

**CLOCH HOUSING ASSOCIATION LIMITED**

**Report and Financial Statements**

**For the year ended 31 March 2010**

**Registration information**

**Financial Services Authority**

**Industrial and Provident Societies 1965**  
**Registered number SP1893RS**

**The Scottish Housing Regulator**

**Housing (Scotland) Act 2001**  
**Registered number HEP91**

**Scottish Charity Number**

**SCO 13996**

**CLOCH HOUSING ASSOCIATION LIMITED**

**Report and Financial Statements**

**For the year ended 31 March 2010**

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**Members, Executives and Advisers**

**Committee of Management**

Frank McEntee	Chair
Catherine Maynard	Treasurer
Catherine Scott	Secretary
Isabel Carson	Vice-Chair
Harriet Scott	
Monica Sheekey	
Charles Brown	
Janet Stewart	
Jane Cheshire (App.April 09)	
Ann McGinty (App.Dec 09)	
Elaine Cannon (App.Oct 09)	

**Executive Officers**

Murray Richardson	Director (resigned 20 <sup>th</sup> June 2010)
Yvonne Browne	Financial Services Manager
John F Deasy	Housing Services Manager
Elaine McShane	Business Development Manager

**Registered Office**

6 Regent Street  
Greenock  
PA15 4PL

**Auditors**

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

**Bankers**

Clydesdale Bank plc  
100 West Blackhall Street  
Greenock  
PA15 1XR

**Solicitors**

Patten & Prentice  
2 Ardgowan Square  
Greenock  
PA16 8PP

Harper MacLeod  
The Ca'd'oro Building  
45 Gordon Street  
Glasgow G1 3PE

**Report of the Management Committee  
For the year ended 31 March 2010**

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

**Principal activities**

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

**Review of business and future activities**

Financial year 2009/2010 has been another extremely busy year for the Association in terms of its new build development programme. The Association completed three new build projects namely Maukinhill Phase 1 Carwood Street and Highholm Street creating 90 homes for affordable rent and 1 shared equity property.

The Association successfully secured over £12m in Housing Association grant funding from the Scottish Government to enable site starts at Maukinhill phase 2 (145 homes) and a second phase at Gibshill (25 properties)

In terms of its planned and cyclical programme the Association has spent over £1 million ensuring that our properties are maintained to the highest standard.

We also continue to demonstrate our commitment to wider role with our ongoing commitments to the Inverclyde Youthbuild project in conjunction with Action for children, Inverclyde Care and Repair and the Gibshill Residents Association.

**Changes in fixed assets**

Details of fixed assets are set out in note 9.

**The committee of management and executive officers**

The committee of management and executive officers of the Association are listed on page 1.

Each member of the committee of management holds one fully paid share of £1 in the Association. The executive officers of the Association hold no interest in the Association's share capital and although not having the legal status of directors they act as executives within the authority delegated by the committee.

**Report of the Management Committee  
For the year ended 31 March 2010**

**Internal Financial Controls**

The Committee is responsible for the Association's system of internal financial control, and has reviewed its effectiveness from information provided by management staff.

Any system can only provide reasonable and not absolute assurance against material mis-statement or loss.

The financial control system within the Association is fundamentally simple and appropriate to the size and complexity of the organisation. It includes a combination of regular review of financial results compared with an agreed budget and authorisation of all expenditure by senior staff and Committee. In addition a programme of internal audit reviews examines the operations of controls across all areas of activity on a cyclical basis.

**Statement of Committee's Responsibilities**

Housing association legislation requires the committee to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Association and of the income and expenditure of the Association for the year ended on that date. In preparing those financial statements the committee are required to:-

- Select suitable accounting policies and then apply them consistently;
- Make judgements and estimates that are reasonable and prudent;
- State whether applicable accounting standards have been followed subject to any material departures disclosed and explained in the financial statements;
- Prepare the financial statements on a going concern basis unless it is inappropriate to presume that the association will continue in business.

The committee is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the association.

The committee is also responsible for safeguarding the assets of the Association and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

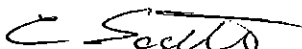
**Related Party Transactions**

Some members of the Management Committee are tenants. Their tenancies are on the Association's normal tenancy terms and they cannot use their positions to their advantage.

**Auditors**

A resolution to re-appoint Scott-Moncrieff, Chartered Accountants as auditors will be put to the members at the annual general meeting.

**By order of the committee**



Catherine Scott  
Secretary

Dated: 29<sup>th</sup> July 2010

**Report of the Auditors to the Members of Cloch Housing Association Limited**

We have audited the financial statements of Cloch Housing Association Limited for the year ended 31 March 2010 set out on pages 7 to 25. These financial statements have been prepared under the historical cost convention and the accounting policies set out on pages 12 to 14 and in accordance with the Statement of Recommended Practice (SORP) Accounting by Registered Social Landlords 2008.

This report is made solely to the Association's members as a body, in accordance with Section 9 of the Friendly and Industrial and Provident Societies Act 1968. Our audit work has been undertaken so that we might state to the Association's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Association and the Association's members as a body, for our audit work, for this report, or for the opinions we have formed.

**Respective responsibilities of the directors and auditors**

As described on page 3 the Association's Management Committee is responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Industrial and Provident Societies Act 1965 to 2002, Schedule 7 The Housing (Scotland) Act 2001, and the Registered Social Landlords Accounting Requirements (Scotland) Order 2007. We also report to you if, in our opinion, the Management Committee Report is not consistent with the financial statements, if the Association has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding management remuneration and transactions with the Association is not disclosed.

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

**Basis of Opinion**

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by management in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Association's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion, we also evaluated the overall adequacy of the presentation of information in the financial statements.

**Report of the Auditors to the Members of Cloch Housing Association Limited**

**Opinion**

In our opinion the financial statements give a true and fair view of the state of affairs of the association at 31 March 2010 and of its income and expenditure for the year then ended and have been properly prepared in accordance with the Industrial and Provident Societies Acts 1965 to 2002, Schedule 7 The Housing (Scotland) Act 2001, and the Registered Social Landlords Accounting Requirements (Scotland) Order 2007.

In addition, the information given in the Management Committee Report is consistent with the financial statements.



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

Dated: 29<sup>th</sup> July 2010

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

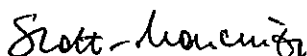
In addition to our audit of the Financial Statements, we have reviewed your Statement on page 3 concerning the Association's compliance with the paragraphs of the Internal Financial Control section within the SFHA's publication "Raising Standards in Housing". The objective of our review is to draw attention to non-compliance with those paragraphs of the Code, if not otherwise disclosed.

**Basis of Opinion**

We carried out our review having regard to Bulletin 2009/4 issued by the Auditing Practices Board. The Bulletin does not require us to perform the additional work necessary to, and we do not, express any opinion on the effectiveness of either the Association's system of internal financial control or its corporate governance procedures.

**Opinion**

In our opinion, your statement on internal financial control on page 3 has provided the disclosures required by the Internal Financial Control section within the SFHA's publication "Raising Standards in Housing" and is not inconsistent with the information which came to our attention as a result of our audit work on the Financial Statements.



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

Dated: 29<sup>th</sup> July 2010



**Income and Expenditure Account**  
**For the year ended 31 March 2010**

	Note	2010 £	2009 £
Turnover	2	4,836,533	4,403,826
Operating costs	2	4,043,614	3,660,039
<b>Operating surplus</b>	2	792,919	743,787
(Loss)/Gain on disposal of fixed assets		(5,135)	9,045
Interest receivable and other income	5	2,005	20,683
Interest payable and similar charges	6	(446,143)	(627,944)
<b>Surplus on ordinary activities</b>		<u>343,646</u>	<u>145,571</u>

The results for the year relate wholly to continuing activities.

The Association has no recognised gains and losses other than those included in the results above and therefore no separate statement of total recognised gains and losses has been presented.

There is no material difference between the surplus on ordinary activities for the year stated above and its historical cost equivalent.

**Balance Sheet**  
**As at 31 March 2010**

		2010 £	2009 £
<b>Tangible fixed assets</b>	<b>Note</b>		
Housing properties – cost less depreciation	9	86,569,041	79,149,359
Less: SHG and other grants	9	(69,727,949)	(62,948,777)
		<u>16,841,092</u>	<u>16,200,582</u>
Office Premises	9	373,546	242,154
Other fixed assets	9	24,374	22,859
		<u>17,239,012</u>	<u>16,465,595</u>
<b>Current assets</b>			
Debtors	10	1,105,811	1,064,832
Cash at bank and in hand		1,494,331	1,219,575
		<u>2,600,142</u>	<u>2,284,407</u>
<b>Creditors: amounts falling due within one year</b>	11	(3,927,119)	(3,075,002)
<b>Net current (liabilities)</b>		<u>(1,326,977)</u>	<u>(790,595)</u>
<b>Total assets less current liabilities</b>		<u>15,912,035</u>	<u>15,675,000</u>
<b>Creditors: amounts falling due after more than one year</b>	12	(13,620,172)	(13,726,784)
<b>Net assets</b>		<u>2,291,863</u>	<u>1,948,216</u>
<b>Capital and reserves</b>			
Share capital	13	184	183
Designated reserves	7	1,300,000	1,260,000
Revenue reserve	8	991,679	688,033
		<u>2,291,863</u>	<u>1,948,216</u>

The financial statements on pages 7 to 25 were authorised for issue by the Committee of Management on 29<sup>th</sup> July 2010 and were signed on their behalf by:

Frank McEntee

Chairman

Isabel Carson

Vice-Chair

Catherine Scott

Secretary

Catherine Maynard

Treasurer

*Frank McEntee*  
*Isabel Carson*  
*Catherine Scott*  
*Catherine Maynard*

The notes on pages 12 to 25 form part of these financial statements.

**Cash Flow Statement**  
**For the year ended 31 March 2010**

	Notes	2010 £	2009 £
Net cash inflow from operating activities	1	1,665,417	519,051
Returns on investments and servicing of finance	2	(444,138)	(607,261)
Capital expenditure	2	(1,087,723)	(3,897,243)
		<u>133,556</u>	<u>(3,985,453)</u>
Financing	2	141,200	3,392,340
Increase / ( Decrease) In cash	4	<u>274,756</u>	<u>(593,113)</u>

Notes to the Cash Flow Statement  
For the year ended 31 March 2010

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

	2010 £	2009 £
Operating surplus	792,919	743,787
Depreciation	309,172	282,308
(Increase) / Decrease in debtors	(40,979)	367,015
Increase / (Decrease) in creditors	604,305	(874,059)
	<u>1,665,417</u>	<u>519,051</u>

2) Gross Cash Flows

Returns on investments and servicing of finance

Interest received	2,005	20,683
Interest paid	(446,143)	(627,944)
	<u>(444,138)</u>	<u>(607,261)</u>

Capital expenditure

Purchase and development of housing properties	(5,671,152)	(6,378,007)
HAG and other grants received	6,779,172	2,500,102
Payments to acquire other tangible fixed assets	(20,297)	(19,338)
	<u>1,087,723</u>	<u>(3,897,243)</u>

Financing

Issue of share capital	1	10
Loans borrowed	141,199	3,392,330
	<u>141,200</u>	<u>3,392,340</u>

3) Analysis of changes in net debt	At 1 April 2009 £	Cash Flow £	Other Changes £	At 31 March 2010 £
Cash in hand, at bank	1,219,575	274,756	-	1,494,331
Overdrafts	-	-	-	-
	<u>1,219,575</u>	<u>274,756</u>	<u>-</u>	<u>1,494,331</u>
Debt due within 1 year	(566,410)	(247,812)	-	(814,222)
Debt due after 1 year	(13,726,784)	106,612	-	(13,620,172)
	<u>(13,073,619)</u>	<u>133,556</u>	<u>-</u>	<u>(12,940,063)</u>

Notes to the Cash Flow Statement  
For the year ended 31 March 2010

4) Reconciliation of net cash flow to movement in net debt (Note 3)	2010 £	2009 £
Increase / (Decrease) for the year	274,756	(593,113)
Loans (borrowed)	(141,200)	(3,392,330)
	<hr/>	<hr/>
Change in net debt	133,556	(3,985,443)
Net debt at 1 April 2009	(13,073,619)	(9,088,176)
	<hr/>	<hr/>
Net debt at 31 March 2010	(12,940,063)	(13,073,619)
	<hr/>	<hr/>

**Notes to the financial statements  
For the year ended 31 March 2010**

**1. Accounting policies**

**(a) Introduction and accounting basis**

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

These financial statements are prepared in accordance with applicable accounting standards and statements of recommended practice, and comply with the requirements of the Registered Social Landlords Accounting Requirements (Scotland) Order 2007 and the Statement of Recommended Practice (SORP) Accounting for Social Landlords 2008.

**(b) Turnover**

Turnover represents rental and service charge income, factoring service income, and fees or revenue grants receivable from local authorities and from The Scottish Government. Also included is any income from first tranche shared ownership disposals.

**(c) Loans**

Mortgage loans are advanced by Private Lenders or The Scottish Government under the terms of individual mortgage deeds in respect of each property or housing scheme. Advances are available only in respect of those developments which have been given approval by The Scottish Government. Mortgage loans in the balance sheet include amounts due but not received.

**(d) Social housing grant (SHG)**

Social Housing Grant, at amounts approved by The Scottish Government, is paid directly to the Association as required to meet its liabilities during the development process.

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

SHG received as a contribution towards the capital cost of housing development is deducted from the cost of those developments. SHG received as a contribution towards revenue expenditure is included in turnover.

**Notes to the financial statements**  
**For the year ended 31 March 2010**

**1. Accounting policies (continued)**

**(e) Fixed assets - Housing properties**

Housing properties are stated at cost, less social housing grants (SHG) and other public grants and less accumulated depreciation. The development cost of housing properties includes:-

1. Cost of acquiring land and buildings
2. Development expenditure including administration costs
3. Interest charged on the mortgage loans raised to finance the scheme

These costs are either termed "qualifying costs" by The Scottish Government for approved social housing grant schemes and are considered for mortgage loans by the relevant lending authorities or are met out of the Association's reserves.

All invoices and architects' certificates relating to capital expenditure incurred in the year at gross value before retentions are included in the accounts for the year, provided that the dates of issue or valuation are prior to the year-end.

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

Interest is capitalised from first draw down of private finance according to the funding arrangements agreed by The Scottish Government. This will normally occur after SHG has been claimed up to the agreed limit.

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.

**(f) Depreciation**

**1. Housing properties**

Housing properties at cost, less grants received, less land, are depreciated over their expected useful lives of 50 years.

**2. Other fixed assets**

Depreciation is charged on other fixed assets so as to write off the asset cost less any recoverable value over its anticipated useful life.

The following rates have been used:-

Housing Properties -	2% on cost
Heritable Office Property -	2% on cost
Computer Equipment -	33% on cost
Office Furniture & Equipment -	20% on cost

A full year's depreciation is charged on year of purchase. No charge is made in the year of disposal.

**Notes to the financial statements  
For the year ended 31 March 2010**

**1. Accounting policies (continued)**

**(g) Designated Reserves (Note 7)**

**(i) Cyclical maintenance**

The reserve is based on the Association's liability to maintain the properties, in accordance with a planned programme of works, provided it will not be met from revenue in the year in which it is incurred.

**(ii) Major repairs**

The reserve is based on the Association's requirement to maintain housing properties in a state of repair which at least maintains their residual value in prices prevailing at the time of acquisition and construction. The reserve represents amounts set aside in respect of future costs and will be transferred to General Reserves as appropriate.

**(h) Apportionment of management expenses**

Direct employee, administration and operating costs have been apportioned to the relevant sections of the income and expenditure account on the basis of costs of staff directly attributable to the operations dealt with in the financial statements.

**(i) Pensions (Note 20)**

The Association contributes to a defined benefit scheme, the cost of which is written off to the income and expenditure account on an accruals basis. The assets of the scheme are held separately from those of the Association in an independently administered fund.

**(j) Financial Commitments**

Assets held under finance leases where substantially all the risks and rewards of ownership of the asset have passed to the association, and hire purchase contracts are capitalised in the balance sheet and are depreciated in the income and expenditure account over the period of their useful lives.

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



Notes to the financial statements  
For the year ended 31 March 2010

2. Particulars of Turnover, Operating Costs and Operating Surplus

	2010			2009		
	Turnover	Operating Costs	Operating Surplus	Turnover	Operating Costs	Operating Surplus
	£	£	£	£	£	£
Income and Expenditure From lettings						
Social Lettings	4,445,005	(3,694,879)	750,126	4,062,918	(3,332,453)	730,465
Other activities	391,528	(348,735)	42,793	340,908	(327,586)	13,322
	<u>4,836,533</u>	<u>4,043,614</u>	<u>792,919</u>	<u>4,403,826</u>	<u>(3,660,039)</u>	<u>743,787</u>

**CLOCH HOUSING ASSOCIATION LIMITED**

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Notes to the financial statements  
For the year ended 31 March 20010

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

	General Needs Housing £	Supported Housing £	Shared Ownership £	2010 Total £	2009 Total £
<b>Income from rent and service charges</b>					
Rent receivable net of service charges	3,835,979	176,473	61,920	4,074,372	4,024,596
Service Charges	266,568	235,867	-	502,435	216,234
	<u>4,102,547</u>	<u>412,340</u>	<u>61,920</u>	<u>4,576,807</u>	<u>4,240,830</u>
	(131,802)	-	-	(131,802)	(177,912)
<b>Gross income from rents and service charges</b>	<u>3,970,745</u>	<u>412,340</u>	<u>61,920</u>	<u>4,445,005</u>	<u>4,062,918</u>
<b>Less voids</b>					
<b>Net income from rents and service charges</b>					
Grants from the Scottish Ministers	-	-	-	-	-
Other revenue grants	-	-	-	-	-
<b>Total turnover from social letting activities</b>	<u>3,970,745</u>	<u>412,340</u>	<u>61,920</u>	<u>4,445,005</u>	<u>4,062,918</u>
<b>Expenditure</b>					
Management and maintenance administration costs	965,746	44,428	15,589	1,025,763	1,377,114
Service charges	-	252,383	-	252,383	247,639
Planned cyclical maintenance including major repairs	1,454,000	66,890	23,470	1,544,360	1,119,502
Reactive maintenance costs	555,925	25,251	8,969	590,145	340,566
Depreciation of social housing	269,815	12,413	-	282,228	247,632
	<u>3,245,486</u>	<u>401,365</u>	<u>48,028</u>	<u>3,694,879</u>	<u>3,332,453</u>
<b>Operating costs for social letting activities</b>					
<b>Operating Surplus/(Deficit) on letting activities, 2010</b>	<u>725,259</u>	<u>10,975</u>	<u>13,892</u>	<u>750,126</u>	<u>730,465</u>
<b>Operating Surplus/(Deficit) on letting activities, 2009</b>	<u>812,376</u>	<u>(80,122)</u>	<u>(1,789)</u>		

## Notes to the financial statements for the year ended 31 March 2010

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

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Notes to the financial statements  
For the year ended 31 March 2010

<b>5. Interest Receivable and Other Income</b>	<b>2010</b>	<b>2009</b>
	<b>£</b>	<b>£</b>
Interest receivable on deposits	2,005	20,683
	<u>          </u>	<u>          </u>
 <b>6. Interest payable and similar charges</b>		
On loans from The Scottish Government	19,894	21,800
On private loans	426,249	606,144
	<u>          </u>	<u>          </u>
	446,143	627,944
	<u>          </u>	<u>          </u>
 <b>7. Designated Reserves</b>		
	<b>Opening Balance</b>	<b>Closing Balance</b>
	<b>£</b>	<b>£</b>
Cyclical maintenance	660,000	660,000
Major repairs	600,000	640,000
	<u>          </u>	<u>          </u>
	1,260,000	1,300,000
	<u>          </u>	<u>          </u>
 <b>8. Revenue Reserves</b>	<b>2010</b>	<b>2009</b>
	<b>£</b>	<b>£</b>
At 1 April 2009	688,033	701,442
Surplus for the year	343,646	145,571
	<u>          </u>	<u>          </u>
	1,031,679	847,013
Transfer (to) designated reserves	(40,000)	(158,980)
	<u>          </u>	<u>          </u>
At 31 March 2010	991,679	688,033
	<u>          </u>	<u>          </u>

# CLOCH HOUSING ASSOCIATION

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Notes to the financial statements  
For the year ended 31 March 2010

## 9. Tangible Fixed Assets

Cost	Office £	Properties Held for Letting £	Properties Under Development £	Furniture Supported Accommodation £	Computer Equipment £	Furniture Fittings & Equipment £	Sheltered Housing F & F £	Total £
At start of year	268,610	76,583,020	4,063,564	118,457	109,731	52,693	12,362	81,208,437
Additions during year	139,556	4,298,863	3,649,577	-	19,451	691	155	8,108,293
Transfers	-	3,479,274	(3,479,274)	-	-	-	-	-
Mortgage to Rent	-	-	-	-	-	-	-	-
Disposals	-	(255,708)	-	-	-	-	-	(255,708)
At end of year	408,166	84,105,449	4,233,867	118,457	129,182	53,384	12,517	89,061,022
<b>Depreciation</b>								
At start of year	26,456	1,497,223	-	115,288	96,838	51,522	6,738	1,794,065
Charge for year	8,164	282,228	-	3,169	12,995	735	1,881	309,172
On disposals	-	(9,176)	-	-	-	-	-	(9,176)
At end of year	34,620	1,770,275	-	118,457	109,833	52,257	8,619	2,094,061
<b>SHG and Other Grants</b>								
At start of year	-	60,481,127	2,467,650	-	-	-	-	62,948,777
Additions during year	-	3,311,541	3,644,199	-	-	-	-	6,955,740
Transfers	-	1,883,565	(1,883,565)	-	-	-	-	-
Disposals	-	(176,568)	-	-	-	-	-	(176,568)
At end of year	-	65,499,665	4,228,284	-	-	-	-	69,727,949
<b>Net Book Value</b>								
At end of year 2010	373,546	16,835,509	5,583	-	19,349	1,127	3,898	17,239,012
<b>Net Book Value</b>								
At end of year 2009	242,154	14,604,670	1,595,914	3,169	12,893	1,171	5,624	16,465,595

Development administration costs capitalised during the year amounted to £375,872 for which Social Housing Grants amounting to £205,938 were received.

Notes to the financial statements  
For the year ended 31 March 2010

10. Debtors: amounts falling due within one year	2010 £	2009 £
Amounts falling due within one year:		
Rental arrears	82,881	98,911
Social Housing Grant receivable	74,620	26,626
Homestake Debtor	868,497	750,412
Other debtors and prepayments	79,813	188,883
	<u>1,105,811</u>	<u>1,064,832</u>
11. Creditors: amounts falling due within one year		
Loans	814,222	566,410
Capital works and retentions	-	12,935
Other taxes and social security costs	26,121	28,060
Homestake Creditor	862,054	742,372
Other creditors	2,224,722	1,743,225
	<u>3,927,119</u>	<u>3,075,002</u>
12. Creditors: amounts falling due after more than one year		
Loans:		
Due between one and two years	816,851	587,057
Due between two and five years	2,464,057	1,896,221
Due in five years or more	10,339,264	11,243,506
	<u>13,620,172</u>	<u>13,726,784</u>

Loans are secured by specific charges on the Association's properties and are repayable at varying rates of interest in instalments.

Notes to the financial statements  
For the year ended 31 March 2010

13. Share Capital	2010 £	2009 £
At beginning of year	183	173
Shares of £1 each fully paid and issued during the year	12	15
Shares forfeited in year	(11)	(5)
At end of year	<u>184</u>	<u>183</u>

14. Average Rents		
Average rent for housing accommodation	<u>£3,220</u>	<u>£3,112</u>
Percentage increase from previous year	<u>4.5%</u>	<u>6.0%</u>

15. Directors' Emoluments

The directors are defined as the members of the Management Committee, the chief executive and any other person reporting directly to the chief executive or the Management Committee whose total emoluments exceed £60,000 per year. No emoluments were paid to any member of the Management Committee during the year.

	2010 £	2009 £
Aggregate emoluments payable to directors (including Pension contributions and benefits in kind)	<u>279,986</u>	<u>271,108</u>
Emoluments payable to highest paid director (excluding pension contributions)	<u>72,178</u>	<u>67,518</u>
Total expenses reimbursed to directors in so far as not chargeable to United Kingdom income tax	<u>-</u>	<u>-</u>

Number of Directors during the year were as follows (excluding pension contributions):

£60,001 - £65,000	-	1
£65,000 - £70,000	1	-

Notes to the financial statements  
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16. Employee Information	2010 £	2009 £
The average weekly number of persons employed during the year was		
Maintenance staff	4	4
Administrative staff	40	42
Wardens and cleaners	4	4
	<u>48</u>	<u>50</u>
Staff costs (including Directors' Emoluments):		
Wages and salaries	1,121,171	1,116,644
Social security costs	90,980	91,628
Pension costs (note 20)	115,146	112,429
	<u>1,327,297</u>	<u>1,320,701</u>
17. Operating Surplus		
Operating surplus is stated after charging:		
Depreciation	309,172	282,308
Auditors' remuneration		
- In their capacity as auditors	12,810	12,500
- In respect of Tax fee	-	-
	<u></u>	<u></u>
18. Capital Commitments		
Capital expenditure –		
Contracted for but not provided in the financial statements	5,823,000	6,914,000
Approved but not contracted for	-	-
	<u>5,823,000</u>	<u>6,914,000</u>

The amount contracted for at 31 March 2010 will be funded from grants approved by The Scottish Government, financed from private loans or met from the Association's reserves.



Notes to the financial statements  
For the year ended 31 March 2010

### 19. Revenue Commitments

The association has commitments under operating leases for the next year for leases expiring as follows:

	2010		2009	
	Land & buildings £	Other leases £	Land & buildings £	Other leases £
Within one year	-	-	-	-
Between two and five years	-	2,317	-	2,317
Over five years	-	-	-	-
	<u>-</u>	<u>2,317</u>	<u>-</u>	<u>2,317</u>

### 20. Pensions

Cloch Housing Association Limited (the Association) participates in the SFHA Pension Scheme (the "Scheme"). The Scheme is a multi-employer defined benefit scheme. The scheme is funded and is contracted out of the state scheme. The Scheme offers three benefit structures to employers, namely:

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

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

The Trustee commissions an actuarial valuation of the Scheme every 3 years. The main purpose of the valuation is to determine the financial position of the Scheme in order to determine the level of future contributions required so that the Scheme can meet its pension obligations as they fall due.

The actuarial valuation assesses whether the Scheme's assets at the valuation date are likely to be sufficient to pay the pension benefits accrued by members as at the valuation date. Asset values are calculated by reference to market levels. Accrued pension benefits are valued by discounting expected future benefit payments using a discount rate calculated by reference to the expected future investment returns.

During the accounting period 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 27 active members of the Scheme employed by the Association. The Association continues to offer membership of the Scheme to its employees.

It is not possible in the normal course of events to identify the share of underlying assets and liabilities belonging to individual participating employers. SFHA is a multi-employer scheme where the scheme 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 Plan, the accounting charge for the period under FRS17 represents the employer contribution payable.

**Notes to the financial statements**  
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The last formal valuation of the Scheme was performed as at 30 September 2006 by a professionally qualified actuary using the "projected unit credit" method. The market value of the Scheme's assets at the valuation date was £268 million. The valuation revealed a shortfall of assets compared to liabilities of £54 million. (equivalent to a past service funding level of 83.4%).

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%. Annual funding updates of the SFHA Pension Scheme are carried out using approximate actuarial techniques rather than member by member calculations, and will therefore not produce the same results as a full actuarial valuation. However they will provide a good indication of the financial progress of the scheme since the last full valuation.

Since the contribution rates payable to the Scheme have been determined by reference to the last full actuarial valuation the following notes relate to the formal actuarial valuation as at 30 September 2006.

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

- Investment return pre retirement 7.20% per annum
- Investment return post retirement 4.90% per annum
- Rate of salary increases 4.60% per annum
- Rate of pension increases
  - pension accrued pre 6 April 2005 2.60% per annum
  - pension accrued from 6 April 2005 2.25% per annum
- (for leavers before 1 October 1993 pension increases are 5%)
- Rate of price inflation 2.60% per annum

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

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

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

It is the Scheme policy that the joint contribution rate payable is split between employers and members in the ratio 2:1. Accordingly the joint contribution rates for the Final salary 60ths benefit structure from 1 April 2008 is 23.1%, comprising employer contributions of 15.4% and member contributions of 7.7%.

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

If the valuation assumptions are borne out in practice this pattern of contributions should be sufficient to eliminate the past service deficit, on an on-going funding basis, by 31 March 2020.

A copy of the recovery plan, setting out the level of deficit contributions payable and the period for which they will be payable, must be sent to the Pensions Regulator. The Regulator has the power under Part 3 of the Pensions Act 2004 to issue scheme funding directions where it believes that the actuarial valuation assumptions and / or recovery plan are inappropriate. For example the Regulator could require that the Trustee strengthens the actuarial assumptions (which would increase the scheme liabilities and hence

**Notes to the financial statements**  
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impact on the recovery plan) or impose a schedule of contributions on the Scheme (which would effectively amend the terms of the recovery plan). The Regulator has reviewed the recovery plan for the SFHA Pension Scheme and confirmed that, in respect of the September 2006 actuarial valuation, it does not propose to issue any scheme funding directions under Part 3 of the Pensions Act 2004.

The next full actuarial valuation will be carried out as at 30 September 2009.

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

The Association has been notified by the Pensions Trust of the estimated employer debt on withdrawal from the Scheme based on the financial position of the Scheme as at 30 September 2006. As of this date the estimated employer debt for the Association was £2,124,525.

The actuarial results for the triennial valuation performed as at 30 September 2009 are due out in the autumn. The provisional results show a deficit of £160.1 million. The funding position of the Scheme has deteriorated to 64.8% as at 30 September 2009.

**21. Housing Stock**

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

	Units in management	
	2010	2009
General needs		
– Available for Letting	1,239	1,296
– Under Development	77	63
Supported	57	57
Shared Ownership	20	20
	<u>1,393</u>	<u>1,436</u>

**22. Legislative Provisions**

The Association is incorporated under the Industrial and Provident Societies Act 1965 – 2002.