

GARRION PEOPLES HOUSING CO-OPERATIVE LIMITED

FINANCIAL STATEMENTS



FOR THE YEAR ENDED 31 MARCH 2010

Register of Friendly Societies No. 2337R

Registered Housing Association No. HAC 226

FRENCH DUNCAN LLP

Chartered Accountants & Registered Auditor

375 West George Street

Glasgow

G2 4LW

GARRION PEOPLES HOUSING CO-OPERATIVE LIMITED

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

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MANAGEMENT COMMITTEE, EXECUTIVES AND ADVISERS

Committee of Management

David Cooper	(Chairperson)
Lynne McLean	(Vice Chairperson)
Lucille Mullen	(Secretary)
Elizabeth Cooper	(Treasurer)

James Deas	
William Gilmour	
Marion Cathcart	
Frank Johnston	
Elizabeth Baillie	
Edith Gilmour	
Zeishan Nazar	(appointed September 2009)
Heather McKendrick	(appointed September 2009)
Anne Marie Cooper	(resigned October 2009)
Allister Marshall	(appointed January 2010)

Executive Officer

John Mulholland (Director)

Registered Office

3 Heathfield
Wishaw
ML2 0LY

Auditors

French Duncan LLP
375 West George Street
Glasgow
G2 4LW

Bankers

Clydesdale Bank plc
66 Queen Street
Glasgow

Dunfermline Building Society
Caledonia House, Carnegie Avenue
Dunfermline

Solicitors

Harper McLeod
The Ca'd'oro
45 Gordon St
Glasgow
G1 3PE

Financial Consultants

A.C. Davidson & Co.
Dunskaithe Place
Glasgow
G34 OAZ

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.

Legal Status

The Co-Operative is registered as a non-profit making organisation under the Industrial and Provident Societies Act 1965. No 2337R. The Co-Operative is constituted under its rule book.

Principal Activities

The principal activity of the Co-Operative is the management of the Co-Operative's principal stock of housing for occupation by members.

Results

The members of the Management Committee are of the opinion that the state of affairs of the Co-Operative is satisfactory. The surplus for the year after taxation was £47,041 (2009 – Surplus £10,734). A transfer to the designated reserves was made of £90,000 (2009 – £85,000). Net Assets now total £2,026,960 (2009 - £2,387,661) after a decrease in the revaluation reserve of £407,737.

Changes in Fixed Assets

Details of Fixed Assets are set out in Note 11.

Management Committee and Executive Officers

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

Statement of Management Committee's Responsibilities

The Management Committee are responsible for preparing the financial statements in accordance with the applicable law and United Kingdom Generally Accepted Accounting Practice.

Housing Association legislation requires the committee to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Co-Operative as at the end of the financial year. In preparing those financial statements, the Management 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;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Co-Operative will continue in business.
- prepare a statement on Internal Financial Control.

The Management Committee is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Co-Operative and to enable them to ensure that the accounts comply 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. They are also responsible for safeguarding the assets of the Co-Operative and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Management Committee confirms that the financial statements comply with the above requirements.

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

In so far as the Management Committee are aware

- there is no relevant audit information of which the Co-Operative'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 Co-Operative's auditors are aware of that information.

Related Party Transactions

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

Raising Standards Guidance on Internal Financial Control and Financial Reporting

The Co-Operative considers that it has complied with "Raising Standards" guidance on "Internal Financial Control and Financial Reporting" contained within "Raising Standards in Housing", published by the Scottish Federation of Housing Associations and endorsed by the Scottish Housing Regulator.

Internal Financial Control

The Management Committee has overall responsibility for the Co-Operative's system of internal financial control and recognise that such a system can provide only reasonable and not absolute assurance against material misstatement or loss.

To discharge this responsibility, the Management Committee will continue to establish an organisational structure with clearly defined levels of responsibility and authority and with appropriate reporting procedures. Included within these key procedures will be the following internal financial controls:

- the formulation of policies and approval procedures in the areas such as compliance, investment and treasury operations and capital expenditure

- a comprehensive system of budgeting, planning and financial reporting

- formal business risk reviews by management which consider the potential effects of risk and identify potential new risk

- internal audit reviews of the controls and processes from which formal reports are prepared

- the Management Committee considers significant control issues and receives regular reports from both the internal and external auditors

- external auditors report on any 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 (CONTINUED)

Auditors' Review

In addition to their audit of the financial statements, our auditors have reviewed the Management Committee's statement concerning the Co-Operative'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 6.

Auditors

A resolution to re-appoint French Duncan LLP, Chartered Accountants, Glasgow, as auditors will be put to the members at the Annual General Meeting.

By Order of the Management Committee



Lucille Mullen

31 August 2010

REPORT OF THE AUDITORS TO THE MEMBERS OF

GARRION PEOPLES HOUSING CO-OPERATIVE LIMITED

FOR THE YEAR ENDED 31 MARCH 2010

We have audited the Financial Statements on pages 7 to 26 which have been prepared under the historical cost convention and on the basis of accounting policies set out on pages 11 and 12.

This report is made solely to the Co-Operative'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 Co-Operative's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Co-Operative and the Co-Operative'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 page 2, 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 Industrial and Provident Societies' Acts 1965 to 2002, Schedule 7 of the Housing (Scotland) Act 2001 and Registered Social Landlords (Accounting Requirements) (Scotland) Order 2007. We also report to you if, in our opinion, the Management Committee's report is not consistent with the Financial Statements, if the 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 Opinion

We conducted our audit in accordance with International Auditing Standards 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 Co-Operative'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 Co-Operative at 31 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.

FRENCH DUNCAN LLP
Chartered Accountants
Registered Auditor

375 West George Street
Glasgow
G2 4LW

31 August 2010

REPORT OF THE AUDITORS ON CORPORATE GOVERNANCE MATTERS

GARRION PEOPLES HOUSING CO-OPERATIVE LIMITED

FOR THE YEAR ENDED 31 MARCH 2010

In addition to our audit of the Financial Statements, we have reviewed your Statement on pages 3 and 4 concerning the Co-Operative's compliance with the paragraphs of the Internal Financial Control section within the Scottish Federation of Housing Association's publication "Raising Standards in Housing".

Basis of Opinion

We carried out our review having regard to Bulletin 1999/5 issued by the Auditing Practices Board. The Bulletin does not require us to perform the additional work necessary to, and we do not, express any opinion on the effectiveness of either the Co-Operative's system of internal financial control or its corporate governance procedures.

Opinion

In our opinion the statement on internal financial controls on pages 3 and 4 has provided the disclosures required by the Internal Financial Control section within the Scottish Federation of Housing Association's publication "Raising Standards in Housing" and consistent with the information which came to our attention as a result of our audit work on the Financial Statements.

FRENCH DUNCAN LLP
Chartered Accountants
Registered Auditor

375 West George Street
Glasgow
G2 4LW
31 August 2010

INCOME AND EXPENDITURE ACCOUNT

FOR THE YEAR ENDED 31 MARCH 2010

	Notes	2010 £	2009 £
TURNOVER	2	1,037,946	695,262
Operating costs	2	<u>(813,826)</u>	<u>(509,622)</u>
OPERATING SURPLUS	7	224,120	185,640
(Loss) on disposal of housing		(7,995)	-
Interest receivable and other income	8	653	30,061
Interest payable	9	<u>(161,769)</u>	<u>(131,876)</u>
TOTAL SURPLUS FOR YEAR BEFORE TAXATION		55,009	83,825
Tax on surplus on ordinary activities	10	<u>(7,968)</u>	<u>(7,044)</u>
SURPLUS FOR YEAR		<u><u>47,041</u></u>	<u><u>76,781</u></u>

The results for the year relate wholly to continuing activities.

STATEMENT OF TOTAL RECOGNISED SURPLUSES AND DEFICITS

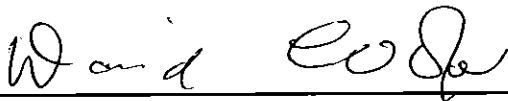
FOR THE YEAR ENDED 31 MARCH 2010

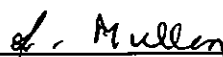
	2010	2009
	£	£
Surplus for year attributable to shareholders	47,041	76,781
Unrealised profit on revalued properties	<u>(407,737)</u>	<u>-</u>
Total surpluses and deficits recognised since the last annual report	<u><u>(360,696)</u></u>	<u><u>76,781</u></u>

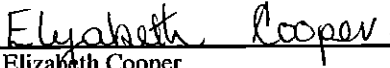
BALANCE SHEET AS AT 31 MARCH 2010

	Notes	2010 £	2009 £
TANGIBLE FIXED ASSETS			
Housing properties	11	16,375,816	15,123,733
Less: Social Housing, Other Grants and Depreciation		<u>(11,265,460)</u>	<u>(10,512,075)</u>
		5,110,356	4,611,658
Other	12	<u>340</u>	<u>1,540</u>
		<u>5,110,696</u>	<u>4,613,198</u>
INVESTMENTS			
		<u>1</u>	<u>1</u>
CURRENT ASSETS			
Debtors	13	2,492,151	2,404,583
Cash at bank and in hand		<u>912,589</u>	<u>636,792</u>
		3,404,740	3,041,375
CURRENT LIABILITIES			
Creditors: Amounts falling due within one year	14	<u>(3,250,601)</u>	<u>(2,659,626)</u>
NET CURRENT ASSETS			
		<u>154,139</u>	<u>381,749</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			
		5,264,836	4,994,948
Creditors: Amounts falling due after one year	15	<u>(3,237,876)</u>	<u>(2,607,287)</u>
		<u>2,026,960</u>	<u>2,387,661</u>
CAPITAL AND RESERVES			
Called up Share capital	16	158	163
Designated reserves	17	502,944	412,944
Revaluation reserve	18	1,262,663	1,717,788
Revenue reserves	19	<u>261,195</u>	<u>256,766</u>
		<u>2,026,960</u>	<u>2,387,661</u>

The Financial Statements were approved by the Management Committee on 31 August 2010 and signed on its behalf by:-


 _____ CHAIRPERSON
 David Cooper


 _____ SECRETARY
 Lucille Mullen


 _____ TREASURER
 Elizabeth Cooper

STATEMENT OF CASH FLOW

FOR THE YEAR TO 31 MARCH 2010

	Notes	2010 £	2009 £
NET CASH INFLOW FROM OPERATING ACTIVITIES	20	<u>880,430</u>	<u>33,860</u>
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			
Interest received		653	30,061
Interest paid		<u>(161,769)</u>	<u>(131,876)</u>
NET CASH (OUTFLOW) FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE		<u>(161,116)</u>	<u>(101,815)</u>
TAXATION			
Tax paid		(8,057)	(8,317)
Grant Received		<u>-</u>	<u>-</u>
		<u>(8,057)</u>	<u>(8,317)</u>
CAPITAL EXPENDITURE			
Cash paid for development, construction and purchase of housing		(1,907,271)	(2,338,421)
Cash paid for purchase of other fixed assets		(450,213)	(4,355)
Social Housing Grant received		916,504	1,043,247
Other capital grants		450,213	123,355
Net proceeds on disposal of housing properties		25,447	-
Proceeds on disposal of other fixed assets		<u>-</u>	<u>-</u>
		<u>(965,320)</u>	<u>(1,176,174)</u>
NET CASH (OUTFLOW)/INFLOW BEFORE USE OF LIQUID RESOURCES AND FINANCING		<u>(254,063)</u>	<u>(1,252,446)</u>
FINANCING			
Loan finance received		700,000	900,000
Loans repaid		(52,082)	(36,385)
Shares issued		47	29
		<u>647,965</u>	<u>863,644</u>
(DECREASE)/INCREASE IN CASH	22	<u>393,902</u>	<u>(388,802)</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2010

1. ACCOUNTING POLICIES

The Co-Operative is registered as a non-profit making organisation under the Industrial and Provident Societies Act 1965.

The Financial Statements have been prepared in accordance with applicable Accounting Standards, the Statement of Recommended Practice 2008 and comply with the Registered Social Landlords (Accounting Requirements) (Scotland) Order 2007.

The principal accounting policies are set out below.

a) Basis of accounting

The financial statements are prepared on the historical cost basis modified to include the revaluation of properties.

b) Turnover

Turnover represents rental and service charge income receivable, fees receivable and revenue grants receivable from Scottish Homes, Local Authorities and other agencies.

c) Social Housing Grant (SHG)

Where Social Housing Grant (SHG) or other capital grant has been received towards the cost of developments, the cost of these developments has been reduced by the amount of grant receivable. This amount is shown separately on the balance sheet. Where SHG has been received in respect of revenue expenditure, it is credited to the Income and Expenditure Account in the same period as the expenditure to which it relates.

Although Social Housing Grant or other revenue 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 the sale.

d) Scottish Government New Supplied Shared Equity (NSSE)

The Co-operative sells properties under the NSSE scheme. Under this scheme buyers purchase a majority share of the property with the balance funded by Scottish Government grants. The fixed asset investment represents the total of the loans receivable from purchasers of the property when the equity is released. There is an equal and opposite liability to the Scottish Government amounting to any shared equity release.

e) Tangible Fixed Assets - Housing Properties

Housing properties are stated at cost less Social Housing Grant and other grants and adjusted for property revaluations at the stated dates.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2010 (Continued)

1. ACCOUNTING POLICIES (Continued)

f) Depreciation

Depreciation is charged on a straight line basis over the expected economic useful lives of the properties at

Depreciation on office refurbishment, fixtures, fittings and equipment has been charged at rates estimated to

Housing Properties	-	1% straight line
Office Equipment	-	20% straight line
Furniture & Fittings	-	10% straight line
Computer Equipment	-	33% straight line
Motor Vehicles	-	25% straight line

g) Capitalisation of Interest

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

h) Development Administration

Development administration costs relating to development activities are capitalised based on the time spent by staff on this activity.

i) 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.

j) Designated Reserves

Cyclical Maintenance Reserve

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

Major Repairs

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

k) Pensions

The Co-Operative participates in centralised SFHA Pension Scheme administered by the Pension Trust for charities and voluntary organisations. Retirement benefits to employees of the Co-Operative 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 organisations taken as a whole. Scheme costs are spread over the average remaining service lives of the employees. Any deficiencies arising will be spread over this period.

l) Leases

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

m) Mortgages

Mortgage loans are advanced by Private Lenders, Local Authorities or Scottish Government under the terms of individual mortgage deeds in respect of those developments which have been given approval by Scottish Government.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2010 (Continued)

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

	Note	Turnover £	Operating Costs £	2010 Operating Surplus/ (Deficit) £	2009 Operating Surplus/ (Deficit) £
Social lettings	3	<u>686,190</u>	<u>(475,607)</u>	<u>210,583</u>	<u>192,740</u>
Other activities	4	<u>351,756</u>	<u>(338,219)</u>	<u>13,537</u>	<u>(7,100)</u>
Total		<u><u>1,037,946</u></u>	<u><u>(813,826)</u></u>	<u><u>224,120</u></u>	<u><u>185,640</u></u>
Total for previous period of account		<u><u>695,262</u></u>	<u><u>(509,622)</u></u>		<u><u>185,640</u></u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2010 (Continued)

3. PARTICULARS OF TURNOVER, OPERATING COSTS AND OPERATING SURPLUS OR (DEFICIT) FROM SOCIAL LETTINGS

	General Needs Housing £	Supported Housing Accommodation £	Shared Ownership Housing £	Other (describe) £	2010 Total £	2009 Total £
Rent receivable net of service charges	599,729	86,146	2,250	-	688,125	644,471
Service charges	-	-	-	-	-	-
Gross income from rents and service charges	599,729	86,146	2,250	-	688,125	644,471
Less Voids	(1,935)	-	-	-	(1,935)	(1,049)
Net income from rents and service charges	597,794	86,146	2,250	-	686,190	643,422
Grants from the Scottish Ministers	-	-	-	-	-	-
Other revenue grants	-	-	-	-	-	-
Total turnover from social letting activities	597,794	86,146	2,250	-	686,190	643,422
Management and maintenance administration costs	226,287	86,146	2,250	-	314,683	242,118
Service costs	-	-	-	-	-	-
Planned and cyclical maintenance including major repairs costs	16,026	-	-	-	16,026	19,638
Reactive maintenance costs	90,691	-	-	-	90,691	143,675
Bad debts - rents and service charges	3,317	-	-	-	3,317	-
Depreciation of social housing	50,890	-	-	-	50,890	45,251
Impairment of social housing	-	-	-	-	-	-
Operating costs for social letting activities	387,211	86,146	2,250	-	475,607	450,682
Operating surplus/(deficit) for social lettings	210,583	-	-	-	210,583	192,740
Operating surplus/(deficit) for social letting for previous period of account	192,740	-	-	-	192,740	-

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2010 (Continued)

4. 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 role activities undertaken to support the community, other than the provision, construction, improvement and management of housing	-	-	-	-	-	-	517	(517)	-
Care and repair of property	-	-	-	-	-	-	-	-	-
Factoring	-	-	-	-	-	-	-	-	-
Development and construction of property activities	-	-	-	-	-	-	-	-	-
Support activities	-	-	-	-	-	-	-	-	-
Care activities	-	-	46,452	-	46,452	-	46,452	-	-
Agency/management services for registered social landlords	-	-	-	-	-	-	-	-	-
Other agency/management services	-	-	-	14,000	14,000	-	-	14,000	(7,105)
Developments for sale to registered social landlords	-	-	-	-	-	-	-	-	-
Developments and improvements for sale to non registered social landlords	-	-	-	291,250	291,250	-	291,250	-	-
Other activities - Forfeited shares	-	-	-	54	54	-	-	54	5
Total from other activities	-	-	46,452	305,304	351,756	-	338,219	13,537	(7,100)
Total from other activities for the previous period of account	-	-	44,335	7,505	51,840	-	58,940	(7,100)	

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2010 (Continued)

5. 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. In addition the director and any other person who reports directly to the Director or the Management Committee whose total emoluments exceed £60,000 per year is also similarly classed.

	2010 £	2009 £
Total Emoluments (including pension contributions and benefits in kind)	<u>86,616</u>	<u>86,925</u>
Emoluments of highest paid director (excluding pension contributions)	<u>76,403</u>	<u>77,056</u>
	Number	Number
Greater than £60,000	<u>1</u>	<u>1</u>
Total expenses re-imbursed insofar as not chargeable to income tax	£	£
Management Committee	<u>1,847</u>	<u>1,244</u>

Re-imbusement is only made for expenses directly incurred in connection with performing the Association's business.

6. EMPLOYEES

	Number	Number
The average weekly numbers of persons employed during the year was:	<u>8</u>	<u>7</u>
Staff Costs:	£	£
Wages and Salaries	245,901	222,968
Social Security Costs	21,327	20,431
Pension Contributions	<u>30,256</u>	<u>27,205</u>
	<u>297,484</u>	<u>270,604</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2010 (Continued)

7. OPERATING SURPLUS

	2010 £	2009 £
Operating surplus is stated after charging:-		
Depreciation	52,090	46,451
Auditors Remuneration - Audit Services	5,659	5,855
- other services	-	-
	<u>57,749</u>	<u>52,306</u>

8. INTEREST RECEIVABLE AND SIMILAR INCOME

Interest Receivable	<u>653</u>	<u>30,061</u>
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9. INTEREST PAYABLE

On Bank Loans and Overdrafts	<u>161,769</u>	<u>131,876</u>
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10. TAXATION

Corporation Tax @ 21%	4,759	4,850
Under provision in respect of prior years	3,209	2,194
	<u>7,968</u>	<u>7,044</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2010 (Continued)

11. TANGIBLE FIXED ASSETS

	Properties Held for Letting £	Properties Under Construction £	Completed Shared Ownership Properties £	Total £
Cost or Valuation				
At 1 April 2009	10,826,337	4,167,480	129,916	15,123,733
Transfer of properties under construction	5,891,470	(5,891,470)	-	-
Additions	183,281	1,723,990	-	1,907,271
Disposals	(79,197)	-	-	(79,197)
Revaluation	(575,991)	-	-	(575,991)
At 31 March 2010	16,245,900	-	129,916	16,375,816
Social Housing Grant				
At 1 April 2009	7,536,728	2,548,800	58,560	10,144,088
Transfer of properties under construction	3,450,940	(3,450,940)	-	-
Received in year	14,364	902,140	-	916,504
On Disposals	(45,132)	-	-	(45,132)
At 31 March 2010	10,956,900	-	58,560	11,015,460
Other Grants				
At 1 April 2009	-	250,000	-	250,000
Transfer of properties under construction	250,000	(250,000)	-	-
Received in year	-	-	-	-
On Disposals	-	-	-	-
At 31 March 2010	250,000	-	-	250,000
Depreciation				
At 1 April 2009	117,987	-	-	117,987
Provided during year	50,890	-	-	50,890
On Disposals	(623)	-	-	(623)
On revaluation	(168,254)	-	-	(168,254)
At 31 March 2010	-	-	-	-
Net Book Value at 31 March 2010	5,039,000	-	71,356	5,110,356
Net Book Value at 31 March 2009	3,171,622	1,368,680	71,356	4,611,658

Development Administration Costs capitalised amounted to £51,408 (2009 - £54,499) for which allowances totalling £51,408 (2009 - £54,499) were received in the year.

On 31 March 2010 the properties held for letting were revalued by DTZ Debenham Tie Leung on the Existing Use Value – Social Housing basis.

On the historical cost basis, the revalued property at 31 March 2010 would have been included at a cost of £11,507,119 (2009 - £9,679,044) less Social Housing Grant, Other Grants and depreciation of £11,297,435 (2009- £7,873,762).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2010 (Continued)

12. TANGIBLE FIXED ASSETS - OTHER FIXED ASSETS

	Community Hub £	Equipment Fixtures and Fittings £	Total £
Cost			
At 1 April 2009	66,510	62,994	129,504
Additions	450,213	-	450,213
Revaluation	-	-	-
Disposals	-	-	-
	<u>516,723</u>	<u>62,994</u>	<u>579,717</u>
At 31 March 2010			
Grants Received			
At 1 April 2009	66,510	-	66,510
Received in year	450,213	-	450,213
On Disposals	-	-	-
	<u>516,723</u>	<u>-</u>	<u>516,723</u>
At 31 March 2010			
Depreciation			
At 1 April 2009	-	61,454	61,454
Charge for the year	-	1,200	1,200
On Disposals	-	-	-
	<u>-</u>	<u>62,654</u>	<u>62,654</u>
At 31 March 2010			
Net Book Value at 31 March 2010	<u>-</u>	<u>340</u>	<u>340</u>
Net Book Value at 31 March 2009	<u>-</u>	<u>1,540</u>	<u>1,540</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2010 (Continued)

13. DEBTORS

	2010	2009
	£	£
Amounts falling due within one year:		
Arrears of rental service charges	32,691	43,065
New Supplied Shared Equity	66,000	-
Other Debtors	2,388,899	2,357,610
Taxation	-	-
Prepayments and accrued income	4,561	3,908
	<u>2,492,151</u>	<u>2,404,583</u>

14. CREDITORS - AMOUNTS FALLING DUE WITHIN ONE YEAR

Bank overdraft	34,727	152,832
Social security and other taxes	8,169	8,056
Housing loans	60,811	43,482
Accruals and deferred income	2,312,954	2,328,079
Rent in advance	31,622	30,298
Due to Scottish Government	142,411	86,067
Other creditors	655,148	5,962
Taxation	4,759	4,850
	<u>3,250,601</u>	<u>2,659,626</u>

15. CREDITORS - AMOUNTS FALLING DUE AFTER ONE YEAR

Housing loans:-		
Due between one and two years	64,008	45,466
Due between two and five years	213,146	153,780
Due after five years	2,960,722	2,408,041
	<u>3,237,876</u>	<u>2,607,287</u>

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2010 (Continued)

16. SHARE CAPITAL

	2010	2009
	£	£
Shares of £1 each fully paid and issued		
Allotted, issued and fully paid at 1 April 2009	163	139
Issued during the year	47	29
Forfeited during the year	<u>(52)</u>	<u>(5)</u>
At 31 March 2010	<u><u>158</u></u>	<u><u>163</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.

Under the Association's Rules, share capital is non refundable if a person ceases to be a member.

At 31 March 2010, shares issued were split as follows:

Active members	158	163
Ceased members	<u>-</u>	<u>-</u>
	<u><u>158</u></u>	<u><u>163</u></u>

17. DESIGNATED RESERVES

	Planned Maintenance £
Balance at 1 April 2009	412,944
Transferred in year	<u>90,000</u>
Balance at 31 March 2010	<u><u>502,944</u></u>

18. REVALUATION RESERVE

	2010	2009
	£	£
Balance at 1 April 2009	1,717,788	1,735,316
Transfer to revenue reserve	(47,388)	(17,528)
Revaluation in year	<u>(407,737)</u>	<u>-</u>
Balance at 31 March 2010	<u><u>1,262,663</u></u>	<u><u>1,717,788</u></u>

19. REVENUE RESERVE

Revenue reserves at 1 April 2009	256,766	247,457
Surplus for the year	47,041	76,781
Transfer from revaluation reserve	47,388	17,528
Transfer to designated reserves	<u>(90,000)</u>	<u>(85,000)</u>
At 31 March 2010	<u><u>261,195</u></u>	<u><u>256,766</u></u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2010 (Continued)

20. RECONCILIATION OF OPERATING SURPLUS
TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	2010	2009
	£	£
OPERATING SURPLUS FOR THE YEAR	216,125	185,640
Depreciation	52,090	46,451
Loss/(Gain) on disposal of fixed assets	7,995	-
Forfeited shares	(54)	(5)
Decrease/(increase) in debtors	(87,568)	165,294
Increase/(decrease) in creditors	<u>691,842</u>	<u>(363,520)</u>
 NET CASH INFLOW FROM OPERATING ACTIVITIES	 <u><u>880,430</u></u>	 <u><u>33,860</u></u>

21. RECONCILIATION OF NET CASHFLOW
TO MOVEMENT IN NET DEBT

(Decrease)/Increase in cash in year	393,902	(388,802)
Loan Repayments	52,082	(863,615)
Loans Received	<u>(700,000)</u>	<u>-</u>
Change in net debt	<u>(254,016)</u>	<u>(1,252,417)</u>
Net debt at 1 April 2008	<u>(2,166,809)</u>	<u>(914,392)</u>
 Net debt at 31 March 2009	 <u><u>(2,420,825)</u></u>	 <u><u>(2,166,809)</u></u>

22. ANALYSIS OF CHANGES IN NET DEBT

	As at 1 April 2009	Cash Flow	Other Changes	As at 31 March 2010
	£	£	£	£
Cash at bank and in hand	636,792	275,797	-	912,589
Bank overdraft	<u>(152,832)</u>	<u>118,105</u>	<u>-</u>	<u>(34,727)</u>
	483,960	393,902	-	877,862
Debt due within 1 year	(43,482)	43,482	(60,811)	(60,811)
Debt due after 1 year	<u>(2,607,287)</u>	<u>(691,400)</u>	<u>60,811</u>	<u>(3,237,876)</u>
Hire purchase creditor	-	-	-	-
	<u><u>(2,166,809)</u></u>	<u><u>(254,016)</u></u>	<u><u>-</u></u>	<u><u>(2,420,825)</u></u>

23 CAPITAL COMMITMENTS

	2010	2009
	£	£
Expenditure contracted less paid and certified	<u><u>560,000</u></u>	<u><u>100,000</u></u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2010 (Continued)

24. HOUSING STOCK	2010 No	2009 No
The number of units of accommodation in management at the year end was		
General needs	227	205
Supported housing	28	28
Shared ownership	2	2
	<u>257</u>	<u>235</u>

25. PENSION OBLIGATIONS

The Co-Operative participates in the SFHA Pension Scheme (the 'Scheme'), administered by the Pension Trust. The scheme is a multi-employer defined benefit scheme. The scheme is funded and contracted out of the state scheme.

The scheme currently operates with a single benefit structure, final salary with a 1/60th accrual rate. From April 2008 there were three benefit structures available, namely:

1. Final Salary with a 1/60th accrual rate.
2. Career average revalued earnings with a 1/60th accrual rate.
3. Career average revalued earnings with a 1/70th accrual rate.

An employer can elect to operate different benefit structures for their active members (as of the first 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 Co-Operative has elected to operate the final salary with a 1/60th accrual rate benefit structure for active members and new members from April 2008.

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 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 values. Accrued pension benefits are valued by discounting expected future benefit payments using a discounted rate calculated by reference to the expected future investment returns.

During the accounting period the Co-Operative paid contributions at the rate of 15.4% of pensionable salaries, Member contributions were 7.7%.

As at the balance sheet date there were 6 active members of the Scheme employed by the Co-Operative. The Co-Operative continues to offer membership of the Scheme to its employees.

It is not possible in the normal course of events to identify the share of underlying assets and liabilities belonging to individual participating employers. Accordingly, due to the nature of the Plan, the accounting charge for the period under FRS 17 represents the employer contribution payable.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2010 (Continued)

23. PENSION OBLIGATIONS (cont)

The last formal valuation of the Scheme was performed as at 30 September 2006 by a professionally qualified actuary using the Projected Unit Method. The Market value of the Scheme's assets at the valuation date was £268 million. The valuation therefore revealed a shortfall of assets compared with the value of liabilities of £54 million, equivalent to a funding level of 83.4%.

The Scheme Actuary has prepared an Actuarial Report that provides an approximate update on the funding position of the Plan as at 30 September 2007. Such a report is required by legislation for years in which a full actuarial valuation is not carried out. The funding update revealed an increase in the assets of the Scheme to £310 million and indicated a surplus of assets compared to liabilities of approximately £28 million, equivalent to a funding level of 91.8%. Annual funding updates of the SFHA Pension Scheme are carried out using approximate actuarial techniques rather than member by member calculations, and will therefore not produce the same results as a full actuarial valuation. However they will provide a good indication of financial progress of the Plan since the last valuation.

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

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

-	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	2.25%
	(for leavers before 1 October 1993 pension increases are 5.0%)	
-	Rate of inflation	2.6%

The valuation was carried out using PA92C2025 short cohort mortality table for non-pensioners and PAC92C2013 short cohort mortality rate for pensioners. The table below illustrates the assumed life expectancy in years for pension scheme members at age 65 using these mortality assumptions:

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

The long-term 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 (% of pensionable salaries per annum)
Final Salary 60ths	17.8
Career average 60ths	14.6
Career average 70ths	12.6

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2010 (Continued)

23. PENSION OBLIGATIONS (cont)

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:

Benefit Structure	Joint contribution rate (% of pensionable salaries per annum)
Final Salary 60ths	23.1
comprising employer contributions of 15.4% and member contributions of 7.7%	

A small number of employers that have closed the Scheme to new entrants are required to pay additional employer contribution loading of 3.5% to reflect the higher costs in the 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 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 he 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 next full actuarial valuation will be carried out as at 30 September 2009. An Actuarial Report will be prepared as at 30 September 2008 in line with statutory regulations.

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 Plan. The Trustee's current policy is that it only applies to members with pre October 2001 liabilities in the Plan. The debt is due in the event of the employer ceasing to participate in the Plan or the Plan winding up.

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

The leaving employer's share of the buy-out debt is the proportion of the Plan's pre October 2001 liability attributable to employment with the leaving employer compared to the total amount of the Plan's pre October 2001 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 Plan liabilities, Plan investment performance, the liabilities in respect of current and former employer, and financial conditions at the time of the cessation event and the insurer buy-out market. The amounts can therefore be volatile over time.

The Co-Operative 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 at this date, the estimated employer debt for the Co-Operative was £882,812.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2010 (Continued)

24. SCOTTISH SECURE TENANCY RENTS

	2010	2009
	£	£
Average Scottish Secure tenancy rent for housing accommodation	<u>2,914</u>	<u>2,704</u>
Percentage increase from previous year	<u>8%</u>	<u>5%</u>

25. RELATED PARTY TRANSACTIONS

The members of management committee who are tenants have their tenancies on the Co-Operative's normal tenancy terms and they cannot use their positions to their advantage.

26. COMMITMENTS UNDER OPERATING LEASES

At 31 March 2010 the Co-Operative had no annual commitments under non-cancellable operating leases.