910	115,761
Adjustment re Disposals	-	-	-	-	-	-
	<u>1,051,246</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,051,246</u>	<u>918,336</u>
<b>NET BOOK VALUE</b>						
At Beginning of Year	<u>23,896,674</u>	<u>661,519</u>	<u>2,747,806</u>	<u>-</u>	<u>27,305,999</u>	<u>25,294,611</u>
At End of Year	<u>27,705,264</u>	<u>485,731</u>	<u>2,740,519</u>	<u>(45,784)</u>	<u>30,885,730</u>	<u>27,305,999</u>

The total of environmental works capitalised during the year amounted to £24,357

The total of interest charges capitalised during the year amounted to £52,174



**PERTSHIRE HOUSING ASSOCIATION LTD**  
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**9. OTHER FIXED ASSETS**

	Office Premises £	Motor Vehicles £	Computer Equipment £	Furniture & Equipment £	31 March 2011 Total £	31 March 2010 Total £
<b>COST</b>						
At Beginning of Year	622,858	31,640	128,171	69,850	852,519	832,637
Additions During Year	19,945	-	6,036	1,306	27,287	26,948
Disposals During Year	-	(6,615)	(991)	-	(7,606)	(7,066)
	<u>642,803</u>	<u>25,025</u>	<u>133,216</u>	<u>71,156</u>	<u>872,200</u>	<u>852,519</u>
<b>DEPRECIATION</b>						
At Beginning of Year	154,084	18,291	103,089	62,452	337,916	278,578
Charge During Year	33,603	2,639	13,135	3,983	53,360	62,349
Disposals During Year	-	(3,824)	(991)	-	(4,815)	(3,011)
	<u>187,687</u>	<u>17,106</u>	<u>115,233</u>	<u>66,435</u>	<u>386,461</u>	<u>337,916</u>
<b>NET BOOK VALUE</b>						
At Beginning of Year	<u>468,774</u>	<u>13,349</u>	<u>25,082</u>	<u>7,398</u>	<u>514,603</u>	<u>554,059</u>
At End of Year	<u>455,116</u>	<u>7,919</u>	<u>17,983</u>	<u>4,721</u>	<u>485,739</u>	<u>514,603</u>

**10. INVESTMENTS**

	31 March 2011 £	31 March 2010 £
Money on Deposit	<u>1,000,000</u>	<u>550,000</u>

**11. STOCK AND WORK IN PROGRESS**

	31 March 2011 £	31 March 2010 £
Developments in progress for other Associations		
Cost	3,053,048	-
HAG	(2,963,432)	-
	<u>89,616</u>	<u>-</u>
Shared Ownership Construction – First tranche estimate	67,406	-
	<u>157,022</u>	<u>-</u>

**12. DEBTORS**

	£	£
Rental Debtors	214,327	148,211
Provision for Bad Debts	(29,000)	-
Housing Benefit Debtors	115,263	133,702
HAG Receivable	480,805	821,517
Other Debtors	581,213	368,696
Prepayments & Accrued Income	45,226	76,974
	<u>1,407,834</u>	<u>1,549,100</u>

The provision for bad debts has been calculated by providing for 100% of former tenant arrears.



**PERTSHIRE HOUSING ASSOCIATION LTD**  
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**13. CURRENT LIABILITIES: DUE WITHIN ONE YEAR**

	31 March 2011 £	31 March 2010 £
Trade Creditors	526,919	1,037,558
Other Creditors	199,370	178,690
Rental Prepayments	117,452	129,809
Accruals & Deferred Income	75,387	15,451
Bank Loans	800,000	750,000
	<u>1,719,128</u>	<u>2,111,508</u>

Loans are secured by specific charges on Association's properties.

**14. LONG TERM LIABILITIES: FALLING DUE AFTER MORE THAN ONE YEAR**

	31 March 2011 £	31 March 2010 £
Loans	<u>24,813,706</u>	<u>22,023,340</u>

Loans are secured by specific charges on the Association properties and repayable at varying rates of interest on installments due as follows:

	31 March 2011 £	31 March 2010 £
Between one and two years	850,000	750,000
Between two and five years	2,900,000	2,800,000
In five years or more	21,063,706	18,473,340
	<u>24,813,706</u>	<u>22,023,340</u>

**15. PROVISION FOR LIABILITIES AND CHARGES**

	01 April 2010 £	Transfer to/from provision £	31 March 2011 £
Restructuring Provision	<u>-</u>	<u>162,000</u>	<u>162,000</u>

Approval for the proposed merger with Servite Housing Association was granted in principle by the Housing Regulator prior to 31 March 2011. Provision has therefore been made for the anticipated staff restructuring costs relating to the merger. The costs are expected to be incurred at or around the proposed merger date of 1 October 2011.

**16. CAPITAL COMMITMENTS**

	31 March 2011 £	31 March 2010 £
Contracted less certified	691,377	7,616,439
Authorised by the Management Board but not contracted	1,762,037	-
	<u>2,453,414</u>	<u>7,616,439</u>

The total amount contracted for at 31 March 2011 relates to approved schemes for which HAG will be received or for which private finance has been arranged.

**PERTSHIRE HOUSING ASSOCIATION LTD**  
**NOTES TO THE ACCOUNTS**  
**FOR THE YEAR ENDED 31 MARCH 2011**

**17. PAYMENTS TO MEMBERS & MANAGEMENT BOARD MEMBERS**

	31 March 2011 £	31 March 2010 £
Fees, remuneration or expenses payable to members of the Association who were neither members of the Management Board, nor employees of the Association	609	530
Fees, remuneration or expenses payable to members of the Management Board of the Association who were neither officers nor employees of the Association	269	24
Fees, remuneration or expenses paid to officers of the Association who were not employees	-	242
Payments or gifts made, or benefits granted to the persons referred to in Schedule 7 of the Housing (Scotland) Act 2010	-	-

**18. SHARE CAPITAL**

	31 March 2011	31 March 2010
Shares of £1 each Fully Paid and Issued:		
At Beginning of Year	88	87
Shares Issued during Year	5	4
	93	91
Shares Cancelled during Year	(11)	(3)
At End of Year	82	88

Each member of the Association holds one share of £1 in the Association. These shares carry no rights to dividends or distributions on winding up. When a shareholder ceases to be a member the £1 paid becomes the property of the Association. Members are eligible to stand for election to the Board of Management and can vote for members at the Annual General Meeting.

**19. TAXATION**

The Association has charitable status for taxation purposes, being approved by the Inland Revenue in accordance with Section 505 of the Income and Corporation Taxes Act 1988.

**20. REVENUE RESERVES**

	£	31 March 2011 £	£	31 March 2010 £
At 1 April 2010		1,412,785		1,374,798
Surplus for the Year	822,618		603,639	
Net Transfer to Designated Reserves (See Note 21)	(543,592)		(565,652)	
Revenue Reserve Retained		279,026		37,987
As at 31 March 2011		1,691,811		1,412,785

**21. DESIGNATED RESERVES**

	Development Reserve £	Planned Maintenance Reserve £	Furniture Reserve £	Totals £
At 1 April 2010	238,686	5,186,979	103,216	5,528,881
Transfers to Reserves	250,000	1,003,485	39,617	1,293,102
Transfers from Reserves	-	(718,891)	(30,619)	(749,510)
As at 31 March 2011	488,686	5,471,573	112,214	6,072,473

**PERTSHIRE HOUSING ASSOCIATION LTD**  
**NOTES TO THE ACCOUNTS**  
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**22. ACCOMMODATION IN MANAGEMENT (UNITS)**

	31 March 2011	31 March 2010
<b>General Needs Housing Accommodation</b>		
As at 1 April 2010	1,436	1,374
Additions	93	62
Disposals	0	0
	<u>1,529</u>	<u>1,436</u>
<b>Shared Ownership Accommodation</b>		
As at 1 April 2010	241	233
Additions	0	12
Disposals	(1)	(4)
	<u>240</u>	<u>241</u>
<b>Supported Housing Accommodation</b>	<u>Nil</u>	<u>Nil</u>
<b>Total Units</b>	<u>1,769</u>	<u>1,677</u>

**23. FINANCIAL COMMITMENTS**

The Association has Annual Commitments under non-cancellable operating leases as follows:

	Land and Buildings 2011 £	2010 £
Between one and five years		
Annual Charge to 30/06/2012	<u>62,000</u>	<u>60,000</u>

Remaining at £62,000 for one year and increasing to £64,000 for remaining year.  
Expiry Date: 30/06/2014

**24. CONTINGENT LIABILITY**

The Association participates in a multi employer pension scheme. Should the Association leave the scheme, the amount of employer debt has been calculated as £4,059,373 as at 30 September 2010. At this time there is no intention to leave the scheme.

**25. RELATED PARTY TRANSACTIONS**

Some board members are also tenants of the Association. The tenancies are under normal tenancy agreements and arrears are pursued in the same manner as other tenancies.  
Some board members are employees of related local authorities and other related public or commercial entities. Any transactions with these related parties are made at arm's length, on normal commercial terms and board members cannot use their position to their advantage.

**PERTSHIRE HOUSING ASSOCIATION LTD**  
**NOTES TO THE ACCOUNTS**  
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**NOTES TO THE CASH FLOW STATEMENT**

		31 March 2011		31 March 2010
	£	£	£	£
<b>26. GROSS CASH FLOWS</b>				
Returns on Investments and Servicing of Finance:				
Interest Received	15,886		3,384	
Interest Paid	(951,992)		(975,433)	
		<u>(936,106)</u>		<u>(972,049)</u>
Capital Investment and Financial Investment:				
Payments to Acquire Tangible Fixed Assets	(7,907,438)		(8,363,948)	
Receipts from Sales of Tangible Fixed Assets	28,818		670,331	
Receipts from Sales of Other Fixed Assets	2,791		4,055	
Purchase of Other Fixed Assets	(27,288)		(26,948)	
Other Grants Received	38,233		805,172	
Net Capital Grants Received	4,043,158		4,936,170	
		<u>(3,821,726)</u>		<u>(1,975,168)</u>
Financing:				
Loans Received	3,631,533		2,558,131	
Loans Repaid	(791,167)		(549,467)	
Issue of Ordinary Share Capital	5		4	
Shares Cancelled	(11)		(3)	
		<u>2,840,360</u>		<u>2,008,665</u>

**27. ANALYSIS OF CHANGES IN NET DEBT**

	At 1 April 2010 £	Cash Flows £	Other Changes £	At 31 March 2011 £
Cash at Bank & in Hand	300	-	-	300
Short Term Investments	550,000	450,000	-	1,000,000
Bank Accounts	1,156,600	(634,025)	-	522,575
Bank Overdraft	-	-	-	-
Debt due within 1 year (note 13)	(750,000)	(50,000)	-	(800,000)
Debt due after 1 year (note 14)	(22,023,340)	(2,790,366)	-	(24,813,706)
Totals	<u>(21,066,440)</u>	<u>(3,024,391)</u>	<u>-</u>	<u>(24,090,831)</u>