

Accounts 2010-273

PENTLAND HOUSING ASSOCIATION LIMITED

REPORT AND FINANCIAL STATEMENTS

for the year ended

31 March 2010

RSL NO 273

FSA NO 2449R(S)

CHARITY NO SCO37286



PENTLAND HOUSING ASSOCIATION LIMITED

REPORT AND FINANCIAL STATEMENTS

for the year ended 31 March 2010

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PENTLAND HOUSING ASSOCIATION LIMITED

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for the year ended 31 March 2010

MEMBERS, EXECUTIVE AND ADVISERS

Board of Directors

Kenny Green (Chairperson – Apr 2010 – Sept 2009) (Resigned)
Jim Mackenzie (Resigned)
Janice Gallacher
Phil Anderson (Resigned)
Robert Bell (Chairperson – Sept 2009 - Present)
Jim Hair
Brian Hutcheon (Resigned)
Dave Warren
David Macleod
Colin Punler
Andrene Gillian (Resigned)
Gill Arrowsmith
Andi Wakeman
Jennifer Lawless
Angela Craig
Jill Smith (Co-optee) (Resigned)
Geoffrey Maclean

Chief Executive

David Brookfield

Registered Office

37/39
Traill Street
Thurso
Caithness
KW14 8EG

Auditors

Findlay & Company,
Chartered Accountants,
11 Dudhope Terrace,
Dundee.
DD3 6TS

Principal Bankers

Bank of Scotland
25 Orlig Street
Thurso
Caithness
KW14 7HQ

Solicitors

TC Young
7 West George Street
Glasgow
G2 1BA

Report of Board of Directors

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

Principal Activities

The principal activities of the Association are the development, management and maintenance of housing in Caithness for people in housing need and the provision of a Care and Repair and Handyperson service in Caithness.

Board of Directors

The Board of Directors are as detailed on page 1 of the financial statements.

Operating Financial Review

Pentland Housing Association are a model employer and provide a range of sustainable housing solutions, develop social and economic opportunities and provide an effective and efficient service to our customers

1 Financial/Treasury Management

- 1.1 The Association has continued to house people in Caithness. In the financial year 2009/10 the Association has made a surplus of £400,648. The Association has not made any transfer from our revenue reserves into the reserves for our Major Replacement Programme.
- 1.2 Our designated reserves total £2,267,185 as at the 31 March 2010.
- 1.3 Finances are managed through the yearly budget process and ongoing development of key performance targets.
- 1.4 The Association continue to invest in our existing stock and our five year financial projections detail how resources are deployed to meet business needs, including key assumptions and trends. All financial plans are subject to scenario planning and sensitivity testing to ensure robustness.
- 1.5 A full risk appraisal is undertaken on all large scale capital projects, which gives a detailed record of all identified risks; this review is presented to the Board for a full discussion before formal approval is given by the Board.
- 1.6 Our Treasury Management includes the managing of all short and medium term cash flow requirements, withdrawing funds and managing asset security. In protecting our financial resources we have the responsibility to make sure that investment decisions are properly assessed and that we can make appropriate financial returns.
- 1.7 Despite the current economic circumstances we are well placed to meet the challenges ahead. Specifically we have in place a robust long term financial model based on prudent assumptions to maintain viability and to ensure all our financial covenants with lenders are achieved with sufficient head room built in as a contingency.

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- 1.8 Underlying assumptions over the course of the next 5 years include a full review of
- our loan facility
 - internal and external auditor arrangements in line with association regulations
 - full commitment to the completion of our development programme and
 - carry out an annual strategy allowing us to progress and meet the requirements of the community that we serve.

2 Reactive/Planned Maintenance

- 2.1 An underlying aim for PHA is to ensure that our properties meet or exceed national standards. Our 30 year planned maintenance programme and cash projections take account of our investment in modernising and repairing houses, in building new properties and in improving the social and physical nature of the community which will protect and enhance the assets which underpin our funding.
- 2.2 We have in place a robust long term financial model based on prudent assumptions to maintain viability and to ensure all our reactive and planned maintenance is carried out.

3 Asset Management

- 3.1 We continue to meet the guidance which indicates the level of standard that our homes should meet under the "The Scottish Housing Quality Standard (SHQS)", for the majority of our homes this has not been the challenge to achieve that other associations have found, however we continue to analyse and maintain our properties and at present we have in place a plan to carry out a stock condition survey on a third of our stock during May 2010 to establish which properties are likely to require some upgrade to ensure our stock is brought up to SHQS compliance. It is not anticipated that a large amount of work will be required on receipt of the Stock Condition Survey.

4 Future Business Growth

- 4.1 We have increased our social rented stock by 171 units over a ten year period to 469 units (includes 1 shared ownership and 2 managed) and also developed over 30 units for shared equity.
- 4.2 There are two barriers to redevelopment or new development which are being experienced. Primarily the changes to the Housing Association Grant (HAG) system make most developments unsustainable in the long term.
- 4.3 The availability of finance in the market place is also difficult however we have recently been offered new private finance to enable developments at South Head and Larnochs, Wick and Dunbeath to go ahead should we obtain guaranteed grant.
- 4.4 A full risk appraisal is undertaken on all large scale capital projects, this review is presented to the Board for a full discussion and formal approval.

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for the year ended 31 March 2010

5 Governance arrangements

- 5.1 We revised our governance arrangements in 2009 introducing state of the art governance arrangements which comply with Scottish Government guidance. This includes a system of appraisal and monitoring for Board members.
- 5.2 Our governance operates via a main Board of Directors that is made up of a mixture of tenants, former tenants and residents of the Pennyland and Mount Vernon schemes and other interested individuals. The Board is supplemented by the Finance and Audit Committee and a Health and Safety Working Group whose membership is drawn from the Board. We also set up short life working groups to deal with any specific matters that are best dealt out with the main Board.

6 Provision of Services

- 6.1 The Association currently employ 14 members of staff on a full and part time basis. In addition to this we also employ a Care and Repair Officer and Handyperson which are both funded by The Highland Council.
- 6.2 To realise our vision we must work in partnership with other organisations. This includes the Scottish Government, The Highland Council, other registered housing associations and community organisations for Wider Role responsibilities, including Homeaid, Ormlie Community Association and Pulteneytown People's Project.
- 6.3 Most of all we need to work closely with our tenants and customers to ensure that we provide the correct mix and quality of services at affordable prices.

The Committee of Management and Chief Executive

The Board of Directors and Chief Executive of the Association are listed on page 2.

Each member of the Board of Directors 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 although not having the legal status of director he acts as an executive within the authority delegated by the Board.

Statement of Board responsibilities

Housing Association legislation requires the Board 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 Board 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 Board is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Association.

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

Statement on internal financial controls

The Board of Directors 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:

- (i) The reliability of financial information used within the Association or for publication.
- (ii) The maintenance of proper accounting records, and
- (iii) The safeguarding of assets against unauthorised use or disposition.

It is the Board of Directors 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:

- (i) Formal policies and procedures are in place including the documentation of key systems and rules relating to the delegation of authorities which allow the monitoring of controls and restrict the unauthorised use of the Association's assets. These policies and regulations are reviewed on a regular basis in accordance with a structured programme.
- (ii) Experienced and suitably qualified staff take responsibility for important business functions.

PENTLAND HOUSING ASSOCIATION LIMITED

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for the year ended 31 March 2010

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- (iii) Forecasts and budgets are prepared which allow the Board and Management to monitor the key business risks and financial objectives and progress towards financial plans set 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.
 - (iv) All significant new initiatives, major commitments and investment projects are subject to formal authorisation procedures, through the Board of Directors.
 - (v) The Board of Directors reviews reports from management and from the internal and external auditors to provide reasonable assurance that control procedures are in place and are being followed. This includes a general review of the major risks facing the Association.
 - (vi) Formal procedures have been established for instituting appropriate action to correct weaknesses identified from the above reports.

The Board of Directors has reviewed the effectiveness of the system of internal financial control in existence in the Association for the year ended 31 March 2010 and also for the period up to the signing of this report. No significant control 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.

In so far as the Board are aware:

- (i) There is no relevant audit information (information needed by the Associations auditors in connection with preparing their report) of which the Associations auditors are unaware, and
- (ii) The Board have taken all steps that they ought to have taken to make themselves aware of the relevant audit information and to establish that the Associations auditors are aware of that information.

Auditors

The auditors, Findlay & Company, have expressed their willingness to continue in office. A resolution to re-appoint the auditors will be proposed at the annual general meeting.

By order of the Board



Secretary

30 August 2010

PENTLAND HOUSING ASSOCIATION LIMITED

REPORT AND FINANCIAL STATEMENTS

for the year ended 31 March 2010

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF PENTLAND HOUSING ASSOCIATION LIMITED

We have audited the financial statements of Pentland Housing Association Limited for the year ended 31 March 2010 on pages 9 to 34. These financial statements have been prepared under the historical cost convention and the accounting policies set out therein.

This report is made solely to the Association's members, as a body, in accordance with section 9 of the Friendly Industrial and Provident Societies Act 1968. Our audit work has been undertaken so 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 directors and auditors

As described on page 5 the Association's Board of Directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Industrial and Provident Societies Acts 1965 to 2002, the Housing (Scotland) Act 2001, Registered Social Landlords Accounting Requirements (Scotland) Order 2007 and Statement of Recommended Practice: Accounting by Registered Social Landlords 2008. We also report to you if, in our opinion, the Board of Directors report is not consistent with the financial statements, if the Association has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the Association is not disclosed.

We read the Board of Directors report and considered whether it is consistent with the audited financial statements. If we became aware of any apparent misstatements within the financial statements, we considered the implications for our report. Our responsibilities in this respect do not extend to a consideration of any other information.

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 Board of Directors 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.

PENTLAND HOUSING ASSOCIATION LIMITED

REPORT AND FINANCIAL STATEMENTS

for the year ended 31 March 2010

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF PENTLAND HOUSING ASSOCIATION LIMITED (continued)

Group Consolidation Exemption

Pentland Housing Association have been granted exemption by the Financial Services Authority for the preparation of group accounts and we as auditors agree to the grounds given for consolidation exemption by the Board continue to apply.

Opinion

In our opinion the financial statements give a true and fair view in accordance with the United Kingdom Generally Accepted Accounting Practice and of the state of the Association's affairs as at 31 March 2010 and of its surplus or deficit 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, Registered Social Landlords Accounting Requirements (Scotland) Order 2007 and Statement of Recommended Practice: Accounting by Registered Social Landlords 2008. The information given in the report of the Board of Directors is consistent with the Financial Statements.

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FINDLAY & COMPANY
STATUTORY AUDITOR
11 DUDHOPE TERRACE
DUNDEE
DD3 6TS

30 August 2010

PENTLAND HOUSING ASSOCIATION LIMITED

REPORT AND FINANCIAL STATEMENTS

for the year ended 31 March 2010

REPORT BY THE AUDITORS ON CORPORATE GOVERNANCE MATTERS

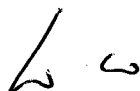
In addition to our audit of the financial statements for the year ended 31 March 2010, we have reviewed the Board of Directors statement on internal controls set out on pages 5 and 6. The object of our review is to draw attention to any non-compliance with the SFHA Publication "Raising Standards in Housing".

We carried out our review in accordance with guidance issued by the Auditing Practices Board. The guidance 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.

With respect to the Board of Directors statements on internal control on pages 5 and 6, in our opinion, the Committee have provided the disclosures required under the SFHA Publication "Raising Standards in Housing" referred to above and such statements are not inconsistent with the information of which we are aware from our audit work on the financial statements.

Opinion

Based on enquiry of certain members of the Board and Officers of the Association, and examination of relevant documents, in our opinion the Board of Directors statement on pages 5 and 6 appropriately reflects the Association's compliance with the SFHA Publication "Raising Standards in Housing" specified for our review.



FINDLAY & COMPANY,
STATUTORY AUDITOR,
11 DUDHOPE TERRACE,
DUNDEE.
DD3 6TS

30 August 2010

PENTLAND HOUSING ASSOCIATION LIMITED

REPORT AND FINANCIAL STATEMENTS

for the year ended 31 March 2010

INCOME AND EXPENDITURE ACCOUNT

For the year ended 31 March 2010

	Notes	2010 £	2009 £
Turnover	2	2,391,950	1,560,903
Less: Operating costs	2	(1,934,760)	(1,215,311)
		-----	-----
Operating surplus		457,190	345,592
Profit /(loss) on disposal of fixed assets	7	-	357,950
Interest receivable	8	42,256	20,113
Interest payable	9	(98,798)	(273,691)
		-----	-----
Surplus / (deficit) on ordinary activities before taxation		400,648	449,964
Taxation	11	-	-
		-----	-----
Surplus for the year		400,648	449,964
		=====	=====

During the year the only surpluses and deficits recognised by the Association was the surplus or deficit for the year. All of the activities undertaken by the Association were continuing activities and the reported surplus or deficit was determined under the historical cost convention.

PENTLAND HOUSING ASSOCIATION LIMITED

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for the year ended 31 March 2010

BALANCE SHEET

	Notes	2010 £	2009 £
Tangible Fixed Assets			
Housing properties - Costs less depreciation	12a	18,553,454	18,280,403
Less: HAG	12a	(11,440,108)	(11,146,510)
Less: Other Grants	12a	(937,326)	(1,047,490)
		<hr/>	<hr/>
Other fixed assets	12b	6,176,020 114,756	6,086,403 107,066
Fixed Asset Investments			
Shared Equity Costs	13a	559,925	559,925
Shared Equity Grants	13a	(559,925)	(559,925)
		<hr/>	<hr/>
Other Investments	13b	1	1
		<hr/>	<hr/>
Total fixed assets		6,290,777	6,193,470
		<hr/>	<hr/>
Current Assets			
Debtors	14	1045,955	775,056
Stock & Work In Progress	15	235,696	1,044,728
Cash at bank and in hand		867,597	324,582
		<hr/>	<hr/>
		2,149,248	2,144,366
Current liabilities			
Creditors: amounts falling due within one year	16	(691,790)	(959,478)
		<hr/>	<hr/>
Net current assets / (liabilities)		1,457,458	1,184,898
		<hr/>	<hr/>
Total assets less current liabilities		7,748,235	7,378,367
Creditors: amounts falling due after more than one year	17	(5,048,269)	(5,079,035)
		<hr/>	<hr/>
Net assets		2,699,966	2,299,332
		<hr/>	<hr/>
Capital and Reserves			
Called up share capital	18	250	264
Designated reserves	19	2,267,185	2,267,185
Revenue reserves	24	432,531	31,883
		<hr/>	<hr/>
		2,699,966	2,299,332
		<hr/>	<hr/>

The financial statements on pages 9 to 11 were approved by the Board of Directors on 30 August 2010 and were signed on its behalf by:

.....

John B Bell

Chairperson

Vice Chairperson

Tanice Gallacher

Secretary

The notes on pages 15 to 33 form part of these financial statements.

PENTLAND HOUSING ASSOCIATION LIMITED

REPORT AND FINANCIAL STATEMENTS

for the year ended 31 March 2010

CASH FLOW STATEMENT

	Notes	2010 £	2009 £
Reconciliation of operating surplus to net cash inflow from operating activities			
Operating surplus		457,190	345,592
Depreciation charge		124,279	117,859
Decrease/(Increase) in debtors		(270,899)	(513,974)
(Decrease)/Increase in creditors		124,613	59,514
		-----	-----
Net cash inflow from operating activities		435,183	8,991
		-----	-----
CASH FLOW STATEMENT			
Net cash inflow from operating activities		435,183	8,991
Returns on investments and servicing of finance	27	(56,542)	(253,578)
Capital expenditure	27	141,347	84,736
Financing	27	23,038	348,289
		-----	-----
(Decrease)/Increase in cash		543,015	188,429
		=====	=====
Reconciliation of net cash flow to movement in net debt:	28		
(Decrease) / Increase in cash in the year		543,015	188,429
Cash inflow from increase in debt		(23,038)	(348,289)
		-----	-----
		519,988	(159,860)
Net debt at 1 April 2009		(4,854,017)	(4,694,157)
		-----	-----
Net debt at 31 March 2010		(4,334,040)	(4,854,017)
		=====	=====

The notes on pages 15 to 33 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1. **Principal Accounting Policies**

The financial statements have been prepared in accordance with applicable accounting standards in the United Kingdom and comply with the Registered Social Landlords Accounting Requirements (Scotland) Order 2007 and the Statement of Recommended Practice: Accounting by Registered Social Landlords 2008. A summary of the more important accounting policies which have been consistently applied are set out below.

Basis of Accounting

The financial statements are prepared on the historical cost basis of accounting.

Turnover

Turnover represents rental and service charge income, fees and revenue based grants receivable from local authorities and from The Scottish Ministers.

Mortgages

Mortgage loans are advanced by private lenders under the terms of individual mortgage deeds in respect of each property. Advances are available only in respect of those developments which have been given approval for housing association grant by The Scottish Ministers.

Housing Association Grants

HAG is receivable from Scottish Ministers and is utilised to reduce the capital costs of housing properties. Grants received from Scottish Ministers in respect of revenue expenditure are credited to the income and expenditure account in the same period as the expenditure to which they relate. In addition, the Highland Council has funded the Association for several schemes through the "New Housing Partnership" funding and from its own "Special Housing" funds.

Where following the sale of a property HAG becomes repayable subject to abatement, it is included as a current liability until repaid. HAG is subordinated in respect of loans on agreement with Scottish Ministers.

Under certain circumstances the Housing Association Grants are repayable to Scottish Ministers.

Housing Association Grant - Acquisition and Development Allowances

Acquisitions and Development Allowances are intended to finance certain internal direct administrative costs relating to the acquisition and development of housing properties for approved schemes.

NOTES TO THE FINANCIAL STATEMENTS (continued)

Tangible Fixed Assets - Housing Properties (Note 12a)

Housing properties are stated at cost less depreciation charges. The development costs of housing properties funded with traditional HAG or under earlier funding arrangements include the following:-

- i) Cost of acquiring land and buildings
- ii) Direct development expenditure
- iii) Interest charged on the mortgage loans raised to finance the scheme;

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.

Depreciation

Housing Properties

Housing properties are stated at cost, less social housing and other public grants and less accumulated depreciation. Depreciation is charged on a straight-line basis over the expected economic useful lives of the properties. The Association's timber clad properties are depreciated over 45 years with the traditional built properties being depreciated over a period of 60 years, with newer developments being depreciated over a period of 75 years. No depreciation is charged on land.

In accordance with FRS 11, housing properties are reviewed for any impairment in value by comparing value in use as social housing with their net carrying value in the Balance Sheet, with any material difference charged to the Income and Expenditure Account.

Other Fixed Assets

Depreciation of other fixed assets is charged by equal annual instalments commencing with the year of acquisition at rates estimated to write off their cost or valuation less residual value over the expected useful lives which are as follows.

Buildings	2%
Motor Vehicles	20 - 25%
Computer Equipment	25 - 33%
Office Equipment	20%
Leasehold Property	Depreciated over the remainder of the lease

Pensions (note 22)

The Association participates in the centralised SFHA defined benefit pension scheme. Retirement benefits for employees of the Association are funded by contributions from all participating employers and employees in the scheme. Payments are made in accordance with periodic calculations by consulting actuaries and are based on pension costs applicable across the various participating Associations taken as a whole.

Contributions to the scheme are charged to the Income & Expenditure Account so as to spread the cost of the pensions over the employees' working lives with the Association.

NOTES TO THE FINANCIAL STATEMENTS (continued)

Designated Reserves (note 19)

Major Replacement Programme

The Association maintains its properties in a state of repair which at least maintains their residual value in price prevailing at the time of acquisition and construction. The reserve is based on the Association's estimated liability for such future repair expenditure.

Direct improvement costs are currently being capitalised as the original purchase price reflected the need for such improvement. All future major replacement expenditure will be charged annually to the Income & Expenditure Account. The movement in the Association's estimated liability for such repairs over the year will be reflected as a transfer to designated reserves, such transfers will however only be made to an extent allowable by the level of free reserves.

Leases (note 26)

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

Shared Equity (Formerly Homestake)

Grants are received from the Scottish Ministers for the construction of properties under shared equity. The cost of building these properties is reflected in Current Assets as Work in Progress and the grant element in creditors falling due in one year.

On sale of shared equity properties the Registered Social Landlords Accounting Requirements (Scotland) Order 2007 requires that the disposal shall be treated as a fixed asset investment and the grants received treated as a deduction from the Investment. The Board consider this disclosure does not reflect the true substance of the property sale as the security in relation to the properties disposed since 1 April 2008 is in the name of the Scottish Ministers. The financial statements have thus overridden the requirements of the Registered Social Landlord Accounting Requirements (Scotland) Order 2007 in relation to this accounting treatment.

Share Equity disposal made prior to 1 April 2008 continue to be accounted for in line with the Registered Landlords Accounting Requirements (Scotland) Order 2007 with the disclosure of a Fixed Asset Investment and offsetting Fixed Asset Investment Grant.

The Board of Directors consider to properly reflect the administration arrangement the Association fulfils in the shared equity disposal that Proceeds and cost of sales relating to the disposal should be reflected in the Income and Expenditure Account

Taxation

There is no Tax Liability as the Associations activities are exempt due to its Charitable Status.

Investments

Unlisted Investments are held at the lower of cost and net realisable value.

REPORT AND FINANCIAL STATEMENTS

for the year ended 31 March 2010

NOTES TO THE FINANCIAL STATEMENTS (continued)

Group Accounts

Group Accounts have not been prepared, as an exemption has been granted by the Financial Services Authority under sub section 2A and 2C of section 14 of the Friendly Industrial & Provident Societies Act 1968 on the grounds that the cost and time involved in preparing these would outweigh any potential benefits to the users of the accounts. Details of the subsidiary undertakings are disclosed in note 13b to the accounts.

Development Costs

As per the Statement of Recommended Practice directly attributable costs incurred in the development of housing properties in excess of allowances received are capitalised and classified as housing property costs.

2. Particulars of Turnover, Operating Costs & Operating Surplus

		2010 Turnover	Operating Costs	Operating Surplus/ (Deficit)	2009 Operating Surplus
		£	£	£	£
Social Lettings	Note 3	1,410,079	(909,368)	500,711	414,918
Other activities	Note 4	981,871	(1,025,392)	(43,521)	(69,326)
		<u>2,391,950</u>	<u>(1,934,760)</u>	<u>457,190</u>	<u>345,592</u>
		<u>1,560,903</u>	<u>(1,215,311)</u>	<u>345,592</u>	<u>-</u>
Total for previous period of account		<u>1,560,903</u>	<u>(1,215,311)</u>	<u>345,592</u>	<u>-</u>

REPORT AND FINANCIAL STATEMENTS

for the year ended 31 March 2010

NOTES TO THE FINANCIAL STATEMENTS (continued)

3. Particulars Of Turnover, Operating Costs And Operating Surplus Or Deficit From Social Letting Activities

	General Needs Housing £	Supported Housing £	Shared Ownership £	2010 Total £	2009 Total £
Rent Receivable net of Service Charges	1,395,561	16,261	1,469	1,431,021	1,303,381
Service Charges Receivable	-	-	-	-	-
Gross Rent Receivable	1,395,561	16,261	1,469	1,431,021	1,303,381
LESS: Rent Losses from Voids	(3,212)	-	-	(3,212)	(636)
Net Income from rents and service charges	1,392,349	16,261	1,469	1,410,079	1,302,745
Grants from Scottish Ministers	-	-	-	-	-
Other revenue grants	-	-	-	-	-
Total Turnover from Social Letting activities	1,392,349	16,261	1,469	1,410,079	1,302,745
Management Services	(538,631)	-	-	(538,631)	(539,463)
Planned and Cyclical Maintenance	(70,306)	-	-	(70,306)	(73,690)
Reactive Maintenance:	(204,685)	-	-	(204,685)	(183,714)
Rent Losses from Bad Debts	6,001	-	-	6,001	2,553
Depreciation of Social Housing	(101,747)	-	-	(101,747)	(93,513)
Total Operating Costs	(909,368)	-	-	(909,368)	(887,827)
Operating Surplus/(Deficit)	482,981	16,261	1,469	500,711	414,918
Operating Surplus/(Deficit) for previous period of account	398,207	15,304	1,407	414,918	

PENTLAND HOUSING ASSOCIATION LIMITED

REPORT AND FINANCIAL STATEMENTS

for the year ended 31 March 2010

NOTES TO THE FINANCIAL STATEMENTS (continued)

4. Particulars of Turnover, Operating Costs and Operating Surplus or Deficit from Other Activities

	Grants from Scottish Ministers	Supporting People Income	Other Revenue Grants	Other Income	Total Turnover	Operatin g Costs- Bad Debts	Other Operating Costs	2010 Operating Surplus/ (Deficit)	2009 Operating Surplus/ (Deficit)
	£	£	£	£	£	£	£	£	£
Wider Role Activities	-	-	68,806	-	68,806	-	53,565	15,241	(10,006)
Care and repair of property	-	-	51,165	-	51,165	-	64,362	(13,197)	(17,557)
Factoring	-	-	-	-	-	-	-	-	-
Development and construction of property activities	-	-	-	-	-	-	-	-	(98,291)
Support activities	-	-	-	-	-	-	-	-	-
Care activities	-	-	-	-	-	-	-	-	-
Agency/manage ment services for RSLs	-	-	-	-	-	-	-	-	-
Other agency/manage ment services	-	-	-	-	-	-	-	-	41,551
Developments for sale to RSLs	-	-	-	-	-	-	-	-	-
Developments and improvements for sale to non RSLs	-	-	18,946	-	18,946	-	67,616	(48,670)	10,084
Shared equity sales	489,843	-	54,466	295,540	839,849	-	839,849	-	-
Other activities	-	-	-	3,105	3,105	-	-	3,105	4,893
Total from other activities	489,843	-	193,383	298,645	981,871	-	1,025,392	(43,521)	(69,326)
Total from other activities for the previous period of account	-	-	<u>94,249</u>	<u>159,016</u>	<u>258,158</u>	-	<u>327,484</u>		

PENTLAND HOUSING ASSOCIATION LIMITED

REPORT AND FINANCIAL STATEMENTS

for the year ended 31 March 2010

NOTES TO THE FINANCIAL STATEMENTS (continued)

5. **Officers Emoluments**

As per the Registered Social Landlord Accounting Requirements (Scotland) Order 2007 details are required of Officers Emoluments exceeding £60,000 per annum (excluding pension contributions). During the year there were no officers who received emoluments exceeding £60,000 per annum.

	2010 £	2009 £
Emoluments payable to highest paid Officer (excluding pension contributions)	59,294 =====	55,872 =====
Pension Contributions to highest paid Officer	8,664 =====	8,176 =====
The number of Officers, including the highest paid Officer, who received emoluments (excluding pension contributions) in the following ranges were:-		
£60,001 to £70,000	-	-
£71,001 to £80,000	-	-
£80,001 to £90,000	-	-

The Officers are ordinary members of the Association's pension scheme described in note 22. No enhanced or special terms apply to membership and they have no other pension arrangements to which the Association contributes.

Included above are emoluments for the highest paid Officer of £4,902 (2008/09 - £2,864) that were recharged to wholly owned subsidiary Pentland Community Enterprises Limited.

No emoluments were paid to any member of the Board during the year.

Expenses paid to Committee Members in the year totalled	799 =====	570 =====
---------------------------------------------------------	--------------	--------------

PENTLAND HOUSING ASSOCIATION LIMITED

REPORT AND FINANCIAL STATEMENTS

for the year ended 31 March 2010

NOTES TO THE FINANCIAL STATEMENTS (continued)

6. **Employee Information**

The average number of persons per month employed during the year was:

	2010 No.	2009 No.
Office staff	12	14
	=====	=====
	2010 £	2009 £
Staff costs (including Chief Executive emoluments):-		
Wages and salaries	397,263	419,738
Agency Costs (Temporary Staff)	14,099	-
Social security cost	28,905	30,762
Pension costs (Note 22)	56,984	57,612
SMP recovered	(5,055)	(6,165)
	-----	-----
	492,197	501,947
	=====	=====

Included above are emoluments of £15,210 (2009/10- £16,293) that were recharged to wholly owned subsidiary Pentland Community Enterprises Limited.

7. **Profit / (Loss) on Disposal of Fixed Assets**

	2010 £	2009 £
Gross proceeds from the disposal of fixed assets	36,316	670,000
Cost of sales of fixed assets	(36,316)	(356,798)
Depreciation on disposal of fixed assets	-	44,748
	-----	-----
Gain / (Loss) on disposal of fixed assets	-	357,950
	=====	=====

8. **Interest Receivable**

	2010 £	2009 £
Bank Interest receivable	4,232	12,113
Interest receivable from subsidiary	38,024	8,000
	-----	-----
	42,256	20,113
	=====	=====

PENTLAND HOUSING ASSOCIATION LIMITED

REPORT AND FINANCIAL STATEMENTS

for the year ended 31 March 2010

NOTES TO THE FINANCIAL STATEMENTS (continued)

9. **Interest Payable**

	2010	2009
	£	£
On loans and overdrafts	98,798	273,691
	=====	=====

10. **Operating Surplus**

Operating Surplus is stated after charging:-	2010	2009
	£	£
Depreciation		
- non-housing properties	22,532	24,346
- housing properties	101,747	93,513
External Auditors remuneration		
- in their capacity as auditors	13,654	7,200
External Auditors remuneration		
- in their capacity as non-auditors	6,080	-
	=====	=====

11. **Taxation**

The Association has been recognised by the HM Revenue and Customs as a charity for taxation purposes. Provided its income is derived from and applied to charitable purposes, no taxation liability arises.

PENTLAND HOUSING ASSOCIATION LIMITED

REPORT AND FINANCIAL STATEMENTS

for the year ended 31 March 2010

NOTES TO THE FINANCIAL STATEMENTS (continued)

12a. Tangible Fixed Assets - Housing Properties

	Housing held for Letting £	Housing Properties in the Course of Construction £	Other Properties £	Total £
Cost				
At 1 April 2009	15,631,908	3,430,553	-	19,062,461
Additions	65,235	388,852	-	454,087
Transfers - completed	2,523,310	(2,523,310)	-	-
Disposals	(79,289)	-	-	(79,289)
At 31 March 2010	18,141,164	1,296,095	-	19,437,259
Depreciation				
As at 1 April 2009	782,058	-	-	782,058
Adjustment for disposals	-	-	-	-
Charge for the year	101,747	-	-	101,747
At 31 March 2010	883,805	-	-	883,805
Cost less depreciation	17,257,359	1,296,095	-	18,553,454
Housing Association Grant				
As at 1 April 2009	8,424,149	2,722,362	-	11,146,510
Additions	46,106	253,041	-	299,147
Transfers - completed	1,902,407	(1,902,407)	-	-
Transfers - other	-	80,144	-	80,144
Disposals	-	(85,694)	-	(85,694)
At 31 March 2010	10,372,662	1,067,446	-	11,440,108
Other Grants				
As at 1 April 2009	918,774	128,716	-	1,047,490
Transfers - completed	61,525	(61,525)	-	-
Transfers - other	-	(67,191)	-	(67,191)
Disposals	(42,973)	-	-	(42,973)
At 31 March 2010	937,326	-	-	937,326
Total Grants	11,309,988	1,067,446	-	12,377,434
Net Book Values				
As at 31 March 2010	5,947,371	228,649	-	6,176,020
As at 31 March 2009	5,506,927	579,476	-	6,086,403

Development administration costs capitalised amounts to £Nil (2009 - £Nil). During the year the Association spent a total of £204,684 on existing properties charged to the Income and Expenditure Account. Included in Housing Grant disposals above is the repayment of grant monies of £85,694 to the Scottish Ministers following the completed development reconciliation. The transfers detailed as other above relate to shared equity adjustments required following scheme reconciliations approved by the Scottish Ministers. Housing Held for Letting includes one shared ownership property.

PENTLAND HOUSING ASSOCIATION LIMITED

REPORT AND FINANCIAL STATEMENTS

for the year ended 31 March 2010

NOTES TO THE FINANCIAL STATEMENTS (continued)

12b. Other Fixed Assets

	Office Premises £	Equipment £	Motor Vehicles £	Total £
Cost				
At 1 April 2009	151,833	72,919	41,056	265,808
Additions	3,175	11,591	15,456	30,223
Disposals	-	(54,085)	-	(54,085)
As at 31 March 2010	155,008	30,425	56,512	241,946
Depreciation				
At 1 April 2009				
Charge for the year	72,326	65,473	20,944	158,742
Disposals	10,302	6,350	5,880	22,532
Impairment charge for year	-	(54,085)	-	(54,085)
As at 31 March 2010	82,628	17,738	26,824	127,190
Net Book Value				
As at 31 March 2010	72,380	12,687	29,688	114,756
As at 31 March 2009	79,507	7,446	20,112	107,066

13a. Fixed Asset Investments

	2010 £	2009 £
Cost		
As at 1 April 2009	559,925	559,925
Additions during the year	-	-
As at 31 March 2010	559,925	559,925
Grant		
As at 1 April 2009	(559,925)	(559,925)
Additions during the year	-	-
As at 31 March 2010	(559,925)	(559,925)
Net Book Value	-	-

PENTLAND HOUSING ASSOCIATION LIMITED

REPORT AND FINANCIAL STATEMENTS

for the year ended 31 March 2010

NOTES TO THE FINANCIAL STATEMENTS (continued)

13b. Other Fixed Asset Investments

	2010	2009
	£	£
Investment in subsidiary undertaking (see below)	1	1

The Association holds 1 Ordinary Share in Pentland Community Enterprises Limited. This represents 100% of the issued share capital of Pentland Community Enterprises Limited. The share was subscribed at par. Pentland Community Enterprises is a company registered in Scotland and is company that provides rent of garages.

The aggregate amount of capital and reserves and the results for the undertaking for the last relevant financial year were as follows:

	2010	2009
	£	£
Capital and reserves	1,190	1,720
Profit for the year	2,911	1,721

14. Debtors

	2010	2009
	£	£
Rents receivable	55,897	42,365
Provision for bad debts - Rents	(15,636)	(9,635)
Prepayments	10,028	14,128
Other debtors	259,823	6,989
Amounts due from subsidiary	735,843	721,209
	1045,955	775,056

Included within Amounts due from subsidiary is a legal loan of £670,000 which is due after more than one year.

15. Stock & Work In Progress

	2010	2009
	£	£
Shared Equity	235,697	1,044,728
Property for Sale	-	-
	235,697	1,044,728

PENTLAND HOUSING ASSOCIATION LIMITED

REPORT AND FINANCIAL STATEMENTS

for the year ended 31 March 2010

NOTES TO THE FINANCIAL STATEMENTS (continued)

16. Creditors

	2010 £	2009 £
Amounts falling due within one year:		
Trade creditors	15,340	120,406
Shared equity	124,843	571,452
Other taxation and social security	16,828	18,085
Other creditors	339,781	127,785
Accruals and deferred income	41,617	22,185
Housing loans (see note 17)	149,141	94,082
Hire purchase liability	4,240	5,483
	-----	-----
	691,790	959,478
	=====	=====

17. Creditors

	2010	2009
Amounts falling due after more than one year:		
Housing loans	4,973,016	5,065,784
Other Loans	65,000	-
Hire purchase liability	10,253	13,251
	-----	-----
	5,048,269	5,079,035
	=====	=====

Other Loans are secured by standard security over land acquired. The land bank loan is for a five year term with no rate of interest applied.

Housing Loans are secured by specific charges on the Association's properties and are repayable at varying rates of interest in instalments due as follows:-

Loan Repayment	2010 £	2009 £
Due within one year	149,141	94,081
Between one and two years	124,919	91,527
Between two and five years	382,320	302,167
In five years or more	4,465,779	4,672,090
	-----	-----
	5,122,159	5,159,865
	=====	=====

PENTLAND HOUSING ASSOCIATION LIMITED

REPORT AND FINANCIAL STATEMENTS

for the year ended 31 March 2010

NOTES TO THE FINANCIAL STATEMENTS (continued)

18. Share Capital

	2010 No.	2009 No.
At 1 April 2009	264	273
Issued during the year	5	10
Cancelled during the year	(19)	(19)
	-----	-----
At 31 March 2010	250	264
	=====	=====

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

19. Designated Reserves

	At 1 April 2009 £	Transfer to/(from) Revenue Reserve £	At 31 March 2010 £
Major Replacement Programme	2,267,185	-	2,267,185
	=====	=====	=====

20. Capital Commitments

	2010 £	2009 £
Capital expenditure that has been approved for but has not been provided for in the financial statements	701,416	839,000
	=====	=====

The amount contracted for at 31 March 2010 will be funded by the proposed financing:

	2010 £	2009 £
HAG	198,025	839,000
Agreed overdraft	-	-
Agreed private loans	109,269	-
Own resources - Sales	140,000	-
Other grants	254,122	-
	-----	-----
	701,416	839,000
	=====	=====

NOTES TO THE FINANCIAL STATEMENTS (continued)

21. Related Parties

Two Board members are tenants of the Association. All arrangements are made using an arm's length basis and in accordance with the Association rules.

Board members R Bell and D.Warren are Directors of Pentland Community Enterprises Limited, a wholly owned subsidiary of the Association. Chief Executive D Brookfield is the company secretary.

During the year the Association incurred wages, insurance, rent and overhead costs of £27,819 (2009 - £39,813) which were recharged to Pentland Community Enterprises Limited. The Association also charged interest of £38,024 (2009 - £8,000) to Pentland Community Enterprises Limited in relation to £670,000 (2009 - £721,209) outstanding from Pentland Community Enterprises Limited at 31 March 2010.

During the year £670,000 of the outstanding balance detailed above was formalised in to a legal commercial loan. The term of which is 25 years with a commercial rate of interest applied of Bank of England Base rate plus 5%. The respective Boards have agreed that discretion will be made in the early years of the loan with regards to the amount capital repayments. Interest will be charged regardless. In addition as part of the loan arrangement Pentland Community Enterprises Limited have provided standard security to the Association on its garage stock.

22 Pensions

22.1 Pentland Housing Association participates in the SFHA Pension Scheme.

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

22.3 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.

22.4 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.

22.5 Pentland Housing Association has elected to operate the final salary with a 1/60th accrual rate for active members at 1 April 2010 and final salary 1/60th accrual rate benefit structure for new entrants from 1 April 2010.

22.6 During the accounting period Pentland Housing Association paid contributions at the rate of 15.4% salaries. Member contributions were 7.7%.

22.7 As at the balance sheet date there were 16 active members of the Scheme employed by Pentland Housing Association. Pentland Housing Association continues to offer membership of the Scheme to its employees.

REPORT AND FINANCIAL STATEMENTS

for the year ended 31 March 2010

- 22.8 It is not possible in the normal course of events to identify the share of underlying assets and liabilities belonging to individual participating employer as the Scheme is a multi-employer scheme arrangement where the scheme assets are co-mingled for investment purposes, benefits are paid from the total scheme assets, and the contribution rate for all employers is set by reference to the overall financial position of the scheme rather than by reference to individual employer experience. Accordingly, due to the nature of the Scheme, the accounting charge for the period under FRS17 represents the employer contribution payable.
- 22.9 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.
- 22.10 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%.
- 22.11 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%.
- 22.12 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.
- 22.13 The key valuation assumptions used to determine the assets and liabilities of the SFHA Scheme are:

2006 Valuation Assumptions	% pa
Investment return pre retirement	7.2
Investment return post retirement	4.9
Rate of salary increases	4.6
Rate of pension increases	
pension accrued pre 6 April 2005	2.6
pension accrued from 6 April 2005 (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 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

PENTLAND HOUSING ASSOCIATION LIMITED

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for the year ended 31 March 2010

- 22.14 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.
- 22.15 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.
- 22.16 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.

23. Legislative Provisions

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

24. Reconciliation of movement in accumulated surplus

	2010	2009
	£	£
Revenue reserve b/fwd	31,883	3,919
Surplus / (deficit) for the year	400,648	449,964
Transfer (to) / from designated reserves	-	(422,000)
	-----	-----
Revenue reserve c/fwd	432,531	31,883
	=====	=====

25. Housing Stock

The number of units of accommodation in management at the year end was:-

	2010	2009
	No.	No.
General needs	466	465
Shared ownership	1	1
Managed for HSCHT	2	2
	-----	-----
	469	468
	=====	=====

PENTLAND HOUSING ASSOCIATION LIMITED

REPORT AND FINANCIAL STATEMENTS

for the year ended 31 March 2010

NOTES TO THE FINANCIAL STATEMENTS (continued)

26. **Financial Commitments**

The Association has annual commitments under non-cancellable operating leases as follows:

Office Equipment

	2010	2009
	£	£
<u>Expiry Date</u>		
Within 1 year	-	-
Between 2-5 years	15,848	8,692
Over 5 years	-	-
	=====	=====

Land and Buildings

	2010	2009
	£	£
<u>Expiry Date</u>		
Within 1 year	-	-
Between 2-5 years	20,000	20,000
Over 5 years	-	-
	=====	=====

Lease Vehicle

	2010	2009
	£	£
<u>Expiry Date</u>		
Within 1 year	-	-
Between 2-5 years	3,764	-
Over 5 years	-	-
	=====	=====

PENTLAND HOUSING ASSOCIATION LIMITED

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for the year ended 31 March 2010

	2010 £	2009 £
27. Gross cash flows		
Returns on investments and servicing of finance:		
Interest received	42,256	20,113
Interest paid	(98,798)	(273,691)
	<u>(56,542)</u>	<u>(253,578)</u>
Capital investment and financial investment:		
Payments to acquire tangible fixed assets	(484,903)	(1,315,697)
Receipts from sales of tangible fixed assets	331,856	670,000
Purchase of other fixed assets	(30,223)	(6,831)
Other grants received	-	-
Net capital grants received	324,617	737,264
	<u>141,347</u>	<u>84,736</u>

	2010 £	2009 £
Financing:		
Loans received	179,266	502,323
Loans repaid	(151,974)	(148,543)
Issue of ordinary share capital	5	-
Shares cancelled	(19)	(9)
Car lease	(4,240)	(5,483)
	<u>23,038</u>	<u>348,289</u>

28. Analysis of changes in net debt

	At 1 April 2009 £	Cash Flows £	Other Changes £	At 31 March 2010 £
Cash in bank and in hand	324,582	543,015	-	867,597
Loans and Hire Purchase	(5,178,599)	(23,038)	-	(5,201,637)
Total	<u>(4,854,017)</u>	<u>519,977</u>	<u>-</u>	<u>(4,334,040)</u>

29. Contingent Liability

Pentland Housing Association has been notified by the Pensions Trust of the estimated employer debt on withdrawal from the SFHA Scheme based on the financial position of the Scheme as at 30 September 2009. As of this date the estimated employer debt for Pentland Housing Association was £1,640,874. The Association has no intentions of withdrawing from the scheme and consequently no provision has been made to the financial statements.

