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**DUNBRITTON HOUSING ASSOCIATION LIMITED**  
**FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2010**

**Registered Housing Association No: HAL260**

**Financial Services Authority No: 2421R(S)**

**A Registered Scottish Charity No: SC036518**

**DUNBRITTON HOUSING ASSOCIATION LIMITED**

**FINANCIAL STATEMENTS**

**YEAR ENDED 31 MARCH 2010**

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| <br><b>Registration particulars:</b>                       |  |
| Financial Services Authority                               | Industrial & Provident Societies Act 1965<br>Registered Number: 2421R(S)               |
| Scottish Housing Regulator                                 | Housing (Scotland) Act 2001<br>Registered Number: HAL260                               |
| Scottish Charity   | Charity and Trustee Investment (Scotland) Act 2005<br>Scottish Charity Number SC036518 |

# DUNBRITTON HOUSING ASSOCIATION LIMITED

## MEMBERS OF THE MANAGEMENT COMMITTEE, EXECUTIVES & ADVISERS

YEAR ENDED 31 MARCH 2010

### MANAGEMENT COMMITTEE

|  |               |
|--|---------------|
| Alfred Timothy Rhead                             | Convenor      |
| Sephton MacQuire                                 | Vice Convenor |
| Sonja Aitken                                     | Secretary     |
| John O'Connor                                    | Treasurer     |
| Mary Cameron (resigned 28 October 2009)          |               |
| Moira O'Neil (resigned 28 October 2009)          |               |
| Terence Smalls                                   |               |
| Lillian Kennedy MBE                              |               |
| Carol Haldane-Callaghan (resigned 11 March 2010) |               |
| May Howie  |               |
| Alistair Tuach                                   |               |
| Linda Hall (appointed 16 September 2009)         |               |
| Glenn Kelly (appointed 16 September 2009)        |               |
| Andrew Henderson (appointed 16 September 2009)   |               |
| Councillor Gary Mulvaney                         |               |
| Thomas Callaghan                                 |               |
| Anthony Davey (appointed 16 September 2009)      |               |
| Jennifer Sheddan                                 |               |
| Councillor George Black                          |               |

### EXECUTIVE OFFICERS

|                   |                            |
|-------------------|----------------------------|
| Morven Short      | Director                   |
| Anne Marie Arthur | Depute Director            |
| Elizabeth Bowden  | Corporate Services Manager |

### REGISTERED OFFICE

1st Floor  
32 High Street  
Dumbarton  
G82 1LL

### AUDITOR

Alexander Sloan  
Chartered Accountants  
38 Cadogan Street  
Glasgow  
G2 7HF

### BANKERS

Bank of Scotland  
94/104 High Street  
Dumbarton  
G82 1PQ

### FINANCE AGENTS

Baker Tilly  
Breckenridge House  
274 Sauchiehall Street,  
Glasgow  
G2 3EH

### SOLICITORS

Hart Smith  
43 Crow Road  
Glasgow  
G11 7SH

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

TC Young  
7 West George Street  
Glasgow  
G2 1BA

**DUNBRITTON HOUSING ASSOCIATION LIMITED**  
**REPORT OF THE COMMITTEE OF MANAGEMENT**  
**YEAR ENDED 31 MARCH 2010**

The Management Committee presents its report and the Financial Statements for the year ended 31st March 2010.

**Legal Status**

The Association is a registered non-profit making organisation under the Industrial and Provident Societies Act 1965 No.2421R(S). The Association is constituted under its Rule Book. The Association is a registered Scottish Charity with the charity number SCO36518.

**Principal Activities**

The principal activities of the Association are the provision and management of affordable rented accommodation.

**Review of Business and Future Developments**

During 2009/2010 we had another quiet year in terms of development, with no new projects going on site. However the Association continued to build up its landbank with the acquisition of a site on East Montrose Street, Helensburgh. The site of Clydeview, a former Church of Scotland home, now has planning permission for demolition and a new build development of 36 flats for older people. In addition the stock base was increased with the acquisition of 3 Mortgage to Rent properties, adding to the 12 previously acquired. We now own and manage 698 rented and shared ownership properties, provide a factoring service to 339 home owners and provide a rent management & repairs service to the Scottish Veterans Garden City Association for the 8 properties they own in Alexandria and Dumbarton.

Despite our best endeavours we were unable to get the necessary funding approvals or statutory permissions to make a start on any new build projects. We received tender approval and were allocated grant to make a start at Leven Street, Alexandria but had to appeal refusal of Planning Permission. Having won the appeal, we now expect to start on site in October 2010 with a development of 30 houses and flats. Of our other pipeline projects, we expect to be able to go on site in 2010/11 with developments of 18 houses in Lochgoilhead and 12 flats in Garelochhead. Beyond this, site starts will depend on the availability of the already significantly reduced Affordable Housing Investment Programme funds from the Scottish Government, as well as the Association's capacity and willingness to front-fund our own development programme.

Our budgets and longer term financial projections indicate the Association is in a strong position to withstand the current economic uncertainties, so long as we are prudent in our business activities. Our expansion plans for our subsidiary Dunbritton Commercial Limited (DCL) have been put on hold as we concentrate on re-development proposals for the site DCL owns at Brown Street, Haldane. In addition, the Association has taken a cautious decision to express an interest in some of the stock which West Dunbartonshire Council has decided to transfer to other social landlords. Whilst this presents significant opportunities to help improve the lives of many tenants and grow our business through a significant increase in stock base, it remains to be seen whether the risks associated with such a transformation in the business is one worth taking.

Once again we had a successful year with yet more positive achievements in our Wider Role activities, with excellent results and outcomes to all the projects we have pursued during the year. Streetlinks continue to provide youth work services on our behalf in Helensburgh, focussing on young people aged 12 to 25 years. Our programme this year has included detached youth outreach work, mentoring and school break activities with a particular focus on sports. We are also continuing our work in Castlehill & Westcliff as part of our commitment to community regeneration. As a result we became involved with Knowetop Community Farm, which was threatened with closure. We are working closely with the Farm and Community Links Scotland to help secure the Farm's long term future. Another new project for this year is Homes Start. We commissioned a Feasibility Study to see whether there is a demand for introducing a Home Start service within the Helesnburgh & Lomond area. Home Start is

**DUNBRITTON HOUSING ASSOCIATION LIMITED**  
**REPORT OF THE COMMITTEE OF MANAGEMENT**  
**YEAR ENDED 31 MARCH 2010**  
**(continued)**

one of the UK's leading charities helping parents in crisis to build better lives for their children. During the year we continued to support Rosneath & Clynder Community Action Trust in implementing its Woodland Management Plan and our support to the Arrochar & Tarbet Community Development Trust culminated this year in the opening of the Three Villages Community Hall, following on from the community being named the Calor Gas Village of the Year in 2009. We have also been working with Woman's Aid to develop an allotment project which will encourage women to grow their own vegetables and promote self confidence. Our collaborative wider role work with the other Argyll housing associations continues to expand and generate considerable benefits to all our communities. We are partners in the FISH Argyll project, which is a welfare rights service introduced this year for all tenants living in Argyll. Along with the other housing associations we continue to support Argyll & Bute Employability Team Environmental Solutions. The success of this project has been huge not just in terms of the quality of the physical and environmental works the Team carries out but more important is the impact the project has on the people taking part in the project.

Internal Audit reviews were carried out during the course of the year by TIAA Ltd. These were to determine the effectiveness of the Association's internal controls and approach to risk management and the assessments produced substantial assurance in 2 areas and reasonable assurance in 2 areas examined.

The Association continues to subscribe to 2 benchmarking clubs and monitor its performance against other housing associations and in our assessment our performance is good if not in some cases, excellent.

#### **Management Committee and Executive Officers**

The members of the Management Committee and the Executive Officers are listed on Page 1.

Each member of the Management Committee holds one fully paid share of £1 in the Association. The Executive Officers 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 Management Committee.

The members of the Management Committee are also Trustees of the Charity. Members of the Management Committee are appointed by the members at the Association's Annual General Meeting.

#### **Information for Auditors**

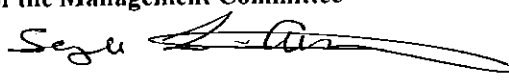
In so far as the Management Committee are aware:

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

#### **Auditors**

A resolution to re-appoint the Auditors, Alexander Sloan, Chartered Accountants, will be proposed at the Annual General Meeting.

By order of the Management Committee

  
**SONJA AITKEN**  
Secretary  
11 August 2010

**DUNBRITTON HOUSING ASSOCIATION LIMITED**  
**STATEMENT OF COMMITTEE'S RESPONSIBILITIES**

**YEAR ENDED 31 MARCH 2010**

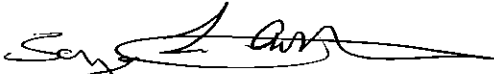
Under the legislation relating to Industrial and Provident Societies we are required to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Association and of the surplus or deficit of the Association of that year. In preparing those financial statements we are required to:

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

We are also responsible for:

- Keeping proper accounting records;
- Safeguarding the Association's assets;
- Taking reasonable steps for the prevention and detection of fraud.

By order of the Committee of Management



**SONJA AITKEN**  
Secretary  
11 August 2010

# DUNBRITTON HOUSING ASSOCIATION LIMITED

## COMMITTEE OF MANAGEMENT'S STATEMENT ON INTERNAL FINANCIAL CONTROL

YEAR ENDED 31 MARCH 2010

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

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

It is the Management Committee'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 of the Association's systems include ensuring that:

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

### Donations

During the year the Association made charitable donations amounting to £3,700 (2009: £3,450).

## DUNBRITTON HOUSING ASSOCIATION LIMITED

### AUDITORS' REPORT ON CORPORATE GOVERNANCE MATTERS

In addition to our audit of the Financial Statements, we have reviewed your statement on Page 5 concerning the Association's compliance with the information required by the section on Internal Financial Control within SFHA's publication "Raising Standards in Housing".

#### Basis of Opinion

We carried out our review having regard to the requirements relating to corporate governance matters within Bulletin 2006/5 issued by the Auditing Practices Board. The Bulletin does not require us to review the effectiveness of the Association's procedures for ensuring compliance with the guidance notes, nor to investigate the appropriateness of the reasons given for non-compliance.

#### Opinion

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

Through enquiry of certain members of the Management Committee and Officers of the Association, and examination of relevant documents, we have satisfied ourselves that the Management Committee's Statement on Internal Financial Control appropriately reflects the Association's compliance with the information required by the section on Internal Financial Control within SFHA's "Raising Standards in Housing".



**ALEXANDER SLOAN**  
Chartered Accountants

GLASGOW  
11 August 2010



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

We have audited the financial statements of Dunbritton Housing Association for the year ended 31st March 2010 which comprise an income and expenditure account, balance sheet, cash flow statement and related notes. These financial statements have been prepared in accordance with the accounting policies set out therein.

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

**Respective Responsibilities of Management Committee and Auditors**

As described in the Statement of Management Committee's Responsibilities the Association's Management Committee are responsible for the preparation of the Financial Statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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, the Housing (Scotland) Act 2001 and the Registered Social Landlords Accounting Requirements (Scotland) Order 2007. We also report to you if, in our opinion, the Management Committee's Report is 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 Committee's remuneration and transactions with the Association is not disclosed.

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

**Basis of Opinion**

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the Financial Statements. It also includes an assessment of the significant estimates and judgments made by the Management Committee 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.

**Opinion**

In our opinion the Financial Statements:

give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice of the state of the Association's affairs as at 31st March 2010 and of its income and expenditure and cash flow for the year then ended; and

have been properly prepared in accordance with the Industrial and Provident Societies Acts 1965 to 2002, the Housing (Scotland) Act 2001 and the Registered Social Landlords Accounting Requirements (Scotland) Order 2007.

In our opinion, the information given in the Management Committee's Report is consistent with the financial statements.

In our opinion the exemption granted by the Financial Services Authority from the requirement to prepare Group Accounts is applicable as the amounts involved are not material.

*Alexander Sloan*

**ALEXANDER SLOAN**  
Chartered Accountants  
Statutory Auditors  
GLASGOW

11 August 2010

# DUNBRITTON HOUSING ASSOCIATION LIMITED

## INCOME AND EXPENDITURE ACCOUNT

YEAR ENDED 31 MARCH 2010

|   | Notes | 2010<br>£          | 2009<br>£          |
|---|-------|--------------------|--------------------|
| Turnover  | 2     | 2,467,745          | 2,503,248          |
| Operating costs                                   | 2     | <u>(1,670,224)</u> | <u>(1,748,004)</u> |
| Operating surplus                                 | 2     | 797,521            | 755,244            |
| Profit on the sale of Housing Stock               | 4     | 16,165             | 56,975             |
| Loss on sale of Properties held for Resale        |       | (9,039)            | -                  |
| Interest receivable                               |       | 6,722              | 69,130             |
| Interest payable                                  | 5     | <u>(288,479)</u>   | <u>(592,129)</u>   |
| Surplus on ordinary activities before tax         |       | 522,890            | 289,220            |
| Corporation tax on surplus on ordinary activities | 6     | <u>-</u>           | <u>-</u>           |
| Surplus for year                                  | 7     | <u>522,890</u>     | <u>289,220</u>     |

There are no recognised gains and losses in the above periods other than the surplus for the year.

None of the Association's activities were acquired or discontinued during the above two financial years.

**DUNBRITTON HOUSING ASSOCIATION LIMITED**

**BALANCE SHEET**

**AS AT 31 MARCH 2010**

|  | Notes | 2010                | 2009                |
|--|-------|---------------------|---------------------|
|  |       | £                   | £                   |
| <b>Tangible Fixed Assets</b>                                   |       |                     |                     |
| Housing Properties   |       |                     |                     |
| - Depreciated cost   | 8     | 49,126,043          | 47,959,954          |
| Less: HAG and other grants                                     | 8     | <u>(38,371,348)</u> | <u>(37,003,722)</u> |
|  |       | 10,754,695          | 10,956,232          |
| Other fixed assets   | 9     | <u>34,251</u>       | <u>37,827</u>       |
|  |       | <u>10,788,946</u>   | <u>10,994,059</u>   |
| <b>Investments</b>   |       |                     |                     |
| Investments in subsidiaries                                    | 10    | 2                   | 2                   |
| Shared equity cost   | 10    | 318,761             | 318,761             |
| Shared equity grant  | 10    | <u>(318,761)</u>    | <u>(318,761)</u>    |
|  |       | 2                   | 2                   |
| <b>Current assets</b>  |       |                     |                     |
| Properties held for resale                                     | 11    | -                   | 236,463             |
| Debtors  | 12    | 322,186             | 408,818             |
| Investments  | 13    | 2,916,074           | 942,894             |
| Cash in bank and on hand                                       |       | <u>62,120</u>       | <u>290,689</u>      |
|  |       | 3,300,380           | 1,878,864           |
| <b>Creditors: Amount falling due within one year</b>           | 14    | <u>(1,480,752)</u>  | <u>(1,515,666)</u>  |
| <b>Net current assets</b>                                      |       | <u>1,819,628</u>    | <u>363,198</u>      |
|  |       | 12,608,576          | 11,357,259          |
| <b>Creditors: Amounts falling due after more than one year</b> | 15    | <u>(10,547,171)</u> | <u>(9,818,750)</u>  |
| <b>Capital and reserves</b>                                    |       | 2,061,405           | 1,538,509           |
| Share capital  | 16    | 100                 | 94                  |
| Designated reserves  | 7     | 1,565,818           | 1,257,983           |
| Revenue reserves   | 7     | 495,487             | 280,432             |
| <b>Total funds</b>   |       | <u>2,061,405</u>    | <u>1,538,509</u>    |

These financial statements on pages 8 to 26 were approved and authorised for issue by the Committee of Management on 11 August 2010 and signed on their behalf by:

Secretary:

Committee member:

Committee member:

*A. Wood*

*[Signature]*

*Sangeet K. Ash*

**DUNBRITTON HOUSING ASSOCIATION LIMITED**

**CASH FLOW STATEMENT**

**YEAR ENDED 31 MARCH 2010**

|   | Notes | 2010               | 2009             |
|---|-------|--------------------|------------------|
|   |       | £                  | £                |
| <b>Net cash inflow from operating activities</b>        | 19    | 1,279,602          | <u>891,997</u>   |
| <b>Returns on investments and servicing of finance</b>  |       |                    |                  |
| Interest received                                       |       | 6,722              | 69,130           |
| Interest paid   |       | <u>(288,479)</u>   | <u>(592,129)</u> |
|   |       | (281,757)          | <u>(522,999)</u> |
| <b>Investing activities</b>                             |       |                    |                  |
| Cash paid for construction and purchases                |       | (1,434,765)        | (1,731,733)      |
| HAG and other grants received                           |       | 1,234,779          | 1,290,520        |
| Housing association grant repaid                        |       | (29,642)           | (58,569)         |
| Proceeds on disposal of properties                      |       | 62,033             | 145,000          |
| Purchase of other fixed assets                          |       | <u>(5,850)</u>     | <u>(41,803)</u>  |
| <b>Net cash (outflow) from investing activities</b>     |       | <u>(173,445)</u>   | <u>(396,585)</u> |
| <b>Net cash inflow/(outflow) before financing</b>       |       | 824,400            | <u>(27,587)</u>  |
| <b>Management of liquid Resources</b>                   |       |                    |                  |
| Change in short term deposits                           |       | <u>(1,973,180)</u> | <u>157,439</u>   |
| <b>Financing</b>  |       |                    |                  |
| Loan received   |       | 1,500,000          | -                |
| Loan principal repayments                               |       | (579,795)          | (525,000)        |
| Increase in share capital                               |       | <u>6</u>           | <u>3</u>         |
| <b>Net cash inflow from financing</b>                   |       | <u>920,211</u>     | <u>(524,997)</u> |
| <b>Increase/(decrease) in cash and cash equivalents</b> |       | <u>(228,569)</u>   | <u>(395,145)</u> |

Further details are given in note 15.

# DUNBRITTON HOUSING ASSOCIATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2010

### 1. Principal accounting policies

#### Basis Of Accounting

The Financial Statements have been prepared in accordance with applicable Accounting Standards, the Statement of Recommended Practice - Accounting by Registered Social Landlords 2008, and on the historical cost basis. They also comply with the Registered Social Landlords Accounting Requirements (Scotland) Order 2007. A summary of the more important accounting policies is set out below.

#### Basis Of Consolidation

The Association has obtained exemption from the Financial Services Authority from producing Consolidated Financial Statements as provided by Section 14(2A) of the Friendly and Industrial and Provident Societies Act 1968. The Financial Statements for Dunbritton Housing Association Limited present information about it as an individual undertaking and not about its Group.

#### Turnover

Turnover represents rental and service charge income receivable, fees receivable and revenue grants receivable.

#### Retirement Benefits

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

#### Valuation Of Housing Properties

Housing Properties are stated at cost, less social housing and other public grants and less accumulated depreciation.

Depreciation is charged on a straight line basis over the expected economic useful lives of the properties at an annual rate of 2%. Land is not depreciated. Housing Properties are reviewed for impairment if events or circumstances indicate that the carrying value is higher than the recoverable amount.

#### Depreciation And Impairment Of Other Fixed Assets

Other Fixed Assets are stated at cost less accumulated depreciation. Depreciation is charged on a straight line basis over the expected economic useful lives of the assets at the following annual rates:-

Office Equipment - 25%  
Furniture and Fittings - 10%  
Changing Facilities - 100%  
Office Improvements - 20%

The carrying value of tangible fixed assets are reviewed for impairment in periods if events or changes in circumstances indicate the carrying value may not be recoverable.

#### Social Housing Grant And Other Grants In Advance/Arrears

Where developments have been financed wholly or partly by Social Housing Grant or other capital grant, the cost of those developments has been reduced by the amount of the grant receivable. The amount of the grants receivable is shown separately on the Balance Sheet.

Social Housing Grant received in respect of revenue expenditure is credited to the Income and Expenditure Account in the same period as the expenditure to which it relates.

Although Social Housing Grant is treated as a grant for accounting purposes, it may nevertheless become repayable in certain circumstances, such as the disposal of certain assets. The amount repayable would be restricted to the net proceeds of sale.

# DUNBRITTON HOUSING ASSOCIATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2010

### 1. Principal accounting policies (Continued)

#### **Sales Of Housing Properties**

First tranche Shared Ownership disposals are credited to turnover on completion. The cost of construction of these sales is taken to operating cost. In accordance with the Statement of Recommended Practice, disposals of subsequent tranches are treated as fixed asset disposals with the gain or loss on disposal shown in the Income and Expenditure Account.

Disposals of housing property under the Right to Buy scheme are treated as a fixed asset disposal and any gain and loss on disposal accounted for in the Income and Expenditure Account.

Disposals under shared equity schemes are accounted for in the Income and Expenditure Account. The remaining equity in the property is treated as a fixed asset investment, which is matched with the grant received.

#### **Leases/Leased Assets**

Costs in respect of operating leases are charged to the Income and Expenditure Account on a straight line basis over the lease term. Assets held under finance leases and hire purchase contracts are capitalised in the Balance Sheet and are depreciated over their useful lives.

#### **Works to Existing Properties**

The Association capitalises major repairs expenditure where these works result in an enhancement of economic benefits by increasing the net rental stream over the life of the property.

#### **Capitalisation Of Development Overheads**

Directly attributable development administration costs relating to development activities are capitalised in accordance with the Statement of Recommended Practice.

#### **Development Interest**

Interest incurred on financing a development is capitalised up to the date of practical completion of the scheme.

#### **Designated Reserves**

The Association has designated part of its reserves to meet its long term obligations.

The Cyclical Maintenance Reserve has been designated to meet future repair and maintenance obligations which are cyclical in nature. These are carried out in accordance with a planned programme of works.

The Major Repairs Reserve is based on the Association's liability to maintain housing properties in a state of repair which at least maintains their residual values in prices prevailing at the time of acquisition and construction.

#### **Property Development Cost**

The proportion of the development cost of shared ownership properties expected to be disposed of as a first tranche sale is held in current assets until it is disposed of. The remaining part of the development cost is treated as a fixed asset.

Surpluses made on the disposal of first tranche sales are taken to the Income and Expenditure Account in accordance with the Statement of Recommended Practice.

Property developments that are intended for resale are included in current assets until disposal.

**DUNBRITTON HOUSING ASSOCIATION LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**YEAR ENDED 31 MARCH 2010**

**(Continued)**

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

|                         | <b>Turnover</b>  | <b>Operating Costs</b> | <b>Operating Surplus/ (Deficit)</b> | <b>Operating Surplus/(Deficit) 2009</b> |
|-------------------------|------------------|------------------------|-------------------------------------|---|
|                         | <b>£</b>         | <b>£</b>               | <b>£</b>                            | <b>£</b>                                |
| <b>Social lettings</b>  | 2,286,325        | (1,486,005)            | 800,320                             | 814,162                                 |
| <b>Other activities</b> | 181,420          | (184,219)              | (2,799)                             | (58,918)                                |
| <b>Total</b>            | <u>2,467,745</u> | <u>(1,670,224)</u>     | <u>797,521</u>                      | <u>755,244</u>                          |
| <b>2009</b>             | <u>2,503,248</u> | <u>(1,748,004)</u>     | <u>755,244</u>                      |   |

**DUNBRITTON HOUSING ASSOCIATION LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**YEAR ENDED 31 MARCH 2010**

**(Continued)**

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

|  | General Needs<br>Housing<br>£ | Shared<br>Ownership<br>£ | Supported<br>Ownership<br>£ | 2010<br>Total<br>£ | 2009<br>Total<br>£ |
|--|-------------------------------|--------------------------|-----------------------------|--------------------|--------------------|
| Rent receivable net of service charges                         | 2,098,407                     | 131,679                  | -                           | 2,230,086          | 2,152,624          |
| Service charges  | 59,859                        | -                        | -                           | 59,859             | 62,403             |
| Gross income from rents and service charges                    | 2,158,266                     | 131,679                  | -                           | 2,289,945          | 2,215,027          |
| Less: voids  | (3,620)                       | -                        | -                           | (3,620)            | (549)              |
| Net income from rents and service charges                      | 2,154,646                     | 131,679                  | -                           | 2,286,325          | 2,214,478          |
| Grants from Scottish Ministers                                 | -                             | -                        | -                           | -                  | -                  |
| Other revenue grants   | -                             | -                        | -                           | -                  | -                  |
| <b>Total turnover from social letting activities</b>           | <b>2,154,646</b>              | <b>131,679</b>           | <b>-</b>                    | <b>2,286,325</b>   | <b>2,214,478</b>   |
| Management and maintenance administration costs                | 670,932                       | 4,537                    | -                           | 675,469            | 658,136            |
| Service costs  | 66,162                        | -                        | -                           | 66,162             | 66,343             |
| Planned and cyclical maintenance including major repairs costs | 244,633                       | -                        | -                           | 244,633            | 270,936            |
| Reactive maintenance costs                                     | 255,136                       | -                        | -                           | 255,136            | 185,919            |
| Bad debts – rents and service charges                          | 21,798                        | -                        | -                           | 21,798             | 13,475             |
| Depreciation of social housing                                 | 211,738                       | 11,069                   | -                           | 222,807            | 205,507            |
| Operating costs for social letting activities                  | 1,470,399                     | 15,606                   | -                           | 1,486,005          | 1,400,316          |
| Operating Surplus for social lettings                          | 684,247                       | 116,073                  | -                           | 800,320            | 814,162            |
| <b>2009</b>  | <b>714,400</b>                | <b>99,762</b>            | <b>-</b>                    | <b>814,162</b>     |                    |

The total major repairs in the year were £305,330 of which £142,677 were capitalised.



DUNBRITTON HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2010  
(Continued)

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

|   | Grants from Scottish Ministers | Other revenue grants | Supporting people income | Other income | Total Turnover | Operating costs – bad debts | Other operating costs | Operating surplus or deficit | Operating surplus or deficit for previous period of account |
|---|--------------------------------|----------------------|--------------------------|--------------|----------------|-----------------------------|-----------------------|------------------------------|---|
|   | £                              | £                    | £                        | £            | £              | £                           | £                     | £                            | £   |
| Wider action/wider role   | -                              | 148,064              | -                        | -            | 148,064        | -                           | (147,678)             | 386                          | (52,824)  |
| Care and repair of property   | -                              | -                    | -                        | -            | -              | -                           | -                     | -                            | -   |
| Factoring   | -                              | -                    | -                        | 26,893       | 26,893         | -                           | (18,147)              | 8,746                        | 2,033   |
| Development and construction of property activities                       | -                              | -                    | -                        | -            | -              | -                           | -                     | -                            | -   |
| Support activities  | -                              | -                    | -                        | -            | -              | -                           | -                     | -                            | -   |
| Care activities   | -                              | -                    | -                        | -            | -              | -                           | -                     | -                            | -   |
| Agency/management services for registered social landlords                | -                              | -                    | -                        | -            | -              | -                           | -                     | -                            | -   |
| Miscellaneous income  | -                              | -                    | -                        | 6,463        | 6,463          | -                           | -                     | 6,463                        | 9,255   |
| Other agency/management services  | -                              | -                    | -                        | -            | -              | -                           | -                     | -                            | -   |
| Developments for sale to registered social landlords                      | -                              | -                    | -                        | -            | -              | -                           | -                     | -                            | -   |
| Developments and improvements for sale to non registered social landlords | -                              | -                    | -                        | -            | -              | -                           | -                     | -                            | -   |
| Other activities – tenant participation                                   | -                              | -                    | -                        | -            | -              | -                           | (10,329)              | (10,329)                     | (17,382)  |
| Other activities  | -                              | -                    | -                        | -            | -              | -                           | (8,065)               | (8,065)                      | -   |
| <b>Total from other activities</b>  | -                              | 148,064              | -                        | 33,356       | 181,420        | -                           | (184,219)             | (2,799)                      | (58,918)  |
| <b>2009</b>   | 229,487                        | -                    | -                        | 59,283       | 288,770        | -                           | (347,688)             | (58,918)                     |   |

**DUNBRITTON HOUSING ASSOCIATION LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**YEAR ENDED 31 MARCH 2010**

**(Continued)**

**4. Gain on Sale of Housing Stock**

|                               | 2010          | 2009          |
|-------------------------------|---------------|---------------|
|                               | £             | £             |
| Net Sale proceeds             | 32,392        | 145,000       |
| Cost of sales                 | <u>16,227</u> | <u>88,025</u> |
| Gain on sale of housing stock | <u>16,165</u> | <u>56,975</u> |

**5. Interest payable**

|                            | 2010           | 2009           |
|----------------------------|----------------|----------------|
|                            | £              | £              |
| On Bank Loans & Overdrafts | <u>288,479</u> | <u>529,129</u> |

**6. Taxation**

The Association is a Registered Scottish Charity and is not liable to United Kingdom Corporation Tax on its charitable activities.

**7. Reserves**

**(a) Designated Reserves**

|                              | As at 1 April<br>2009 | Transfer       | As at 31<br>March 2010 |
|------------------------------|-----------------------|----------------|------------------------|
|                              | £                     | £              | £                      |
| Cyclical maintenance reserve | 262,037               | 76,959         | 338,996                |
| Major repairs reserve        | <u>995,946</u>        | <u>230,876</u> | <u>1,226,822</u>       |
|                              | <u>1,257,983</u>      | <u>307,835</u> | <u>1,565,818</u>       |

No restrictions are placed upon these reserves, but the Committee have designated their use for specific purposes.

**(b) Revenue reserve**

|                                  | 2010             | 2009             |
|----------------------------------|------------------|------------------|
|                                  | £                | £                |
| Opening balance at 1 April 2008  | 280,432          | 221,259          |
| Surplus for year                 | 522,890          | 289,220          |
| Transfer to designated reserves  | <u>(307,835)</u> | <u>(230,047)</u> |
| Closing balance at 31 March 2010 | <u>495,487</u>   | <u>280,432</u>   |

**DUNBRITTON HOUSING ASSOCIATION LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**YEAR ENDED 31 MARCH 2010**  
(Continued)

**8. Tangible fixed assets**  
**Housing properties**

|   | Housing<br>Properties<br>Held for<br>Letting<br>£ | Housing<br>Properties<br>Under<br>Construction<br>£ | Completed<br>Shared<br>Ownership<br>Properties<br>£ | Total<br>£        |
|---|---|---|---|-------------------|
| As at 1 April 2009                                    | 44,322,384  | 905,305   | 4,013,479   | 49,241,168        |
| Additions   | 364,439   | 1,070,326   | -   | 1,434,765         |
| Disposals   | -   | -   | (52,179)  | (52,179)          |
| Transfers   | (419,848)   | 418,297   | 1,551   | -                 |
| <b>As at 31 March 2010</b>                            | <b>44,266,975</b>                                 | <b>2,393,928</b>                                    | <b>3,962,851</b>                                    | <b>50,623,754</b> |
| <b>Depreciation</b>                                   |   |   |   |                   |
| As at 1 April 2009                                    | 1,183,474   | -   | 97,740  | 1,281,214         |
| Charge for year                                       | 211,738   | -   | 11,069  | 222,807           |
| Depreciation on disposals                             | -   | -   | (6,310)   | (6,310)           |
| <b>As at 31 March 2010</b>                            | <b>1,395,212</b>                                  | <b>-</b>  | <b>102,499</b>                                      | <b>1,497,711</b>  |
| <b>Housing Association Grant<br/>and Other Grants</b> |   |   |   |                   |
| As at 1 April 2009                                    | 32,719,968  | 905,305   | 3,378,449   | 37,003,722        |
| Additions   | 358,144   | 1,039,124   | -   | 1,397,268         |
| Disposal  | -   | -   | (29,642)  | (29,642)          |
| Transfer  | (418,297)   | 418,297   | -   | -                 |
| <b>As at 31 March 2010</b>                            | <b>32,659,815</b>                                 | <b>2,362,726</b>                                    | <b>3,348,807</b>                                    | <b>38,371,348</b> |
| <b>Net Book Value</b>                                 |   |   |   |                   |
| 31 March 2010   | 10,211,948  | 31,202  | 511,545   | 10,754,695        |
| 31 March 2009   | 10,418,942  | -   | 537,290   | 10,956,232        |

Development administration costs capitalised amount to £44,561 (2009 - £87,648) for which £13,359 Housing Association Grant was received.

No land or buildings are held under a lease.

**DUNBRITTON HOUSING ASSOCIATION LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**YEAR ENDED 31 MARCH 2010**

**(Continued)**

**9. Tangible fixed assets  
Other Fixed Assets**

|   | Office<br>Improvements | Changing<br>Facilities | Office<br>Equipment | Furniture<br>&<br>Equipment | Total          |
|---|------------------------|------------------------|---------------------|-----------------------------|----------------|
|   | £                      | £                      | £                   | £                           | £              |
| <b>Cost</b>                             |                        |                        |                     |                             |                |
| As at 1 April 2009                      | 18,623                 | 137,852                | 136,283             | 41,424                      | 334,182        |
| Additions                               | 2,045                  | -                      | 2,308               | 1,497                       | 5,850          |
| As at 31 March 2010                     | <u>20,668</u>          | <u>137,852</u>         | <u>138,591</u>      | <u>42,921</u>               | <u>340,032</u> |
| <b>Grants received</b>                  |                        |                        |                     |                             |                |
| As at 1 April 2009 and<br>31 March 2010 | -                      | 137,821                | -                   | -                           | 137,821        |
| <b>Depreciation</b>                     |                        |                        |                     |                             |                |
| As at 1 April 2009                      | 18,623                 | 31                     | 123,128             | 16,752                      | 158,534        |
| Charge for year                         | 409                    | -                      | 5,583               | 3,434                       | 9,426          |
| As at 31 March 2010                     | <u>19,032</u>          | <u>31</u>              | <u>128,711</u>      | <u>20,186</u>               | <u>167,960</u> |
| <b>Net Book Value</b>                   |                        |                        |                     |                             |                |
| 31 March 2010                           | <u>1,636</u>           | <u>-</u>               | <u>9,880</u>        | <u>22,735</u>               | <u>34,251</u>  |
| 31 March 2009                           | <u>-</u>               | <u>-</u>               | <u>13,155</u>       | <u>24,672</u>               | <u>37,827</u>  |

**10. Fixed Asset Investment**

|  | 2010<br>£ | 2009<br>£ |
|--|-----------|-----------|
| <b>Share Equity Properties</b>             |           |           |
| Development cost of shared equity property | 318,761   | 318,761   |
| Less: Grants receivable                    | <u>-</u>  | <u>-</u>  |
| <b>Investments in subsidiaries</b>         |           |           |
| As at 31 March 2009 & 31 March 2010        | <u>2</u>  | <u>2</u>  |

In the opinion of the Management Committee the aggregate of the assets of the subsidiary is not less than the aggregate of the amounts at which those assets are stated in the Association's balance sheet. The Association has a 100% owned subsidiary Dunbritton Commercial Limited.

The Association received covenanted income of £6,242 from the subsidiary during the year and is expected to receive a further £5,311 after the year end. During the period the Association recharged Dunbritton Commercial Ltd for invoices paid on their behalf and for staff costs. The total amount recharged during the year was £1,747 (2009:£7,797). Recharges of administrative expenses were carried out on normal commercial terms.

The aggregate amount of capital and reserves and the results of Dunbritton Commercial Limited for the year ended 31 March 2010 were as follows:

**DUNBRITTON HOUSING ASSOCIATION LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**YEAR ENDED 31 MARCH 2010**

**(Continued)**

(note continued from previous page)

|   | 2010             | 2009             |
|---|------------------|------------------|
|   | £                | £                |
| Capital & Reserves                            | <u>5,885</u>     | <u>6,817</u>     |
| (Loss)/Profit for the year                    | <u>(932)</u>     | <u>2,915</u>     |
| <br>  |                  |                  |
| <b>11. Properties held for resale</b>         |                  |                  |
|   | 2010             | 2009             |
|   | £                | £                |
| Completed properties unsold                   | -                | 236,463          |
| Less: grants received from Scottish Ministers | <u>-</u>         | <u>-</u>         |
|   | <u>-</u>         | <u>236,463</u>   |
| <br>  |                  |                  |
| <b>12. Debtors</b>                            |                  |                  |
|   | 2010             | 2009             |
|   | £                | £                |
| Gross rents in arrears                        | 89,309           | 115,823          |
| Less: bad debt provision                      | <u>(23,820)</u>  | <u>(28,541)</u>  |
|   | 65,489           | 87,282           |
| Social housing grant receivable               | 193,830          | 267,803          |
| Prepayments and accrued income                | -                | -                |
| Other debtors                                 | 56,884           | 50,291           |
| Amounts Due From Group Undertakings           | <u>5,983</u>     | <u>3,442</u>     |
|   | <u>322,186</u>   | <u>408,818</u>   |
| <br>  |                  |                  |
| <b>13. Current Asset Investments</b>          |                  |                  |
|   | 2010             | 2009             |
|   | £                | £                |
| Short term deposits                           | <u>2,916,074</u> | <u>942,894</u>   |
| <br>  |                  |                  |
| <b>14. Creditors due within one year</b>      |                  |                  |
|   | 2010             | 2009             |
|   | £                | £                |
| Trade creditors                               | 311,053          | 42,056           |
| Other creditors                               | 154,541          | 164,350          |
| Accruals and deferred income                  | 97,591           | 356,300          |
| Rents in advance                              | 199,217          | 188,854          |
| Other taxation and social security            | 1,566            | 2,643            |
| Social housing grant in advance               | -                | 236,463          |
| Bank loans                                    | <u>716,784</u>   | <u>525,000</u>   |
|   | <u>1,480,752</u> | <u>1,515,666</u> |

**DUNBRITTON HOUSING ASSOCIATION LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**YEAR ENDED 31 MARCH 2010**  
**(Continued)**

**15. Creditors due outwith one year**

|       | 2010<br>£         | 2009<br>£        |
|-------|-------------------|------------------|
| Loans | 10,547,171        | 9,818,750        |
|       | <u>10,547,171</u> | <u>9,818,750</u> |

Loans are secured by specific charges on the Association's properties. All loans relate to housing properties. Loans are repayable at varying rates of interest in instalments due as follows:

|                            | 2010<br>£         | 2009<br>£         |
|----------------------------|-------------------|-------------------|
| In one year or less        | 716,784           | 525,000           |
| Between two and five years | 2,867,136         | 2,100,000         |
| In five years or more      | 7,680,035         | 7,718,750         |
|                            | <u>11,263,955</u> | <u>10,343,750</u> |

**16. Share Capital**

|  | 2010<br>£  | 2009<br>£ |
|--|------------|-----------|
| Shares of £1 fully paid and issued at 1 April 2009 | 94         | 101       |
| Shares issued during year                          | 6          | 3         |
| Shares cancelled during the year                   | -          | (10)      |
|  | <u>100</u> | <u>94</u> |

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

**17. Auditors' Remuneration**

|  | 2010<br>£    | 2009<br>£    |
|--|--------------|--------------|
| The remuneration of the auditors (including expenses and including VAT for the year) | 5,675        | 5,000        |
| Remuneration of the auditors in respect of services other than those of auditors     | -            | -            |
|  | <u>5,675</u> | <u>5,000</u> |

**DUNBRITTON HOUSING ASSOCIATION LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**YEAR ENDED 31 MARCH 2010**  
(Continued)

**18. Employees**

|  | 2010           | 2009           |
|--|----------------|----------------|
|  | £              | £              |
| Staff costs during year  |                |                |
| Wages and salaries   | 404,691        | 420,758        |
| Social security costs  | 34,206         | 34,509         |
| Other pension costs  | 50,275         | 47,514         |
| Temporary, agency and seconded staff   | <u>66,733</u>  | <u>65,868</u>  |
|  | <u>555,905</u> | <u>568,649</u> |
|  | No             | No             |
| The average full time equivalent number of persons employed by the Association during the year was as follows: | <u>13</u>      | <u>13</u>      |

The Directors are defined as the members of the Management Committee, the Director and any other person reporting directly to the Directors or the Management Committee whose total emoluments including pension contributions exceed £60,000 per year (2009 - £60,000 per year).

|   | £             | £             |
|---|---------------|---------------|
| Emoluments payable to Highest Paid Director (excluding pension contributions) | <u>53,083</u> | <u>53,364</u> |

The Association's pension contributions for the Director in the year amounted to £7,975 (2009 - £7,838).

There were no directors whose emoluments, excluding pension contributions, were over £60,000 (2009: none).

No member of the Committee of Management received any emoluments in respect of their services to the Association. Committee Members were reimbursed expenses of £6,096 (2009: £3,583) during the year and the Association spent £7,350 (2009: £10,591) on training for committee members.

**DUNBRITTON HOUSING ASSOCIATION LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**YEAR ENDED 31 MARCH 2010**

**(Continued)**

|            |  |                    |                    |
|------------|--|--------------------|--------------------|
| <b>19.</b> | <b>Notes to the Cash Flow Statement</b>                                    | <b>2010</b>        | <b>2009</b>        |
|            | (a) Reconciliation of surplus to net cash inflow from operating activities |                    |                    |
|            | Surplus for year   | 522,890            | 289,220            |
|            | Net interest payable   | 281,757            | 522,999            |
|            | Profit on disposal   | <u>(16,165)</u>    | <u>(56,975)</u>    |
|            | Operating surplus for the year excluding interest and tax payable          | 788,482            | 755,244            |
|            | Depreciation   | 232,233            | 225,432            |
|            | Cancellation of share Capital  | -                  | (10)               |
|            | (Increase)/Decrease in debtors   | 12,659             | 77,478             |
|            | (Increase)/Decrease in stock   | 236,463            | -                  |
|            | Increase/(Decrease) in creditors   | <u>9,765</u>       | <u>(166,147)</u>   |
|            |  | <u>1,279,602</u>   | <u>891,997</u>     |
|            | (b) Reconciliation of cash flow to movement in net debt                    |                    |                    |
|            | Increase/(Decrease) in cash for the year                                   | 1,744,611          | (552,584)          |
|            | Loans received   | (1,500,000)        | -                  |
|            | Loan repayments  | <u>579,795</u>     | <u>525,000</u>     |
|            | Change in net debt   | 824,406            | (27,584)           |
|            | Net debt as at 1 April 2009  | <u>(9,110,167)</u> | <u>(9,082,583)</u> |
|            | Net debt as at 31 March 2010   | <u>(8,285,761)</u> | <u>(9,110,167)</u> |

**Analysis of Changes in net debt**

|                                      | As at 31<br>March 2009<br>£ | Cash Flow<br>£   | Other<br>Changes<br>£ | As at 31 March<br>2010<br>£ |
|--------------------------------------|-----------------------------|------------------|-----------------------|-----------------------------|
| Cash at bank and in deposit accounts | 1,233,583                   | 1,744,611        | -                     | 2,978,194                   |
| Overdraft                            | -                           | -                | -                     | -                           |
| Debt due within one year             | (525,000)                   | (191,784)        | -                     | (716,784)                   |
| Debt due after one year              | <u>(9,818,750)</u>          | <u>(728,421)</u> | -                     | <u>(10,547,171)</u>         |
|                                      | <u>(9,110,167)</u>          | <u>824,406</u>   | -                     | <u>(8,285,761)</u>          |

**20. Capital Commitments**

|  |             |             |
|--|-------------|-------------|
|  | <b>2010</b> | <b>2009</b> |
|  | <b>£</b>    | <b>£</b>    |
| Expenditure authorised by the Committee of Management contracted less certified. | -           | -           |



# DUNBRITTON HOUSING ASSOCIATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2010  
(Continued)

### 21. Pension Fund General

Dunbritton Housing Association Limited participates in the SFHA Pension Scheme (the 'Scheme').

The SFHA Pension Scheme is a multi-employer defined benefit scheme. The Scheme is funded and is contracted out of the state scheme.

The Scheme currently operates with a single benefit structure, final salary with a 1/60<sup>th</sup> accrual rate. From April 2008 are three benefit structures available, namely:

- Final salary with a 1/60<sup>th</sup> accrual rate.
- Career average revalued earnings with a 1/60<sup>th</sup> accrual rate.
- Career average revalued earnings with a 1/70<sup>th</sup> accrual rate.

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

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

The 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 Dunbritton Housing Association Limited paid contributions at the rate of 15.4% of pensionable salaries. Member contributions were 7.7%.

As at the balance sheet date, there were 10 active members of the Scheme employed by Dunbritton Housing Association Limited. The annual pensionable payroll in respect of these members was £273,955. Dunbritton Housing Association Limited continues to offer membership of the Scheme to its employees.

It is not possible in the normal course of events to identify on a reasonable and consistent basis the share of underlying assets and liabilities belonging to individual participating employers. Accordingly, due to the nature of the Plan, the accounting charge for the period under FRS17 represents the employer contribution payable.

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 with the value of 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

# DUNBRITTON HOUSING ASSOCIATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

**YEAR ENDED 31 MARCH 2010**

(Continued)

**21. Pension Fund (cont.)**

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 30 September 2006 were as follows:

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

The valuation was carried out using the PA92C2025 short cohort mortality table for non-pensioners and PA92C2013 short cohort mortality table for pensioners. The table below illustrates the assumed life expectancy in years for pension scheme members at age 65 using these mortality assumptions:

|                | Males   | Females                                       |
|----------------|---|---|
|                | Assumed life expectancy in years<br>at age 65 | Assumed life expectancy in years<br>at age 65 |
| Non-pensioners | 21.6  | 24.4  |
| Pensioners     | 20.7  | 23.6  |

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

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

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 per annum 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 from 1 April 2008 for each of the benefit structures will be:

# DUNBRITTON HOUSING ASSOCIATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2010

(Continued)

### 21. Pension Fund (cont.)

| Benefit structure    | Joint contribution rate<br>(% of pensionable salaries per annum)                    |
|----------------------|---|
| Final salary 60ths   | 23.1<br>comprising employer contributions of 15.4% and member contributions of 7.7% |
| Career average 60ths | 19.9<br>comprising employer contributions of 13.3% and member contributions of 6.6% |
| Career average 70ths | 17.9<br>comprising employer contributions of 11.9% and member contributions of 6.0% |

A small number of employers that have closed the Scheme to new entrants are required to pay an additional employer 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 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 current triennial valuation, as at 30 September 2009, is being undertaken by a professionally qualified actuary. The provisional results of this valuation were issued by the SFHA Pension Scheme in May 2010. These figures show that the deficit on the scheme has increased from £53.6million to £160million. The funding level of liabilities, based on these figures, would be 64.8% (2006 – 83.4%).

As a result of this valuation the total contribution rate must increase on average by 7% of pensionable earnings for all existing benefit options structures from April 2011.

As a result of pension scheme legislation there is a potential debt on the employer that could be levied by the Trustee of the Scheme. The debt is due in the event of the employer ceasing to participate in the Scheme or the Scheme winding up.

The debt for the Scheme as a whole is calculated by comparing the liabilities for the Scheme (calculated on a buy-out basis i.e. the cost of securing benefits by purchasing annuity policies from an insurer, plus an allowance for expenses) with the assets of the Scheme. If the liabilities exceed assets there is a buy-out debt.

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

The leaving employer's debt therefore includes a share of any 'orphan' liabilities in respect of previously participating employers. The amount of the debt therefore depends on many factors including total Scheme liabilities, Scheme investment performance, the liabilities in respect of current and former employees of the employer, financial conditions at the time of the cessation event and the insurance buy-out market. The amounts of debt can therefore be volatile over time.

# DUNBRITTON HOUSING ASSOCIATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2010

(Continued)

### 22. Housing Stock

|   | 2010       | 2009       |
|---|------------|------------|
|   | £          | £          |
| The number of units in Management at 31 March was as follows: |            |            |
| General needs - New build                                     | 382        | 382        |
| Rehabilitation  | 243        | 240        |
| Shared ownership  | 73         | 74         |
|   | <u>698</u> | <u>696</u> |

### 23. Other financial commitments

Under the terms of the 1997 LSVT agreement the Association is committed to spending around £597,180 in planned maintenance for the remaining period of the agreement. If, as expected, the Scottish Government sets aside these contracts then this obligation will continue to meet its planned maintenance obligations in accordance with its ongoing stock condition surveys.

### 24. Contingent Liabilities

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

### 25. Commitments Under Operating Leases

At the year end, the annual commitments under operating leases were as follows:

|                                     | 2010              | 2009              |
|-------------------------------------|-------------------|-------------------|
|                                     | £                 | £                 |
| <b>Land and Buildings</b>           |                   |                   |
| Expiring in over five years         | 35,000            | 35,000            |
| <b>Other</b>                        |                   |                   |
| Expiring within one year            | 468               | 468               |
| Expiring between two and five years | <u>          </u> | <u>          </u> |

### 26. Related Parties

Various members of the Committee and their relatives are tenants of the Association. All of these transactions have been carried out on the terms applicable to all tenants.

The related party relationships of the members of the Management Committee is summarised as follows:

5 members who served on the Board during the year are tenants of the Association  
2 members who served on the Board during the year are relevant local councillors

Governing Body Members cannot use their position to their advantage. Any transaction between the Association and any entity with which a Governing Body Member has a connection with is made at arm's length and is under normal commercial terms.