



SCOTT-MONCRIEFF

EDINBURGH AND GLASGOW



LANARKSHIRE HOUSING ASSOCIATION LIMITED

Report and Financial Statements

For the year ended 31 March 2010

Members, Executive and Advisers

Committee of Management

Catriona Blyth – Chair
Charles Millar – Vice Chair
Thomas Cartwright – Secretary
Fiona Tonner – Treasurer
John Glenny
William Jeffrey
Gordon Heng
Shirley Killeen
John McNally
Jessie Mitchell
Alex Paton

Executive Officers

James Stevenson – Chief Executive
Teresa Ward – Housing Services Director
Simon McManus – Corporate Services Director
Gavin Young – Technical Services Manager
Tracey Winters – Development Manager
Alice McLean – Maintenance Manager
Anne Marie Collins – Business Manager
Irene Savage – Housing Manager

Registered Office

191 Brandon Street
Motherwell
ML1 1RS

Auditors

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

Bankers

Bank of Scotland
Bellshill Branch
207 Main Street
Bellshill
Lanarkshire
ML4 1AL

Solicitors

TC Young
7 West George Street
Glasgow
G2 1BA

Brechin Tindal Oatts
48 St Vincent Street
Glasgow
G2 5HS

MacRoberts
152 Bath Street
Glasgow
G2 4TB

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

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

Principal activities

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

Review of operations and future developments

The surplus for the year is detailed in the Income and Expenditure Account on page 8. Transfers to reserves are shown on page 23.

Changes in fixed assets

Details of fixed assets are set out in Note 12 on page 20.

The committee of management and executive officers

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

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

Internal Financial Controls

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

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

It is the Management Committee's responsibility to establish and maintain systems of Internal financial control. Such systems can only provide reasonable and not absolute assurance against material financial mis-statement or loss. Key elements include ensuring that:

- (a) Formal policies and procedures are in place, including the documentation of key system and rules relating to the delegation of authorities, which allow the monitoring of controls and restrict the unauthorised use of the Association's assets.
- (b) Experienced and suitably qualified staff take responsibility for important business functions. Annual appraisal procedures have been established to maintain standards of performance.
- (c) Forecasts and budgets are prepared which allow the Management Committee and management to monitor the key business risks and financial objectives, and progress towards financial plans set out for the year and the medium term; regular management accounts are prepared promptly, providing relevant, reliable and up to date financial and other information and significant variances from budgets are investigated as appropriate.

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

Internal Financial Controls (cont'd)

- (d) All significant new initiatives, major commitments and investment projects are subject to formal authorisation procedures, through the relevant sub-committees which are comprised of Management Committee members.
- (e) The Association has appointed a firm of accountants, on a consultancy basis, as internal auditors with the specific responsibility of assessing the adequacy and reliability of the system of internal financial control. The results of such reviews are reported to the Audit Sub-Committee.
- (f) The Management Committee reviews reports from the external auditors to provide reasonable assurance that control procedures are in place and are being followed.
- (g) Formal practices have been established for instituting appropriate action to correct weaknesses identified from above reports.

The Management Committee have reviewed the effectiveness of the system of internal financial control in existence in the Association for the year ended 31 March 2010. No weaknesses were found in internal financial controls which resulted in material losses, contingencies or uncertainties which require disclosure in the financial statements or in the auditor's report on the financial statements

Related Party Transactions

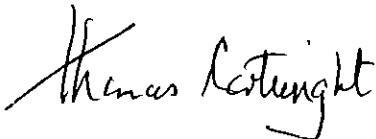
Some members of the Management Committee are tenants. Their tenancies are on the Association's normal tenancy terms and they cannot use their positions to their personal advantage.

Related party transactions with Lanarkshire Initiatives Limited can be found at note 13 on page 21.

Auditors

A resolution to appoint auditors will be put to the members at the annual general meeting.

By order of the committee



Thomas Cartwright
Secretary

Dated: 29 June 2010

Statement of Committee's Responsibilities

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

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

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

Report of the Auditors to the Members of Lanarkshire Housing Association Limited

We have audited the financial statements which comprise the income and expenditure account, the statement of total recognised gains and losses, the balance sheet, the cashflow statement and the notes to accounts. These have been prepared under the accounting policies stated in the note to the accounts, and the Statement of Recommended Practice (SORP) Accounting by Registered Social Landlords 2008.

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

Respective responsibilities of committee and auditors

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

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

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

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

Basis of opinion

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

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

Group accounts Section 14 (2) of the Friendly and Provident Societies Act 1968

We agree with the opinion of the Committee of Management of the Association that it would be of no real value to the members of the Association to consolidate or include the accounts of the Association's subsidiary in group accounts required to be prepared under Section 13 of the Friendly and Industrial and Provident Societies Act 1968 for the year ended 31 March 2010, because of the immaterial nature of the subsidiary's transactions in the year.

Report of the Auditors to the Members of Lanarkshire Housing Association Limited

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Association's affairs as at 31 March 2010 and of its results for the year then ended;
- the financial statements have been properly prepared in accordance with the Industrial and Provident Societies Acts 1965 to 2002, Schedule 7 the Housing (Scotland) Act 2001 and the Registered Social Landlords Accounting Requirements (Scotland) Order 2007;
- the information given in the Management Committee Report is consistent with the financial statements.



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

Dated: 29 June 2010

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

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

Basis of Opinion

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

Opinion

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



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

Dated: 29 June 2010

Income and Expenditure Account
For the year ended 31 March 2010

	Note	2010 £	2009 £
Turnover	2	2,835,611	2,688,208
Less: Operating costs	2	<u>(2,029,798)</u>	<u>(2,164,072)</u>
Operating surplus	2	805,813	524,136
Surplus/(Loss) on sale of properties		25,706	72,273
Interest receivable	9	1,859	66,571
Interest payable and similar charges	10	<u>(400,781)</u>	<u>(503,044)</u>
Surplus on ordinary activities before taxation		432,597	159,936
Taxation on profit on ordinary activities	11	<u>(186,310)</u>	<u>(79,158)</u>
Surplus on ordinary activities after taxation		<u><u>246,287</u></u>	<u><u>80,778</u></u>

The results for the year relate wholly to continuing activities.


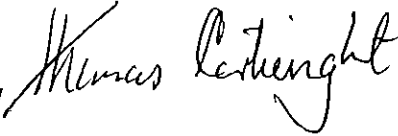

**Statement of Total Recognised Gains and Losses
For the year ended 31 March 2010**

	2010 £	2009 £
Retained surplus for the year	246,287	80,778
Actuarial (loss) / gain recognised in the retirement benefit scheme (Note 19)	<u>(1,182,000)</u>	<u>(603,000)</u>
Total recognised gains and losses relating to the year	<u><u>(935,713)</u></u>	<u><u>(522,222)</u></u>

Balance Sheet
As at 31 March 2010

	Note	2010 £	2009 £
Tangible fixed assets			
Housing properties – gross cost		57,839,274	52,608,505
Less: HAG, other grants and depreciation		(44,761,786)	(40,917,755)
		<u>13,077,488</u>	<u>11,690,750</u>
Other fixed assets		971,622	529,634
		<u>14,049,110</u>	<u>12,220,384</u>
Investments	12 13	2 2	2
		<u>14,049,112</u>	<u>12,220,386</u>
Current assets			
Stocks		4,116	4,055
Debtors	14	314,945	108,942
Cash at bank and in hand		2,696,401	2,121,851
		<u>3,015,462</u>	<u>2,234,848</u>
Creditors: amounts falling due within one year	15	(2,346,292)	(1,252,448)
		<u>669,170</u>	<u>982,400</u>
Net current assets			
		<u>14,718,282</u>	<u>13,202,786</u>
Total assets less current liabilities			
Creditors: amounts falling due after more than one year	16	(10,714,373)	(9,451,163)
Retirement benefit scheme deficit	19	(1,461,000)	(273,000)
		<u>2,542,909</u>	<u>3,478,623</u>
Net assets			
Capital and reserves:			
Share capital	17	122	123
Designated reserves	18	4,690,811	4,345,250
Revenue reserve	18	(654,024)	(554,750)
Pension reserve	18	(1,494,000)	(312,000)
		<u>2,542,909</u>	<u>3,478,623</u>

The financial statements were authorised for issue by the Committee Management on 29 June 2010 and are signed on their behalf by:

Catriona Blyth	Chair	
Thomas Cartwright	Secretary	
Fiona Tonner	Treasurer	

The notes form part of these financial statements.

Cash Flow Statement
For the year ended 31 March 2010

	Notes	2010 £	2009 £
Net cash inflow from operating activities	23	<u>1,389,170</u>	<u>455,036</u>
Returns on investments and servicing of finance			
Interest received		1,859	66,571
Interest paid		<u>(400,781)</u>	<u>(503,044)</u>
		<u>(398,922)</u>	<u>(436,473)</u>
Taxation			
Corporation tax paid		(79,158)	(153,171)
Grants received in respect of taxation		-	-
		<u>(79,158)</u>	<u>(153,171)</u>
Capital expenditure			
Expenditure on housing properties		(5,820,481)	(2,815,017)
Purchase of other fixed assets		(4,374)	(16,423)
Receipts from sale of housing properties		112,444	207,877
Housing Association Grant repaid		(70,241)	(114,038)
Housing Association Grant received		3,672,364	1,823,073
Other grants received		76,677	-
Other grants repaid		-	-
		<u>(2,033,611)</u>	<u>(914,528)</u>
Cash (outflow) before financing		<u>(1,122,521)</u>	<u>(1,049,136)</u>
Financing			
Issue of share capital		-	1
New loans drawn down		1,775,958	820,181
Loans drawn repaid		<u>(435,852)</u>	<u>(286,117)</u>
		<u>1,340,106</u>	<u>534,065</u>
Increase/(decrease) in cash		<u><u>217,585</u></u>	<u><u>(515,071)</u></u>

**Notes to the Financial Statements
For the year ended 31 March 2010**

1. Accounting policies

(a) Introduction and accounting basis

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

These financial statements are prepared in accordance with applicable accounting standards and comply with the requirements of the Industrial and Provident Societies Acts 1965 to 2002, Schedule 7 the Housing (Scotland) Act 2001, the Registered Social Landlords Accounting Requirements (Scotland) Order 2007 and the Statement of Recommended Practice (SORP) Accounting by Registered Social Landlords 2008.

(b) Turnover

Turnover represents rental and service charge income, factoring service income, and fees or revenue grants receivable from local authorities and from The Scottish Government. Also included is any income from first tranche shared ownership disposals. This represents a change in accounting policy arising from the adoption of SORP 2008.

(c) Loans

Mortgage loans are advanced by Private Lenders or The Scottish Government under the terms of individual mortgage deeds in respect of each property or housing scheme. Advances are available only in respect of those developments which have been given approval by The Scottish Government.

(d) Social housing grant (SHG)

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

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

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

**Notes to the Financial Statements
For the year ended 31 March 2010**

1. Accounting policies (cont'd)

(e) Fixed assets - Housing properties

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

1. Cost of acquiring land and buildings
2. Development expenditure including administration costs

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

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

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

(f) Depreciation

1. Housing properties

Housing properties, less grants received, less the estimated land value, are depreciated over a period of 60 years.

2. Other fixed assets

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

The following rates have been used:-

Computer Equipment	- 20% on cost
Office Equipment	- 20% on cost
Vehicles	- 33% on cost
Office and Commercial Property	- 2% on cost
Furniture and Fittings	- 10% on cost

A full year's depreciation is charged in the year of purchase.

No charge is made in the year of disposal.

**Notes to the Financial Statements
For the year ended 31 March 2010**

1. Accounting policies (cont'd)

(g) Designated Reserves (Note 18)

(i) Cyclical maintenance

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

(ii) Major Repairs

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

(h) Apportionment of management expenses

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

(i) Pensions (Note 19)

The association operates a defined benefit scheme in respect of its employees. The assets of the scheme are held in external funds managed by professional investment managers.

In accordance with 'FRS 17 – Retirement Benefits', the operating and financing costs of pension and post retirement schemes (determined by a qualified actuary) are recognised separately in the income and expenditure account. Service costs are systematically spread over the service lives of the employees and financing costs are recognised in the period in which they arise.

The difference between actual and expected returns on assets during the year, including changes in the actuarial assumptions, are recognised in the total statement of recognised gains and losses.

(j) Financial Commitments

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

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

k) Consolidation

The Association and its subsidiary undertaking comprise a group. The Financial Services Authority has granted exemption from preparing group financial statements. The accounts therefore represent the results of the Association and not of the group.

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

2. Particulars of Turnover, Operating Costs and Operating Surplus

	Turnover £	2010 Operating Costs £	Operating Surplus £	2009 Operating Costs £	Operating Surplus £
Income and Expenditure From lettings					
Social Lettings (Note 3)	2,782,029	(1,996,795)	785,234	(2,129,394)	475,901
Other activities (Note 4)	53,582	(33,003)	20,579	(34,678)	48,235
	<u>2,835,611</u>	<u>(2,029,798)</u>	<u>805,813</u>	<u>(2,164,072)</u>	<u>524,136</u>

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

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

	General Needs Housing £	Supported Housing Accommodation £	Shared Ownership Accommodation £	2010 Total £	2009 Total £
Income from rent and service charges					
Rent receivable net of service charges	2,057,935	301,830	384,148	2,743,913	2,565,379
Service charges	49,476	7,392	-	56,868	55,481
	<u>2,107,411</u>	<u>309,222</u>	<u>384,148</u>	<u>2,800,781</u>	<u>2,620,860</u>
Gross income from rents and service charges	(18,752)	-	-	(18,752)	(15,565)
Less voids					
	<u>2,088,659</u>	<u>309,222</u>	<u>384,148</u>	<u>2,782,029</u>	<u>2,605,295</u>
Net income from rents and service charges					
Grants from the Scottish Ministers	-	-	-	-	-
Other revenue grants	-	-	-	-	-
	<u>2,088,659</u>	<u>309,222</u>	<u>384,148</u>	<u>2,782,029</u>	<u>2,605,295</u>
Total turnover from social letting activities					
	<u>2,088,659</u>	<u>309,222</u>	<u>384,148</u>	<u>2,782,029</u>	<u>2,605,295</u>
Expenditure					
Management and maintenance administration costs	(783,812)	(118,733)	(151,114)	(1,053,659)	(1,265,637)
Service charges	(49,387)	(7,244)	(9,219)	(65,850)	(65,998)
Planned cyclical maintenance including major repairs	(381,046)	(33,008)	-	(414,054)	(413,680)
Reactive maintenance costs	(182,499)	(27,270)	-	(209,769)	(181,495)
Bad debts – rents and service charges	(51,924)	-	-	(51,924)	(19,686)
Depreciation of social housing	(164,304)	(17,081)	(20,154)	(201,539)	(182,898)
Impairment of social housing	-	-	-	-	-
	<u>(1,612,972)</u>	<u>(203,336)</u>	<u>(180,487)</u>	<u>(1,996,795)</u>	<u>(2,129,394)</u>
Operating costs for social letting activities					
	<u>475,687</u>	<u>105,886</u>	<u>203,661</u>	<u>785,234</u>	<u>475,901</u>
Operating Surplus on letting activities, 2010					
	<u>299,186</u>	<u>50,999</u>	<u>125,716</u>		
Operating Surplus on letting activities, 2009					

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

4. Particulars of turnover, operating costs and operating surplus 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)
	£	£	£	£	2010 £	2009 £	2010 £	2009 £
Wider role activities #	-	-	-	-	-	15,000	-	-
Care and repair of property	-	-	-	-	-	-	(17,043)	(3,482)
Factoring	-	-	-	5,603	5,603	-	(14,011)	(4,816)
Development and construction of property activities	-	-	-	-	-	-	-	-
Support activities	-	-	-	-	-	-	-	-
Care activities	-	-	-	-	-	-	-	-
Agency/management services for RSLs	-	-	-	-	-	-	-	-
Other agency / management services	-	-	-	-	-	1,723	-	(4,006)
Developments for sale to RSLs	-	-	-	-	-	-	-	-
Development and improvements for sale to non RSLs	-	-	-	-	-	-	(1,949)	-
Commercial rent	-	-	-	47,979	47,979	47,707	46,030	47,707
Fuel Switch grant	-	-	-	-	-	12,832	-	12,832
Total from other activities, 2010	-	-	-	53,582	53,582	-	(33,003)	20,579
Total from other activities, 2009	15,000	12,832	-	55,081	82,913	-	(34,676)	48,235

Undertaken to support the community, other than the provision, construction, improvement and management of housing

**Notes to the Financial Statements
For the year ended 31 March 2010**

5. Income and expenditure not dealt with in that account	2010	2009
	£	£
Development administration and other indirect costs capitalised	(31,730)	(28,720)
	<u>(31,730)</u>	<u>(28,720)</u>
6. Employees	2010	2009
	£	£
Staff costs (including Directors' Emoluments) consist of:		
Wages and salaries	682,796	651,634
Social security costs	47,474	48,424
Pension costs	106,364	98,334
FRS17 adjustment (Note 19)	6,000	(45,000)
	<u>842,634</u>	<u>753,392</u>
	2010	2009
	Number	Number
The number of full time equivalents employed by the Association during the year was:	<u>21</u>	<u>21</u>

7. Directors' emoluments

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

**Notes to the Financial Statements
For the year ended 31 March 2010**

7. Directors' emoluments (cont'd)	2010	2009
	£	£
Emoluments (excluding pension contributions) of Chief Executive	<u>74,453</u>	<u>70,948</u>
Numbers of Directors whose emoluments exceed £60,000 during the year were as follows (excluding pension contributions):-		
£70,000 - £79,999	<u>1</u>	<u>1</u>
Total Expenses reimbursed in so far as not chargeable to U.K. Income Tax	<u>-</u>	<u>-</u>
<p>The chief executive is an ordinary member of the Association's pension scheme described in note 19. No enhanced or special terms apply to membership and he has no other pension arrangements to which the Association contributes. The Association's contribution for the Chief Executive in the year amounted to £11,834 (2009: £11,016)</p>		
8. Auditors' remuneration	2010	2009
	£	£
The remuneration of the auditors for the year (including expenses, but excluding VAT), in respect of audit services	<u>10,000</u>	<u>9,850</u>
Amounts paid to the auditors by the Association in respect of non-audit services	<u>500</u>	<u>650</u>
9. Interest receivable	2010	2009
	£	£
Bank interest	<u>1,859</u>	<u>66,571</u>
10. Interest payable and similar charges	2010	2009
	£	£
Bank loans	<u>400,781</u>	<u>503,044</u>
11. Taxation	2010	2009
	£	£
Provision has been made for corporation tax at 28 % (2009: 28%) as follows:		
UK corporation tax	<u>186,310</u>	<u>79,158</u>

LANARKSHIRE HOUSING ASSOCIATION LIMITED

Notes to the Financial Statements
For the year ended 31 March 2010

12. Tangible fixed assets

	Housing Properties Held for Letting	Housing Properties Under Construction	Completed shared ownership housing properties	Shared ownership housing properties under construction	Office premises	Other fixed equipment fixtures and fittings	Commercial properties	Total
	£	£	£	£	£	£	£	£
Cost (net of grants)								
At 1 April 2009	12,222,414	(322,733)	1,044,656	-	607,534	286,646	-	13,838,517
Transfers in the period	91,821	(591,821)	-	-	-	-	500,000	-
Additions	186,470	1,886,471	(1,500)	-	-	4,374	-	2,075,815
Disposals	-	-	(19,471)	-	-	-	-	(19,471)
At 31 March 2010	12,500,705	971,917	1,023,685	-	607,534	291,020	500,000	15,894,861
Depreciation								
At 1 April 2009	1,121,014	-	132,573	-	133,754	230,792	-	1,618,133
Transfers in the period	(25,000)	-	-	-	-	-	25,000	-
Provided for year	173,052	-	20,154	-	11,390	17,663	8,333	230,592
Disposals	-	-	(2,974)	-	-	-	-	(2,974)
At 31 March 2010	1,269,066	-	149,753	-	145,144	248,455	33,333	1,845,751
Net Book Value								
At 31 March 2010	11,231,639	971,917	873,932	-	462,390	42,565	466,667	14,049,110
At 31 March 2009	11,101,400	(322,733)	912,083	-	473,780	55,854	-	12,220,384
Cost at 31 March 2010 is represented by:								
Gross cost	49,513,742	5,672,966	2,652,566	-	619,094	291,020	500,000	59,249,388
Less: HAG	(34,649,833)	(3,871,607)	(1,610,089)	-	-	-	-	(40,131,529)
Other grants	(2,363,204)	(629,442)	(18,792)	-	(11,560)	-	-	(3,222,998)
At 31 March 2010	12,500,705	971,917	1,023,685	-	607,534	291,020	500,000	15,894,861

Notes to the Financial Statements
For the year ended 31 March 2010

13. Investments	2010 £	2009 £
Investment in subsidiary undertaking	<u>2</u>	<u>2</u>

Lanarkshire Housing Association Limited owns 2 ordinary £1 shares in Lanarkshire Initiatives Limited. This represents a 100% shareholding in Lanarkshire Initiatives Limited, a company registered in Scotland, whose principal activity is that of general construction of buildings and civil engineering works.

For the year ended 31 March 2010, Lanarkshire Initiatives Limited made a loss after taxation of £1,267 (2009: £2,752). At 31 March 2010 Lanarkshire Initiatives Limited had net assets of £10,295 (2009: £11,562).

Lanarkshire Housing Association Limited reclaimed £173 (2009: £1,302) of VAT on behalf of Lanarkshire Initiatives Limited in the year and this remained due at the year end.

At 31 March 2010, a management fee from Lanarkshire Housing Association was charged to the company totalling £nil (2009: £1,723).

The balance owed to Lanarkshire Initiatives at 31 March 2010 was £10,948 (2009: £10,777) and is included in creditors (Note 15).

14. Debtors	2010 £	2009 £
Gross Rent and service charges	87,288	100,086
Less: Bad debt provision	(55,600)	(46,539)
	<u>31,668</u>	<u>53,547</u>
Other debtors	16,329	15,481
Prepayments and accrued income	266,948	39,914
	<u>314,945</u>	<u>108,942</u>

All amounts shown under debtors fall due for payment within one year.

15. Creditors: amounts falling due within one year	2010 £	2009 £
Bank loans and overdraft	792,817	358,956
Rental advances	80,796	77,940
Contracts for certified work	235,000	-
Corporation tax	186,310	79,158
Other creditors	178,807	173,594
Due to The Scottish Government	471,575	471,575
Accruals and deferred income	390,039	80,448
Amounts owed to subsidiary	10,948	10,777
	<u>2,346,292</u>	<u>1,252,448</u>

The bank overdraft and loans are secured as detailed in note 16.

Notes to the Financial Statements
For the year ended 31 March 2010

16. Creditors: amounts falling due after more than one year	2010	2009
	£	£
Loans	<u>10,714,373</u>	<u>9,451,163</u>

The Association's loans and mortgages from The Scottish Government, of which £262,724 (2009: £266,484) remains outstanding, are secured on the fixed assets. The loans from the Bank of Scotland together with any bank overdraft are secured by standard securities over the property on which the loans were granted. The loans from the TSB Bank Scotland plc and The Royal Bank of Scotland plc are secured by standard securities over the property on which the loans were granted.

Due between one and two years	435,852	359,937
Due between two and five years	1,307,556	1,083,782
Due in five years or more	<u>8,970,965</u>	<u>8,007,444</u>
	<u>10,714,373</u>	<u>9,451,163</u>

The loans and mortgages from The Scottish Government are repayable on a six monthly basis over 30 or 60 years inclusive of interest at fixed rates varying from 9.25% per annum to 13% per annum.

Loans from the Bank of Scotland are repayable on a monthly basis over 25, 30 or 35 years inclusive of interest at rates equivalent to the Bank of Scotland Home Loan rates in force at each repayment date. Six of the loans from the Bank of Scotland were converted in 2007 to fixed rate loans. These loans have the interest rate fixed at 6.8% for a three year period.

Loans from the TSB Bank Scotland plc are repayable on a monthly basis over 30 years inclusive of interest at a rate of 1.25% above bank base rate per annum.

The loans from The Royal Bank of Scotland plc are repayable on a monthly basis over 25 years following a 5 year initial period in which no capital repayments will be made. Interest will be charged at a rate of 1.25% above bank base rate per annum.

17. Share Capital	2010	2009
	£	£
Allotted, called up and fully paid	123	132
At start of year	-	1
Issued in year	(1)	(10)
Redeemed in year	<u> </u>	<u> </u>
At end of year	<u>122</u>	<u>123</u>

Notes to the Financial Statements
For the year ended 31 March 2010

18. Reserves	Major Repairs £	Cyclical maintenance £	Total £
<i>Designated reserves</i>			
At 1 April 2009	3,642,861	702,389	4,345,250
Transfer from/(to) revenue reserve	241,893	103,668	345,561
At 31 March 2010	<u>3,884,754</u>	<u>806,057</u>	<u>4,690,811</u>
£			
<i>Revenue reserves</i>			
At 1 April 2009			(866,750)
Statement of total recognised gains and losses			(935,713)
Transfer (to)/from designed reserves			(1,802,463)
At 31 March 2010			<u>(345,561)</u>
			<u>(2,148,024)</u>
£			
Split as:			
Revenue reserve (excluding pension reserve)			(654,024)
Pension reserve			(1,494,000)
			<u>(2,148,024)</u>

19. Pensions

The Lanarkshire Housing Association participates in the Strathclyde Pension Fund which is a statutory multi-employer defined benefit scheme. It is administered by Glasgow City Council in accordance with the Local Government Pension Scheme (Scotland) Regulations 1998, as amended.

A formal valuation of the Strathclyde Pension Fund was done at 31 March 2010, with the next formal valuation due as at 31 March 2013.

The main financial assumptions used by the Council's Actuary, Hymans Robertson, in their FRS 17 calculations are as follows,

Assumptions as at	31 March 2010	31 March 2009
Price increases	3.8%	3.1%
Salary increases	5.3%	4.6%
Expected return on assets	7.2%	6.5%
Discount rate	5.5%	6.9%

The following details relate to the Lanarkshire Housing Association and show the fair value of the assets, analysed over the main asset classes, together with the expected returns for each asset class.

Notes to the Financial Statements
For the year ended 31 March 2010

19. Pensions (Cont'd)

Assets (Whole Fund)	Long Term Return % per annum	Fund Value at 31 March 2010 £000	Expected Return £000 per annum
Equities	7.8%	2,122	166
Bonds	5.0%	358	18
Property	5.8%	193	11
Cash	4.8%	83	4
Total	7.21%	2,756	199

The table below compares the present value of the scheme liabilities, based on the Actuary's assumptions, with the estimated employer assets.

	31 March 2010 £000	31 March 2009 £000
Net Pension Asset as at		
Estimated Employer Assets (A)	2,756	1,899
Present Value of Scheme Liabilities	4,217	2,172
Present Value of Unfunded Liabilities	-	-
Total Value of Liabilities (B)	4,217	2,172
Net Pension Asset (A) – (B)	<u>(1,461)</u>	<u>(273)</u>

Analysis of the amount charged to operating profit

	Year to 31 March 2010 £'000	Year to 31 March 2009 £'000
Service cost	62	78
Contributions	(107)	(98)
Past service cost	25	-
Curtailment and Settlements	-	-
Decrease in irrecoverable surplus	-	-
Total operating charge (A)	<u>(20)</u>	<u>(20)</u>
Expected Return on Employer Assets	127	173
Interest on Pension Scheme Liabilities	(153)	(148)
Net Return (B)	<u>(26)</u>	<u>25</u>
Net Revenue Account Cost (A)-(B)	<u>6</u>	<u>(45)</u>

Notes to the Financial Statements
For the year ended 31 March 2010

19. Pensions (Cont'd)

Analysis of amount recognised in statement of total recognised gains and losses (STRGL)

	Year to 31 March 2010 £ 000	Year to 31 March 2009 £ 000
Actual return less expected return on pension scheme assets	608	(772)
Experience gains and losses arising on the scheme liabilities	-	(58)
Changes in financial assumptions underlying the present value of scheme liabilities	(1,790)	227
Actuarial (loss) /gain in pension plan	(1,182)	(603)
Increase/(decrease) in irrecoverable surplus from membership fall and other factors	-	-
Actuarial (loss) /gain recognised in STRGL	(1,182)	(603)

Movement in surplus/deficit during the year

	Year to 31 March 2010 £ 000	Year to 31 March 2009 £ 000
Surplus/(deficit) in scheme at beginning of year	(273)	285
Current service cost	(62)	(78)
Employer contributions	107	98
Other income	-	-
Other outgoings (e.g. expenses, etc)	-	-
Past service costs	(25)	-
Impact of settlements and curtailments	-	-
Net return on assets	(26)	25
Actuarial gains/(losses)	(1,182)	(603)
(Deficit) / surplus at end of year	(1,461)	(273)

History of experience gains and losses

	Year to 31 March 2010 £ 000	Year to 31 March 2009 £ 000
Difference between expected and actual return on assets	608	(772)
Value of assets	2,756	1,899
Percentage of assets	22.1%	(40.7%)
Experience gains/(losses) on liabilities	-	(58)
Actuarial gains/losses recognised in STRGL	(1,182)	(603)
Present Value of Liabilities	4,217	2,172
Percentage of the present value of liabilities	(28.0%)	(27.8%)

Notes to the Financial Statements
For the year ended 31 March 2010

20. Establishment of Association

The Association is established under the Industrial and Provident Societies Act 1965.

21. Capital Commitments

	2010 £	2009 £
Contracted for but not provided in these accounts	3,207,584	5,205,589
This is to be funded by:		
HAG	1,467,231	3,364,825
Private Finance	1,740,353	1,840,764
	<u>3,207,584</u>	<u>5,205,589</u>
Authorised but not committed	<u>3,000,000</u>	<u>6,000,000</u>

22. Commitments under operating leases

As at 31 March 2010 the Association had annual commitments under non-cancellable operating leases as set out below:-

	2010 £	2009 £
Operating leases which expire:		
Within one year	12,385	4,531
Between one and two years	23,401	14,481
In two to five years	6,651	19,989
	<u>42,437</u>	<u>39,001</u>

23. Reconciliation of operating surplus to net cash inflow from operating activities

	2010 £	2009 £
Operating surplus	805,813	524,136
Depreciation of tangible fixed assets	230,592	252,472
Increase in stocks	(61)	(600)
Decrease/ (increase) in debtors	(206,003)	197,233
Increase / (decrease) in creditors	552,830	(473,195)
Forfeited share capital	(1)	(10)
Non cash movement relating to pension liability	6,000	(45,000)
Net cash inflow from operating activities	<u>1,389,170</u>	<u>455,036</u>

Notes to the Financial Statements
For the year ended 31 March 2010

24. Analysis of changes in financing during the year

	Share capital		Loans and finance lease obligations	
	2010 £	2009 £	2010 £	2009 £
Balance at start of year	123	132	9,810,119	9,276,055
Cashflow from financing	(1)	(9)	1,340,106	534,064
Balance at end of year	<u>122</u>	<u>123</u>	<u>11,150,225</u>	<u>9,810,119</u>

25. Analysis of changes in cash and cash equivalents

	2010 £	2009 £
Balance at start of year	2,121,851	2,636,922
Increase / (decrease) in cash and cash equivalents	217,585	(515,071)
Balance at end of year	<u>2,339,436</u>	<u>2,121,851</u>

Cash and cash equivalents represents cash at bank and in hand

26. Analysis of the balances of cash and cash equivalents as shown in the balance sheet

	Cash at bank £	Overdrafts £	Total £
<i>Movements in 2009</i>			
Balance at 1 April 2008	2,636,922	-	2,636,922
Net cash inflow	(515,071)	-	(515,071)
Balance at 31 March 2009	<u>2,121,851</u>	<u>-</u>	<u>2,121,851</u>
<i>Movements in 2010</i>			
Balance at 1 April 2009	2,121,851	-	2,121,851
Net cash inflow / (outflow)	574,550	(356,965)	217,585
Balance at 31 March 2010	<u>2,696,401</u>	<u>(356,965)</u>	<u>2,339,436</u>

Notes to the Financial Statements
For the year ended 31 March 2010

27. Reconciliation of net cashflow to movement in net debt

	2010 £	2009 £
Increase / (Decrease) in cash in the year	217,585	(515,071)
Cashflow from change in debt	(1,340,106)	(534,064)
	<u>(1,122,521)</u>	<u>(1,049,135)</u>
Change in net (debt)/funds	(1,122,521)	(1,049,135)
Opening net debt	(7,688,268)	(6,639,133)
Closing net debt	<u><u>(8,810,789)</u></u>	<u><u>(7,688,268)</u></u>

28. Analysis of changes in net debt

	At 1 April 2009 £	Cash Flows £	At 31 March 2010 £
Cash at bank and in hand	2,121,851	574,550	2,696,401
Overdrafts	-	(356,965)	(356,965)
	<u>2,121,851</u>	<u>217,585</u>	<u>2,339,436</u>
Debt due within one year	(358,956)	(76,896)	(435,852)
Debt due after one year	(9,451,163)	(1,263,210)	(10,714,373)
	<u>(9,810,119)</u>	<u>(1,340,106)</u>	<u>(11,150,225)</u>
	<u><u>(7,688,268)</u></u>	<u><u>(1,122,521)</u></u>	<u><u>(8,810,789)</u></u>

29. Housing Stock

The number of units of accommodation owned by the Association was as follows:-

	2010	2009
General Needs Housing	743	710
Supported Housing Accommodation	93	93
Shared Ownership Accommodation	65	68
	<u>901</u>	<u>871</u>

**Notes to the Financial Statements
For the year ended 31 March 2010**

30. Commercial units

The number of commercial units owned and rented out by the Association was as follows:-

	2010	2009
Commercial Units	<u>7</u>	<u>7</u>