



Chartered Accountants  
*Local Matters, National Strength.*

# Report and Financial Statements

Forth Housing Association Limited

For the Year Ended 31 March 2010

Register of the Industrial and Provident Societies No. 2268RS

Registered Housing Association No. HAL110

Registered Charity No. SC003550

[www.hwca.com](http://www.hwca.com)

**FORTH HOUSING ASSOCIATION LIMITED**

**FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2010**

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**MANAGEMENT COMMITTEE, EXECUTIVES AND ADVISERS**

**Committee of Management**

Gordon Mason (Chairperson)  
Thomas Bell (Vice Chair)  
John Fyfe (Secretary)  
Clark Davidson (Treasurer)  
Linda Mason  
Audrey Anderson  
Harry Deerin  
Neil McLeod  
Cllr Jim Thomson  
David Cummings  
Patrick Heneghan  
John Paterson Joined 07/09/09  
Philip Sim Joined 20/10/09

John R Holliday Left 07/09/09  
Wilma Burns Left 07/09/09

**Executive Officers**

John Cameron (Director)

**Registered Office**

2 Viewfield Place  
Stirling  
FK8 1NQ

**Auditors**

HW Chartered Accountants & Statutory Auditors  
231/233 St Vincent Street  
Glasgow  
G2 5QY

**Finance Agent**

FMD Financial Services Ltd  
KCEDG Commercial Centre  
Unit 29  
Ladyloan Place  
Glasgow  
G15 8LB

**Bankers**

Clydesdale Bank plc  
Suite 2  
Ochil House  
Springkerse Business Park  
Stirling  
FK7 7XE

**Solicitors**

T C Young  
30 George Square  
Glasgow  
G2 1LH

**REPORT OF THE MANAGEMENT COMMITTEE****FOR THE YEAR ENDED 31 MARCH 2010**

The Management Committee presents its report and the audited financial statements for the year ended 31 March 2010.

**Structure, governance and management****Charitable status and constitution**

The Association is a registered Scottish charity, reference number SC003550 and a registered company under the provision of the Industrial and Provident Societies Acts 1965 to 1978, registered number 2268 RS. The Association is governed by its rules which were last updated in September 2005.

**The Management Committee and Executive Officers**

The Management Committee and Executive Officers of the Association are listed on page 1.

Each member of the Management Committee holds one fully paid share of £1 in the Association. The Executive Officer of the Association holds no interest in the Association's share capital and acts as an executive within the authority delegated by the Committee.

**Governance**

The Management Committee meets at monthly intervals during the year to review and consider the principal operational, strategic and risk matters arising in connection with the Association's affairs.

Each monthly meeting focuses on a particular aspect of the Association's business and obtains comprehensive monitoring reports relating to this function. This allows close monitoring of performance against our key performance targets and benchmarking information for similar landlords.

In addition each meeting also reviews a number of policies to ensure that each policy statement is reviewed at least every three years. These reviews consider existing operations, legislation and good practice guidance.

The Management Committee meetings also consider significant strategic and operational matters as and when required. Although this may involve additional focus meetings and/or issues being considered by small focus groups final decision making is retained by the full committee.

**Objectives and activities**

The principal activity of the Association is the provision of affordable rented accommodation and low cost home ownership for those in greatest need. The Association has set eight strategic objectives which are reviewed on an annual basis as part of the internal management planning process.

- To strive to meet the recognised Performance Standards for Social Landlords and to establish the necessary internal monitoring procedures.
- To provide sensitive management of properties to the highest possible standards.
- To allocate houses by implementing a clear, impartial and comprehensive system of processing all requests for tenancy from whatever source.
- To facilitate tenant participation by ensuring tenants have the opportunity to influence decisions and take part in matters which affect the quality of their lives.
- To provide housing which focuses on tenant comfort and security, low running costs, high thermal insulation, low maintenance costs, barrier free environment and environmental sustainability.
- To ensure financial viability by making the best use of resources in all the Association's activities whilst ensuring risk management principals are adhered to.
- To demonstrate commitment to community development through wider role activity.
- To ensure that staff, Committee members and tenants have the opportunity to undertake the type and level of development which support the achievement of the aims and objectives of the Association.

**REPORT OF THE MANAGEMENT COMMITTEE**

**FOR THE YEAR ENDED 31 MARCH 2010**

**Achievements, performance and financial review**

A revised format of Internal Management Plan was adopted with effect from 1<sup>st</sup> April 2009. This plan outlines the strategic and operational ambitions of the associations and outlined SMART objectives and targets. These formed the basis for monitoring and reporting during the period.

The Association's financial performance remains subject to close scrutiny by Management Committee on a quarterly basis and before any major capital expenditure, through new housing development, is undertaken.

A key completion during the year involved a complete review of the 30 year planned works to the association's homes and alongside this a review of the 30 year financial projections. These indicate that given the assumptions adopted the Association will remain viable throughout the 30 year period and will be able to maintain its housing stock to a good standard without the need for further borrowing.

An interim review of the Money Advice Service, which was introduced in late 2007, was undertaken. In the light of the findings, which showed that the post was markedly improving the financial situation for many households and had assisted with a reduction in tenant arrears to the Association, a decision to extend the post until at least march 2011 was taken. Further grant funding to cover 80% of the Money advice Post was secured.

Strategic co-operation with Stirling council and Raploch Urban Regeneration Company remain a priority for the Association. During the year the additional "accelerated HAG" secured from the Scottish Government allow the construction of 34 additional homes at Clayhills Drive, Cambusbarron to progress. Work also progressed on site for the construction of the 50 homes at Raploch site 5. A tender approval was also achieved for 42 new homes at Dry Pow Park, Fallin.

The Association's period of engagement with the Scottish Housing Regulator ended during the period and the Regulators is now satisfied that the association is operating in a secure and satisfactory manner and is required only to follow the standard Regulatory procedures.

Collaboration with neighbouring Associations continued and the Management Committees of Forth, Rural Stirling and Ochil View Housing Associations agreed to establish Strath For Housing Alliance. This is a non constituted collaboration through which the three organisations are progressing closer working relationships and seeking to identify service improvements an/or economies of operation which can be achieved without losing local autonomy.

External consultants continue to be utilized as required, to provide specialist advice and assistance to the Management Committee. During the year Senior Legal Counsel continued to assist with a litigation action against previous advisors and the Association is currently pursuing an action..

**Plans for future periods**

The downturn in the general economy and cuts in public funding will have an effect on the Association's future plans. The most obvious of these is that the previously envisaged growth in the Association's housing stock will not proceed as quickly as planned. The Affordable Housing Investment Programme is expected to be much reduced in the coming years and Forth has joined with Stirling Council and other Associations to agree a revised strategy for new affordable rented homes. This reduction in the development programme will have no detrimental effect on the projected financial security of the Association.

**REPORT OF THE MANAGEMENT COMMITTEE (CONT)**

**FOR THE YEAR ENDED 31 MARCH 2010**

Forth welcomes the proposed Tenants Charter contained in the current Housing Bill as this matches many of the Association's own ambitions to ensure that the organization becomes more responsive to the needs of local people. The intention remains to develop services in a responsive and efficient manner and a commitment has been made to relocate the Association's office to a new modern location where the working environment will more easily lend itself to modern working practices.

**Changes in fixed assets**

Details of fixed assets are set out in Note 9.

**REPORT OF THE MANAGEMENT COMMITTEE****FOR THE YEAR ENDED 31 MARCH 2010****Statement of Management Committee's responsibilities**

The Industrial and Provident Societies Acts and registered social housing 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 surplus or deficit for that period. In preparing those financial statements the Committee is 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; and
- 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 and to enable it to ensure that the financial statements comply with the Industrial and Provident Societies Acts 1965 to 2002.

The Committee has general responsibility for taking reasonable steps to safeguard the assets of the Association and to prevent and detect fraud and other irregularities.

**Statement on internal financial control**

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

- **Management Structure**  
The Management Committee has overall responsibility for the Association and there is a formal schedule of matters specifically reserved for decision by the Committee.
- **Budgetary Process**  
Each year the Management Committee approves the annual budget and rolling three year strategic plan. Key risk areas are identified. Performance is monitored and relevant action taken throughout the year, through the quarterly reporting to the Committee of variances from the budget, updated forecasts for the year together with information on the key risk areas. Approval procedures are in place in respect of major areas of risk such as major contract tenders, expenditure and treasury management.
- **Investment Appraisal**  
Capital expenditure is regulated by a budgetary process and authorisation levels. For expenditure beyond specified levels, detailed written proposals must be submitted to the Committee. Reviews are carried out during the development period to monitor expenditure and performance.
- **Financial Investments**  
The Committee has responsibility for investing surplus funds of the Association in investment opportunities within the parameters afforded by the Charity's constitution.
- **Monitoring and Corrective Action**  
External auditors report on weaknesses in internal financial control identified during the course of their audits. These reports, together with the replies from management and details of measures taken as a consequence are reviewed by the Management Committee.

REPORT OF THE MANAGEMENT COMMITTEE

FOR THE YEAR ENDED 31 MARCH 2010

- In addition, the Committee review reports produced by the independent Internal Audit Function. The Management Committee confirms that it has reviewed the effectiveness of the Association's system of internal financial control as it operated during the year under review.

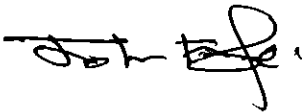
**Auditors' Review**

In addition to their audit of the financial statements, our auditors have reviewed the Management Committee's statement concerning the Association's compliance with the disclosures required by the Scottish Federation of Housing Associations "Raising Standards" guidance on "Internal financial control and financial reporting". Their report is set out on page 7.

**Auditors**

A resolution to appoint HW Chartered Accountants as auditor will be put to the members at the Annual General Meeting.

By order of the committee



John Fyfe  
Secretary

Date:.....30/8/10.....



## INDEPENDENT AUDITORS' REPORT TO THE MEMBERS

## FORTH HOUSING ASSOCIATION LIMITED

We have audited the Financial Statements on pages 9 to 27 which have been prepared under the historical cost convention and on the basis of accounting policies set out on pages 12 and 13.

This report is made solely to the Association's members, as a body, in accordance with Section 9 of the Friendly and Industrial 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 on pages 5 - 6 the Management Committee is responsible for the preparation of the Financial Statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

It is our responsibility 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 relevant legislation. We also report to you if, in our opinion, the Management Committee's report is not consistent with the Financial Statements, if the company 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 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 audit 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 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 of the state of affairs of the Housing Association at 31 March 2010 and of its surplus 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.

  
Richard Gibson BAcc CA CF (Senior Statutory Auditor)  
For & on behalf of HW, Chartered Accountants & Statutory Auditors  
231/233 St Vincent Street  
Glasgow  
G2 5QY

Date: 28/9/2010

**REPORT OF THE AUDITORS TO THE MEMBERS OF  
FORTH HOUSING ASSOCIATION LIMITED**

In addition to the audit of the Financial Statements, we have reviewed whether the statement on pages 5 and 6 reflects the Association's compliance with the disclosure required by the Scottish Federation of Housing Associations - "Raising Standards in Housing" guidance on "Internal financial control and financial reporting". The objective of our review was to enable us to conclude on, whether the Committee of Management has provided the disclosure required by the guidance and whether the statement is inconsistent with the information of which we are aware from our audit of the Financial Statements. We are not required to form an opinion on the effectiveness of the Association's system of internal financial control.

**Opinion**

With respect to the Committee of Management's statement on internal financial controls on pages 4 and 5, in our opinion the Committee of Management has provided the disclosures required by the Scottish Federation of Housing Associations "Raising Standards in Housing" guidance on "Internal financial control and financial reporting", and the statement is not inconsistent with the information of which we are aware from our audit work on the financial statements.



Richard Gibson BAcc CA CF (Senior Statutory Auditor)  
For & on behalf of HW, Chartered Accountants & Statutory Auditors  
231/233 St Vincent Street  
Glasgow  
G2 5QY

Date: 28/9/2010.....

**INCOME AND EXPENDITURE ACCOUNT**

**FOR THE YEAR ENDED 31ST MARCH 2010**

	Notes	2010 £	2009 £
<b>TURNOVER</b>	2.	1,763,658	1,656,176
Operating costs	2.	1,088,100	1,192,157
<b>OPERATING SURPLUS</b>	6.	675,558	464,019
Gain/(loss) on Sale of Assets		(1,226)	-
Exceptional Costs	23	-	(45,702)
Interest receivable and other income		10,854	34,727
Interest payable	7.	(295,118)	(515,708)
<b>TOTAL SURPLUS/ (DEFICIT) FOR YEAR BEFORE TAXATION</b>		390,068	(62,664)
Tax on surplus on ordinary activities	8.	-	-
<b>SURPLUS/ (DEFICIT) FOR YEAR</b>		390,068	(62,664)

**STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES**

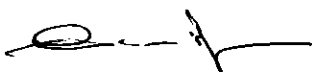
	2010 £	2009 £
Surplus / (Deficit) for the year	390,068	(62,664)
Unrealised gain on revaluation of properties held for letting	-	-
Unrealised gain/(loss) on revaluation of investments	-	(1,274)
<b>TOTAL RECOGNISED GAINS AND LOSSES FOR THE YEAR</b>	390,068	(63,938)

The results for the year relate wholly to continuing activities.

## BALANCE SHEET AS AT 31 MARCH 2010

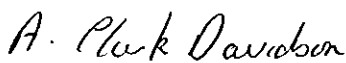
	Notes	2010 £	2009 £
<b>TANGIBLE FIXED ASSETS</b>			
Housing properties – Cost and Valuation less depreciation	9.	29,142,303	21,116,846
Less: HAG and other grants		(10,733,458)	(5,479,661)
		<u>18,408,845</u>	<u>15,637,185</u>
Other fixed assets	9.	12,305	12,571
		<u>18,421,150</u>	<u>15,649,756</u>
<b>CURRENT ASSETS</b>			
Investments	10.	-	-
Debtors	11.	516,467	385,789
Cash at bank and in hand		1,029,042	1,001,983
		<u>1,545,509</u>	<u>1,387,772</u>
<b>CURRENT LIABILITIES</b>			
Creditors: Amounts falling due within one year	12.	(1,839,131)	(1,993,750)
<b>NET CURRENT (LIABILITIES)/ASSETS</b>		<u>(293,622)</u>	<u>(605,978)</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			
		18,127,528	15,043,778
Creditors: Amounts falling due after one year	13.	(11,475,888)	(8,782,204)
		<u>6,651,640</u>	<u>6,261,574</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	14.	93	95
Designated reserves	15.	1,576,401	1,205,836
Revenue reserves	16.	266,008	197,432
Revaluation Reserve	16	4,809,138	4,858,211
		<u>6,651,640</u>	<u>6,261,574</u>

Approved by the Management Committee on 30/8/10



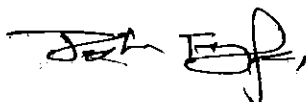
Gordon Mason

CHAIRPERSON



Clark Davidson

TREASURER



John Fyfe

SECRETARY

## CASH FLOW STATEMENT

FOR THE YEAR TO 31 MARCH 2010

	Notes	2010 £	2009 £
<b>NET CASH INFLOW / (OUTFLOW) FROM OPERATING ACTIVITIES</b>	17.	<u>791,408</u>	<u>739,180</u>
<b>RETURNS ON INVESTMENTS AND SERVICING OF FINANCE</b>			
Interest received		10,854	34,727
Interest paid		(295,118)	(515,708)
<b>NET CASH INFLOW / (OUTFLOW) FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE</b>		<u>(284,264)</u>	<u>(480,981)</u>
<b>TAXATION</b>			
Tax paid		-	-
<b>CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT</b>			
Cash paid for development, construction and purchase of housing		(8,202,098)	(3,604,990)
Cash paid for purchase of other fixed assets		(4,902)	(655)
Social Housing Grant received less repaid		5,253,797	2,349,387
Sale of Investments		-	533,032
		<u>(2,953,203)</u>	<u>(723,226)</u>
<b>NET CASH INFLOW / (OUTFLOW) BEFORE USE OF LIQUID RESOURCES AND FINANCING</b>		<u>(2,446,059)</u>	<u>(465,027)</u>
<b>FINANCING</b>			
Loan finance received		2,741,266	1,158,056
Loans repaid		(268,155)	(297,311)
Shares issued		11	4
Shares cancelled		-	(2)
		<u>2,473,122</u>	<u>860,747</u>
<b>INCREASE IN CASH</b>	18.	<u>27,063</u>	<u>395,720</u>

The notes on pages 12 to 27 form part of these Financial Statements.

## NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 MARCH 2010

## 1. ACCOUNTING POLICIES

The Association is incorporated under the Industrial and Provident Societies Acts and is registered by The Registrar of Friendly Societies. The financial statements have been prepared in compliance with the Registered Social Landlords Accounting Requirements (Scotland) Order 2007.

a) **Accounting Convention**

The financial statements are prepared under the historical cost convention, subject to the revaluation of current asset investments.

b) **Basis of Accounting**

The financial statements are prepared in accordance with applicable Accounting Standards and Statement of Recommended Practice "Accounting by Registered Social Landlords" 2005.

c) **Grants**

Housing Association Grants (HAG) are made by the Scottish Government and are utilised to reduce the capital costs of an approved scheme to an amount of required loan finance which it is estimated can be serviced by the net annual income of the scheme. The amount of HAG is calculated on qualifying costs of the scheme in accordance with instructions issued from time to time by the Scottish Government. HAG is repayable under certain circumstances, primarily following sale of property, but will normally be restricted to net proceeds of sale.

Revenue grants are credited to income in the period to which they relate.

d) **Tangible Fixed Assets - Housing Properties**

Shared ownership properties held for letting and housing properties in course of construction are stated at cost. The development cost of these includes the following:

- (i) cost of acquiring land and buildings;
- (ii) development expenditure;
- (iii) internal administration costs relating to the acquisition and development of housing properties;
- (iv) clerk of works costs.

These costs are termed "qualifying costs" by the Scottish Government for approved Housing Association Grant schemes.

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.

Housing properties held for letting are stated at valuation. The last valuation was carried out at 31 March 2008.

e) **Depreciation**

Depreciation is provided at rates calculated to write off the cost of each tangible fixed asset over its expected useful life, as follows:-

Office equipment, fixtures and fittings	-	15% per annum on cost (net of seedcorn grant) straight line.
Computer equipment	-	25% per annum on cost (net of seedcorn grant) straight line.
Housing properties held for letting	-	1% per annum on cost straight line.

Housing properties

Financial Reporting Standard (FRS) 15 requires all assets to be depreciated over their estimated economic life, taking account of any residual value of the assets. Housing properties are considered to have a high residual value, and a useful economic life in excess of 50 years.

## NOTES TO THE FINANCIAL STATEMENTS

AS AT 31ST MARCH 2010 (Continued)

## 1. ACCOUNTING POLICIES (Continued)

f) **Works to existing housing properties**

Where work on existing housing properties is likely to enhance their value by increasing the net rental stream over the life of the properties it is accounted for as an improvement and capitalised in note 9.

Works on existing properties that are not regarded as enhancing their value are charged to the income and expenditure account and included under maintenance costs in note 3.

g) **Shared Ownership Transactions**

For HAG-funded shared ownership schemes the first tranche proceeds arising from the part-owner's purchase of equity are regarded as a contribution towards the cost of the assets and no revenue surplus or deficit is taken. Sales taking place after the initial purchase are accounted for as a disposal of fixed assets.

h) **Cyclical and Major Repairs**

The costs of cyclical and major repairs are charged to the Income and Expenditure Account in the year in which they are incurred.

i) **Designated Reserves**

The Association maintains its housing properties in a state of repair which at least maintains their residual value at prices prevailing at the time of acquisition and construction. Provision is made for such future repair expenditure on the basis of a costed programme.

j) **Pensions**

The Association participates in the SFHA Pension Scheme (now administered by The Pensions Trust) which provides benefits based on final pensionable salary. Contributions are charged to the income and expenditure account so as to spread the cost of pensions over the employees' working lives with the Association.

k) **Deferred taxation**

Deferred tax is provided on the liability method to take account of timing differences between the treatment of certain items for accounts purposes and the treatment for tax purposes. Tax deferred is account for in respect of all material timing differences. Deferred tax assets are only recognised to the extent that they are regarded as recoverable.

Deferred tax is not provided on timing differences arising from the revaluation of fixed assets where there is no commitment to sell the asset.

l) **Investments**

Investments held as current assets are stated at market value.

m) **Turnover**

Turnover represents rents and service charges receivable as well as factoring and wider action income.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2010

2. TURNOVER, COST OF SALES, OPERATING COSTS AND OPERATING SURPLUS

	2010		2009		Operating Surplus/ (Deficit) £	Operating Costs £	Turnover £	Operating Surplus/ (Deficit) £
	Note	Turnover £	Operating Costs £	Operating Surplus/ (Deficit) £				
Income/Expenditure from Lettings								
Social lettings	3.	1,728,230	(1,039,145)	689,085	1,618,723	(1,147,884)	470,839	
Other activities	3A.	35,428	(48,955)	(13,527)	37,453	(44,273)	(6,820)	
<b>TOTAL</b>		<b>1,763,658</b>	<b>(1,088,100)</b>	<b>675,558</b>	<b>1,656,176</b>	<b>(1,192,157)</b>	<b>464,019</b>	



FORTH HOUSING ASSOCIATION LIMITED  
 NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED 31ST MARCH 2010

3. PARTICULARS OF INCOME AND EXPENDITURE FROM LETTINGS

	Housing Accommodation	Supported Housing	Shared Ownership	2010 Total	2009 Total
	£	£	£	£	£
<b>Income from Lettings</b>					
Rent Receivable net of identifiable Service Charges	1,620,994	-	38,759	1,659,753	1,576,584
Service Charges Receivable	65,956	-	2,660	68,616	42,416
<b>Gross Income from Rents and Service Charges</b>	<b>1,686,950</b>	<b>-</b>	<b>41,419</b>	<b>1,728,369</b>	<b>1,619,000</b>
<b>Less: Rent losses from voids</b>	<b>(139)</b>	<b>-</b>	<b>-</b>	<b>(139)</b>	<b>(277)</b>
<b>Net Income from Rents and Service Charges</b>	<b>1,686,811</b>	<b>-</b>	<b>41,419</b>	<b>1,728,230</b>	<b>1,618,723</b>
<b>Expenditure on Letting Activities</b>					
Service charges	65,956	-	2,660	68,616	42,416
Management and maintenance administration costs	624,003	-	15,322	639,325	620,686
Reactive Maintenance costs	92,603	-	-	92,603	115,848
Planned Maintenance costs	58,365	-	-	58,365	221,202
Bad Debts – rents and service charges	3,540	-	-	3,540	(4,795)
Depreciation of Social Housing	174,335	-	2,361	176,696	152,527
<b>Operating Costs for Social Letting Activities</b>	<b>1,018,802</b>	<b>-</b>	<b>20,343</b>	<b>1,039,145</b>	<b>1,147,884</b>
<b>Operating Surplus on Letting activities</b>	<b>668,009</b>	<b>-</b>	<b>21,076</b>	<b>689,085</b>	<b>470,839</b>

**FORTH HOUSING ASSOCIATION LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31ST MARCH 2010**

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

Housing	Grants from Scottish Ministers	Other Income	Total Turnover	Other Operating Costs	Operating Surplus
	£	£	£	£	£
Wider action/wider role	29,654	3,889	33,543	(37,270)	(3,727)
Factoring	-	1,885	1,885	(1,857)	28
Rechargeable Repairs Bad Debts				(9,828)	(9,828)
<b>Total from other activities</b>	<b>29,654</b>	<b>5,774</b>	<b>35,428</b>	<b>(48,955)</b>	<b>(13,527)</b>
2009	35,410	2,043	37,453	(44,273)	(6,820)

Wider role and factoring are the only "other activities" carried out by the Association

NOTES TO THE FINANCIAL STATEMENTS

AS AT 31ST MARCH 2010 (Continued)

**4. DIRECTORS' EMOLUMENTS**

The Management Committee are all classed as Directors of the Association. All perform their duties on a voluntary basis and have no emoluments from the Association. There is no director or any other person who reports directly to the Director or the Management Committee whose total emoluments exceed £60,000 per year.

Total expenses re-imbursed insofar as not chargeable to income tax	£	£
Management Committee	<u>1,198</u>	<u>1,210</u>

Re-imburement is only made for expenses directly incurred in connection with performing the Association's business. Expenses incurred are within the designated classes under Schedule 7 of the Housing (Scotland) Act 2001.

**5. EMPLOYEES**

	Number	Number
The average weekly numbers of persons employed during the year was:	<u>12</u>	<u>12</u>

Staff Costs:	£	£
Wages and Salaries	407,122	390,536
Social Security Costs	32,958	31,450
Other Pension Costs	53,289	50,861
	<u>493,369</u>	<u>472,847</u>

## NOTES TO THE FINANCIAL STATEMENTS

AS AT 31ST MARCH 2010 (Continued)

**6. OPERATING SURPLUS**

	2010 £	2009 £
Operating surplus is stated after charging:-		
Depreciation	181,801	166,126
Auditors Remuneration - Audit Services (Incl VAT)	4,883	4,873
Internal Audit	1,161	3,519
	<u>          </u>	<u>          </u>

**7. INTEREST PAYABLE**

On Bank Loans and Overdrafts	313,550	515,708
	<u>          </u>	<u>          </u>
	315,550	515,708
Less: Interest Capitalised	(18,432)	-
	<u>          </u>	<u>          </u>
	<u>295,118</u>	<u>515,708</u>

**8.. LOSS ON SALES AND DISPOSALS**

During the year the final tranch of one of our shared ownership properties was sold and the proceeds £24,838 less depreciation of £23,675 left a net loss of £1,163  
Office Equipment to the value of £1,531 was disposed of this had been depreciated by £1,468 leaving a net loss of £63.

9. TANGIBLE FIXED ASSETS

	Housing properties Held for Letting (restated) £	Shared Ownership Properties Held for Letting £	Housing Properties in course of Construction £	Housing Properties Total £
<b>Housing properties Cost</b>				
At 1 April 2009	18,334,667	1,116,622	1,818,084	21,269,373
Valuation at 1 April 2009	-	-	-	-
Additions	203,751	-	8,023,185	8,226,936
Transfers	5,760,575	-	(5,760,575)	-
Disposals	-	(24,838)	-	(24,838)
At 31 March 2010	24,298,993	1,091,784	4,080,694	29,471,471
<b>Housing Association Grants And other capital grants</b>				
At 1 April 2009	3,277,215	921,396	1,281,050	5,479,661
Additions	117,943	-	5,201,549	5,319,492
Transfers	3,436,366	-	(3,436,366)	-
Disposals	-	(65,695)	-	(65,695)
At 31 March 2010	6,831,524	855,701	3,046,233	10,733,458
<b>Depreciation</b>				
At 1 April 2009	150,575	1,952	-	152,527
Provided during year	174,335	2,361	-	176,696
Disposals	-	(55)	-	(55)
At 31st March 2010	324,910	4,258	-	329,168
<b>Net Book Value</b>				
At 31st March 2010	17,142,599	231,825	1,034,461	18,408,845
At 31st March 2009	14,906,877	193,274	537,034	15,637,185

Housing properties held for letting were revalued at 31 March 2008 by DTZ Holdings plc using the value in use method giving a net book value of £13,932,000

The original net book value prior to revaluation was £9,024,716. The increase in value of £4,907,284 has been taken to the revaluation reserve.

Disposals during the year of Shared Ownership Properties Held for Letting consist partly of grant repayments for properties sold in previous years.

## NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 MARCH 2010 (Continued)

## 9. TANGIBLE FIXED ASSETS (continued)

	Office Equipment, Fixtures and Fittings £	Computer Equipment £	Total £
<b>Cost</b>			
At 1 April 2009	28,357	47,453	75,810
Additions	-	4,902	4,902
Disposals	(797)	(734)	(1,531)
At 31 March 2010	27,560	51,620	79,180
<b>Depreciation</b>			
At 1 April 2009	20,572	42,667	63,239
Additions	2,171	2,934	5,105
Disposals	(785)	(684)	(1,469)
At 31 March 2010	21,958	44,917	66,875
<b>Net Book Value</b>			
At 31 March 2010	5,602	6,703	12,305
At 31 March 2009	7,785	4,786	12,571

## 9 TANGIBLE FIXED ASSETS (continued) – Homestake

	Under Construction £
<b>Cost</b>	
At 1 April 2009	153,732
Additions	-
At 31 March 2010	153,732
<b>Housing Association Grant</b>	
At 1 April 2009	153,732
Additions	-
At 31 March 2010	153,732
<b>Net Book Value</b>	-
At 31 March 2010	-
At 31 March 2009	-

## NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 MARCH 2010 (Continued)

## 10. CURRENT ASSET INVESTMENTS

	2010	2009
	£	£
Market value:		
At 1 April 2010	-	533,032
Additions	-	-
Disposals	-	(531,758)
Unrealised gain	-	(1,274)
	<u>-</u>	<u>-</u>
	<u>-</u>	<u>-</u>

Historic cost at 31 March 2010 £Nil (2009, £Nil).

## 11. DEBTORS

	2010	2009
	£	£
Amounts falling due within one year:		
Arrears of rent and service charges	56,464	47,334
Less: provision for doubtful debts	(10,263)	(2,671)
	<u>46,201</u>	<u>44,663</u>
Social Housing grants receivable	428,923	310,140
Prepayments and accrued income	23,556	16,489
Taxation	-	-
Other Debtors	17,787	14,497
	<u>516,467</u>	<u>385,789</u>

## 12. CREDITORS DUE WITHIN ONE YEAR

	2010	2009
	£	£
Prepaid rent	43,927	46,805
Trade creditors	310,274	302,399
Accruals and deferred income	351,569	302,208
Corporation tax	-	-
Other taxation and social security	10,342	9,825
Current instalments due on loans (note 13)	394,862	318,179
Other Creditors	728,157	1,014,334
	<u>1,839,131</u>	<u>1,993,750</u>

Other creditors includes a development overdraft of £704,138 (2009, £1,001,393).

## NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 MARCH 2010 (Continued)

13. CREDITORS - AMOUNTS FALLING DUE  
AFTER ONE YEAR

	2010	2009
	£	£
Housing loans		
Within one year	394,862	318,179
Between one and two years	357,399	293,326
Due between two and five years	975,518	820,533
Due after five years	10,142,971	7,668,345
Total Due	<u>11,870,750</u>	<u>9,100,383</u>
Less included in current liabilities (note 12)	<u>(394,862)</u>	<u>(318,179)</u>
	<u><u>11,475,888</u></u>	<u><u>8,782,204</u></u>

Loans are secured by a standard security held over the housing properties of the Association and are repayable at varying rates of interest in instalments.

## 14. SHARE CAPITAL

	2010	2009
	£	£
Shares of £1 each fully paid and issued		
Allotted, issued and fully paid at 1 April 2009	95	93
Issued during the year	11	4
Forfeited during the year	(13)	(2)
At 31 March 2010	<u><u>93</u></u>	<u><u>95</u></u>

Each member of the Association holds one share of £1 in the Association. These shares carry no rights to dividends or distributions on a winding up. Each member has a right to vote at members' meetings.

## 15. DESIGNATED RESERVES

	2010	2009
	£	£
Balance at 1 April 2009	1,205,836	1,205,836
Transferred in year	370,565	-
Balance at 31 March 2010	<u><u>1,576,401</u></u>	<u><u>1,205,836</u></u>



## NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 MARCH 2010 (Continued)

## 16. RECONCILIATION OF MOVEMENT IN RESERVES

	Revenue Reserve	Revaluation Reserve (restated)
At 1 April 2009	197,432	4,858,211
Surplus for the year	390,068	-
Transfer to designated reserves	(370,565)	-
Additional depreciation charged	49,073	(49,073)
	<u>266,008</u>	<u>4,809,138</u>
Movement in unrealised gains	-	-
At 31 March 2010	<u>266,008</u>	<u>4,809,138</u>

## 17. RECONCILIATION OF OPERATING SURPLUS TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	2010 £	2009 £
<b>OPERATING SURPLUS FOR THE YEAR</b>	675,558	464,019
Depreciation	181,801	166,126
Exceptional Costs	-	(45,702)
Decrease / (Increase) in debtors	(130,678)	(90,465)
(Decrease) / Increase in creditors	65,953	246,476
Loss on Investments	-	(1,274)
Loss on Disposal of Fixed Assets	(1,226)	-
<b>NET CASH (OUTFLOW)/INFLOW FROM OPERATING ACTIVITIES</b>	<u>791,408</u>	<u>739,180</u>

## 18. RECONCILIATION OF NET CASHFLOW TO MOVEMENT IN NET DEBT

(Decrease) / Increase in cash in year	27,063	395,720
Cash Inflow / (outflow) from financing	(2,473,112)	(860,745)
Change in net debt	(2,446,049)	(465,025)
Net debt at 1 April 2009	(9,099,793)	(8,634,768)
Net debt at 31 March 2010	<u>(11,545,842)</u>	<u>(9,099,793)</u>

## 19. ANALYSIS OF CHANGES IN NET DEBT

	As at 1 April 2009 £	Cash Flows £	Other Changes £	As at 31 March 2010 £
Debt due within 1 year	(1,319,572)	565,410	(344,838)	(1,099,000)
Debt due after 1 year	(8,782,204)	(3,038,522)	344,838	(11,475,888)
Cash at bank and in hand	1,001,983	27,063	-	1,029,046
	<u>(9,099,793)</u>	<u>(2,446,049)</u>	<u>-</u>	<u>(11,545,842)</u>

## NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 MARCH 2010 (Continued)

20. HOUSING STOCK	2010 Number	2009 Number
The number of units of accommodation in management at the year end was		
General needs - new build	573	512
- rehabilitation	-	-
Supported housing	-	-
Shared ownership	23	24
	<u>596</u>	<u>536</u>
21. CAPITAL COMMITMENTS		
	£	£
Expenditure contracted less paid and certified	4,672,039	8,304,530
Expenditure authorised by Committee of Management not contracted	-	-
	<u>4,672,039</u>	<u>8,304,530</u>

The Management Committee expects the expenditure to be fully financed by the Scottish Government and mortgages from private sector lenders

## NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 MARCH 2010 (Continued)

**22. PENSION SCHEME****General**

Forth Housing Association Limited participates in the SFHA Pension Scheme (now administered by The Pensions Trust)(the "Scheme").

It is not possible in the normal course of events to identify the share of underlying assets and liabilities belonging to an individual participating employer as the Scheme is a multi-employer arrangement where the assets are co-mingled for investment purposes, benefits are paid from the total Scheme assets, and the contribution rate for all employers is set by reference to the overall financial position of the Scheme rather than by reference to individual employer experience. Accordingly, due to the nature of the Scheme, the accounting charge for the period under FRS17 represents the employer contribution payable.

The Trustee commissions an actuarial valuation of the Scheme every 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 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%.

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

**Employer Debt regulations**

1. The Employer Debt Regulations were introduced in September 2005 following a change in legislation. This legislation was revised in the Occupational Pension Schemes (Employer Debt and Miscellaneous Amendments) Regulations 2008 (SI 2008/731) ("the Regulations") which came into force on 6 April 2008.
2. An employer debt will arise if one of the following events occurs at a time when the Scheme is not fully funded on a buy-out basis:
  - a. The commencement of winding up of the Scheme.
  - b. An employer becomes insolvent.
  - c. An Employer Cessation Event.
3. An Employer Cessation Event occurs when an employer ceases to participate in the Scheme, i.e. it no longer has any active members in the Scheme at a point in time when there is at least one other employer that continues to employ active members in the Scheme.

## NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 MARCH 2010 (Continued)

**22. PENSION OBLIGATIONS (continued)**

4. The 2008 Regulations tighten the definition of an Employer Cessation Event. However, it remains the case that an employer will not be deemed to have withdrawn from the Scheme (and hence will not be liable for a debt on withdrawal) provided that it continues to employ at least one person who is an active member of the Scheme.
5. The Scheme Actuary has calculated the employer debt that would have been payable if your organisation had withdrawn from the SFHA Pension Scheme as at 30 September 2009.
6. The suggested Pensions Disclosure Note includes conditional paragraphs. The appropriate choice of paragraph for each employer will depend on the accounting treatment adopted by the employer, in particular whether or not a provision is made for the employer debt.
7. Under FRS17 an employer should only provide in the balance sheet for the potential debt on withdrawal if it was demonstrably committed as at the balance sheet date to an event that would make the liability crystallise. For example, if an employer had made the decision prior to the balance sheet date to close the Scheme to future accrual at some date in the future, then this would crystallise an employer debt on the date that the Scheme was closed to future accrual (unless the Scheme was fully funded on a buy-out basis as at the date the Scheme closed to future accrual).

**Disclosure in Respect of Employer Debt**

Following a change in legislation in September 2005 there is a potential debt on the employer that could be levied by the Trustee of the Scheme. The debt is due in the event of the employer ceasing to participate in the Scheme or the Scheme winding up.

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

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

Forth Housing Association Limited has been notified by The Pensions Trust of the estimated employer debt on withdrawal from the SFHA Pension Scheme based on the financial position of the Scheme as at 30 September 2009. As of this date the estimated employer debt for Forth Housing Association Limited was £1,615,411.93.

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

The Scheme offers three benefit structures to employers, namely:

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

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.

## NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 MARCH 2010 (Continued)

**22. PENSION OBLIGATIONS (continued)**

As at the balance sheet date there were 11 active members of the Scheme employed by Forth Housing Association.

Forth Housing Association Limited has elected to continue to operate final salary with a 1/60th accrual rate and the same for new entrants

During the accounting period Forth Housing Association Limited paid contributions at the rate of 15.4% of pensionable salaries. Member contributions varied between 7.7%

As at the balance sheet date there were 11 active members of the Scheme employed by Forth Housing Association Limited.

During the year Forth Housing Association paid contributions at the rate of 14.0%. Member contributions were 7.0%.

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

2006 Valuation Assumptions	% p.a.
Investment return pre retirement	7.2
Investment return post retirement	4.9
Rate of salary increases	4.6
<b>Rate of pension increases</b>	
- Pension accrued pre 6 April 2005	2.6
- Pension accrued post 6 April 2005 (for leavers before 1 October 1993 pension increases are 5.0%)	2.2
Rate of price inflation	2.6

Mortality Tables	
Non-pensioners	PA92C2025 short
Pensioners	PA92C2013 short

Contribution Rates for Future Service	%
Final salary 1/60ths	17.8
Career average revalued earnings 1/60ths	14.6
Career average revalued earnings 1/70ths	12.6
Additional rate for deficit contributions	5.3

As Forth Housing Association Limited continues to offer membership of the scheme to employees it therefore regards crystallisation of the buy-out as remote. No provision for the buy-out debt is therefore required.

The pension cost charge of £53,289 (2009: £50,861) represents amounts paid by the Association to this scheme during the year.

The Association's Director is an ordinary member of the pension scheme and no enhanced or special terms apply. The Director does not have an individual pension arrangement. The Association paid £7,458 (2009: £7,161) of contributions towards the Director's pension in the year.

**23. EXCEPTIONAL COSTS**

The exceptional costs included within the Income and Expenditure account are one off costs and relate to the fees incurred for refinancing the Association and the costs incurred for the revaluation of the property held for letting.