

REIDVALE HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MARCH 2011

Financial Services Authority No. 1825R(S)

Registered Housing Association No. L1535

FRENCH DUNCAN LLP

Chartered Accountants & Registered Auditor

375 West George Street

Glasgow

G2 4LW

REIDVALE HOUSING ASSOCIATION LIMITED

**FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST MARCH 2011**

CONTENTS

	Page
Members, Executives and Advisers	1
Report of the Management Committee	2
Independent Auditors' Reports	6
Income and Expenditure Account	8
Balance Sheet	9
Cash Flow Statement	10
Notes to the Financial Statements	11

REIDVALE HOUSING ASSOCIATION LIMITED

MEMBERS, EXECUTIVES AND ADVISERS

Committee of Management

Mrs Jane Marley	(Chairperson)
Mrs Irene McInnes	(Secretary)
Mrs Mary Dunn	(Past Chairperson)
Mrs Anne McKelvie	(Committee Member)
Mrs Christine Hadden	(Committee Member)
Mr Ernesto Vaz	(Committee Member)
Mrs Linda McGowan	(Committee Member)
Miss Helen Moore	(Committee Member)
Mr Edward Marley	(Committee Member)
Ms D Boyle	(Committee Member)
Ms I McGhee	(Committee Member)
Mr Randle Wilson	(retired June 2010)

Executive Officers

Rob Joiner	(Director)
Linda Scott	(Depute Director)
Gerry Shepherd	(Finance Manager)

Registered Office

13 Whitevale Street
Glasgow
G31 1QW

Auditors

French Duncan LLP
375 West George Street
Glasgow
G2 4LW

Bankers

Lloyds TSB Bank plc
177 Ingram Street
Glasgow
G1 1DL

Solicitors

Biggart Baillie W.S.
Dalmore House
310 St Vincent Street
Glasgow
G2 5QR

REIDVALE HOUSING ASSOCIATION LIMITED**REPORT OF THE MANAGEMENT COMMITTEE
FOR THE YEAR ENDED 31ST MARCH 2011**

The Committee of Management present their report and the audited financial statements for the year ended 31st March 2011.

Legal status

The Association is registered as a non-profit making organisation under the Industrial and Provident Societies Act 1965. No 1825R(S). The Association is constituted under its rule book.

Principal activities

The principal activity of the Association is the provision of social housing.

Review of business and future developments

The Committee is satisfied with the Association's performance during the year. The surplus for the year after taxation was £40,975 (2010 surplus - £154,532). Net transfers to the designated reserves were £33,341 (2010 - £12,618) as the regeneration initiative reserve and the furniture and equipment replacement reserve were increased and the major repairs reserve was reduced. The Association's net assets at 31 March 2011 were £1,854,373 (2010 - £1,813,343).

The Committee is satisfied with the level of designated reserves to meet its longer term major repair work. Future rent setting will continue to take account of both short and longer term commitments.

The Association's major repair works for next year continue to include kitchen installation, central heating systems, stonework and window replacement. Other community regeneration initiatives will continue to occupy a high profile within the organisation's priorities.

The Association continues to try and manage risk when presented with it. Risks inherent in the recent major repairs to 132 Sword Street, for example, were minimised by the use of good project management systems allied to a constant vigilance on costs, etc.

The Association performs well within the post development phase and continues to seek to fund its Major Repair programme from future rental income streams. There are no plans to utilise debt finance over the coming years and we intend to continue to redeem existing 20 year old loans as they become eligible.

Both external and internal performance indicators are being satisfactorily met by the organisation, with periodic measures of performance against targets being carried out at appropriate times of the year.

Long term goals of wider regeneration initiatives have always been and will continue to be one of the Association's main objectives. Most recent examples of this are the newly completed Reidvale Neighbourhood Centre (RNC) and the Community Allotments. These plus the continuous improvement of the housing stock, which continue to meet the Scottish Housing Quality Standard, are the two principal objectives of the Association. Financial support for the RNC took the form of a long term loan, internal financing and the donation of computer hardware.

Meeting the above objectives puts a constant strain on the financial resources of the organisation. Long term costing for future Major Repairs budgets indicates only moderate real rises in rental income to maintain current liquidity levels. Annual Budgets will continue to ensure a very cautious approach to the spending of the Association's hard earned cash.

Changes in fixed assets

Details of fixed assets are set out in Note 10.

REIDVALE HOUSING ASSOCIATION LIMITED**REPORT OF THE MANAGEMENT COMMITTEE
FOR THE YEAR ENDED 31ST MARCH 2011 (CONTINUED)****The Committee of Management and Executive Officers**

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

Statement of Committee's responsibilities

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

Statute requires the Management Committee to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Housing Association and of the surplus or deficit of the Housing Association for that year. In preparing those financial statements, the Management Committee is required to fulfil the following obligations:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Housing Association will continue its business; and
- prepare a statement on Internal Financial Control.

The Management Committee is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Association and to enable them to ensure that the financial statements comply with the Industrial and Provident Societies Acts 1965 to 2002, the Housing Scotland Act 2001 and the Registered Social Landlords Accounting Requirements (Scotland) Order 2007. They are also responsible for safeguarding the assets of the Association and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

In so far as the Management Committee is aware

- there is no relevant audit information of which the Association's auditors are unaware; and
- the Management Committee has taken all steps that it ought to have taken to make its members aware of any relevant audit information and to establish that the Association's auditors are aware of that information.

Related Party Transactions

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

REIDVALE HOUSING ASSOCIATION LIMITED**REPORT OF THE MANAGEMENT COMMITTEE
FOR THE YEAR ENDED 31ST MARCH 2011 (CONTINUED)****Raising Standards Guidance on Internal Financial Control and Financial Reporting**

The Association considers that it has complied with "Raising Standards" guidance on "Internal financial control and financial reporting" contained within "Raising Standards in Housing", published by the Scottish Federation of Housing Associations and endorsed by the Scottish Housing Regulator.

Internal Financial Control

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

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

- the formulation of policies and approval procedures in areas such as compliance, investment and treasury operations and capital expenditure;
- a comprehensive system of budgeting, planning and financial reporting;
- formal business risk reviews by management which consider the potential effects of risk and identify potential new risk;
- internal audit reviews of the controls and processes from which formal reports are prepared; and
- an audit committee which considers significant control issues and receives regular reports from both the internal and external auditors.

The Audit Committee, made up of members of the full Management Committee, remains in place, and the Association achieved its internal audit plan targets for the year.

Reports on work undertaken have been received and considered by the Audit Committee who in turn have reported to the full Management Committee.

Auditors' Review

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

REIDVALE HOUSING ASSOCIATION LIMITED

**REPORT OF THE MANAGEMENT COMMITTEE
FOR THE YEAR ENDED 31ST MARCH 2011 (CONTINUED)**

Auditors

A resolution to reappoint French Duncan LLP as auditors to the Association will be put to the Annual General Meeting.

By order of the committee

Irene McInnes

Irene McInnes

Secretary

27/06/2011

REIDVALE HOUSING ASSOCIATION LIMITED**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS
FOR THE YEAR ENDED 31ST MARCH 2011**

We have audited the financial statements of any housing association for the year ended 31 March 2011 on pages 8 to 28. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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 the Committee and auditor

As explained more fully in the Committee's Responsibilities Statement set out on page 3, the Committee are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/private.cfm.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Association's affairs as at 31 March 2011 and of its income and expenditure for the year then ended; and
- have been prepared in accordance with the requirements of the Industrial and Provident Societies Acts 1965 to 2002, Schedule 7 of the Housing (Scotland) Act 2001 and the Registered Social Landlords Accounting Requirements (Scotland) Order 2007.

Matters arising on which we are required to report by exception

We have nothing to report in respect of the following matters where the Industrial and Provident Societies Acts 1965 to 2002 requires us to report to you if, in our opinion:

- a satisfactory system of control over transactions has not been maintained; or
- the Association has not kept proper accounting records; or
- the financial statements are not in agreement with the books of account of the Association; or
- we have not received all the information and explanations we require for our audit.

French Duncan LLP

French Duncan LLP
Statutory Auditor
375 West George Street
Glasgow
G2 4LW

27 June 2011

REIDVALE HOUSING ASSOCIATION LIMITED

**REPORT OF THE INDEPENDENT AUDITORS
ON CORPORATE GOVERNANCE MATTERS**

In addition to our audit of the Financial Statements, we have reviewed whether your statement on page 4 concerning the Association's compliance with the disclosure required by the Scottish Federation of Housing Associations - "Raising Standards" guidance on "Internal financial control and financial reporting".

Basis of Opinion

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

Opinion

In our opinion the statement on internal financial controls on page 4 has provided the disclosures required by the Scottish Federation of Housing Associations "Raising Standards" guidance on "Internal financial control and financial reporting", and is consistent with the information which came to our attention as a result of our audit work on the financial statements.

French Duncan LLP

FRENCH DUNCAN LLP
Chartered Accountants
Registered Auditor

375 West George Street
Glasgow
G2 4LW

27 June 2011

REIDVALE HOUSING ASSOCIATION LIMITED

**INCOME AND EXPENDITURE ACCOUNT
FOR THE YEAR ENDED 31ST MARCH 2011**

	Notes	2011 £	2010 £
TURNOVER	2	2,568,778	2,553,932
Operating Costs	2	(2,429,259)	(2,315,825)
		<u>139,519</u>	<u>238,107</u>
Gain on sale of housing accommodation		1,040	5,351
OPERATING SURPLUS	7	<u>140,559</u>	<u>243,458</u>
Interest receivable and other income		797	1,302
Interest payable	8	(53,578)	(60,555)
TOTAL SURPLUS FOR YEAR BEFORE TAXATION		87,778	184,205
Tax on surplus on ordinary activities	9	(46,803)	(29,673)
SURPLUS FOR YEAR		<u>40,975</u>	<u>154,532</u>

The results for the year relate wholly to continuing activities.

The Association has no recognised gains and losses other than those dealt with in the Income and Expenditure Account.

The notes on pages 10 to 28 form part of these Financial Statements.

REIDVALE HOUSING ASSOCIATION LIMITED

BALANCE SHEET AS AT 31ST MARCH 2011

	Notes	2011 £	2010 £
TANGIBLE FIXED ASSETS			
Housing properties – Gross cost less depreciation Less Social Housing Grant	10	30,796,890 (29,408,325)	30,887,307 (29,439,370)
Other fixed assets	10	1,388,565 660,512	1,447,937 733,383
		<u>2,049,077</u>	<u>2,181,320</u>
CURRENT ASSETS			
Debtors	11	221,511	194,487
Cash at bank and in hand		751,357	809,175
		<u>972,868</u>	<u>1,003,662</u>
CURRENT LIABILITIES			
Creditors: Amounts falling due within one year	12	(453,740)	(581,476)
NET CURRENT ASSETS			
		<u>519,128</u>	<u>422,186</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			
		<u>2,568,205</u>	<u>2,603,506</u>
Creditors: Amounts falling due after one year	13	(713,832)	(790,163)
		<u>1,854,373</u>	<u>1,813,343</u>
CAPITAL AND RESERVES			
Called up share capital	14	1,170	1,115
Designated reserves	15	1,570,213	1,536,872
Revenue reserves	16	282,990	275,356
		<u>1,854,373</u>	<u>1,813,343</u>

The Financial Statements were approved by the Management Committee on 27/06/2011 and signed on its behalf by:-

Jane Marley - Chairperson *Jane Marley*
Irene McInnes - Secretary *Irene McInnes*
Anne McKelvie - Committee Member *A McKelvie*

The notes on pages 10 to 28 form part of these Financial Statements.

REIDVALE HOUSING ASSOCIATION LIMITED

**STATEMENT OF CASH FLOW
FOR THE YEAR TO 31ST MARCH 2011**

	Notes	2011 £	2010 £
NET CASH INFLOW FROM OPERATING ACTIVITIES	17	121,170	396,551
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			
Interest received		797	1,302
Interest paid		(53,578)	(60,555)
		<u>(52,781)</u>	<u>(59,253)</u>
NET CASH INFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE		68,309	337,298
TAXATION			
Tax paid		(28,803)	-
CAPITAL EXPENDITURE			
Cash paid for development, construction and purchase of housing		(12,321)	(8,726)
Social Housing Grant received and abated		(48,968)	(57,906)
Proceeds on disposal of housing properties		53,700	63,197
		<u>7,589</u>	<u>(3,435)</u>
NET CASH INFLOW BEFORE USE OF LIQUID RESOURCES AND FINANCING		31,997	333,863
MANAGEMENT OF LIQUID RESOURCES			
Cash movements in term deposits		121,552	(78,016)
FINANCING			
Movement on loans		(89,870)	(74,532)
Shares issued		55	25
		<u>(89,815)</u>	<u>74,507</u>
INCREASE IN CASH	18	63,734	181,340

The notes on pages 10 to 28 form part of these Financial Statements.

REIDVALE HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS AS AT 31ST MARCH 2011

1. ACCOUNTING POLICIES

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

The financial statements have been prepared in accordance with applicable Accounting Standards, the Statement of Recommended Practice 2008 and comply with the Registered Social Landlords Accounting Requirements (Scotland) Order 2007. The principal accounting policies are set out below.

a) Basis of accounting

The financial statements are prepared on the historical cost basis.

b) Turnover

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

c) Social Housing Grant (SHG)

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

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

d) Tangible Fixed Assets - Housing Properties

Housing properties are stated at cost less Social Housing Grant and other grants.

e) Depreciation

Depreciation is charged on a straight line basis over the expected economic useful lives of the properties at an annual rate of 2%.

Depreciation on office refurbishment, fixtures and fittings and equipment has been charged at rates estimated to write off the cost less residual value over their estimated useful lives as follows:

Office fixtures, fittings & equipment	-	20% straight line and 15% reducing balance
Office accommodation	-	over 15 years

f) Capitalisation of Interest

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

REIDVALE HOUSING ASSOCIATION LIMITED**NOTES TO THE FINANCIAL STATEMENTS
AS AT 31ST MARCH 2011 (CONTINUED)****1. ACCOUNTING POLICIES (Continued)****g) Development Administration**

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

h) Cyclical and Major Repairs

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

i) Designated Reserves

The Association maintains its housing properties in a state of repair which at least maintains their residual value in prices prevailing at the time of acquisition and construction. Provision is made for such future repair expenditure and the actual costs of repairs is charged to these reserves.

j) Sales of Housing Properties

Surpluses and deficits on the sale of housing properties are accounted for in the Income and Expenditure Account in the year of disposal. The surplus or deficit is shown on the face of the Income and Expenditure Account.

k) Pensions

The Association participates in the centralised Scottish Housing Associations' Pension Scheme and retirement benefits to employees of the Association are funded by the contributions from all participating employers and employees in the scheme. Payments are made to the independently administered Pensions Trust in accordance with periodic calculations by consulting actuaries and are based on pension costs applicable across the various participating Associations taken as a whole. The expected cost to the Association of pensions is charged to income so as to spread the cost of pensions over the service lives of the employees in the scheme taken as a whole. Any deficiencies arising will be spread over this period.

REIDVALE HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST MARCH 2011 (CONTINUED)

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

	Note	Turnover	Operating Costs	2011 Operating Surplus/ (Deficit)	2010 Operating Surplus/ (Deficit)
		£	£	£	£
Social letting	3	<u>2,444,427</u>	<u>(2,321,267)</u>	<u>123,160</u>	<u>217,884</u>
Other Activities	4	<u>124,351</u>	<u>(107,992)</u>	<u>16,359</u>	<u>20,223</u>
Total		<u>2,568,778</u>	<u>(2,429,259)</u>	<u>139,519</u>	<u>238,107</u>
Total for previous period of account		<u>2,553,932</u>	<u>(2,315,825)</u>	<u>238,107</u>	

REIDVALE HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST MARCH 2011 (CONTINUED)3. PARTICULARS OF TURNOVER, OPERATING COSTS AND OPERATING SURPLUS OR (DEFICIT)
FROM SOCIAL LETTING ACTIVITIES

	General Needs Housing	Supported Housing Accommodation	Shared Ownership Housing	2011 £	2010 £
Rent receivable net of service charges	2,224,021	98,789	-	2,322,810	2,243,187
Service charges	<u>7,645</u>	<u>70,935</u>	<u>-</u>	<u>78,580</u>	<u>84,807</u>
Gross income from rents and service charges	2,231,666	169,724	-	2,401,390	2,327,994
Less voids	<u>(21,805)</u>	<u>(418)</u>	<u>-</u>	<u>(22,223)</u>	<u>(34,917)</u>
Net income from rents and service charges	2,209,861	169,306	-	2,379,167	2,293,077
Other revenue grants	<u>65,260</u>	<u>-</u>	<u>-</u>	<u>65,260</u>	<u>132,298</u>
Total turnover from social letting activities	<u>2,275,121</u>	<u>169,306</u>	<u>-</u>	<u>2,444,427</u>	<u>2,425,375</u>
Management and maintenance administration costs	1,015,742	74,405	-	1,090,147	1,044,529
Service costs	6,647	65,675	-	72,322	72,440
Planned and cyclical maintenance including major repairs costs	643,093	13,913	-	657,006	641,564
Reactive maintenance costs	434,755	11,527	-	446,282	409,605
Bad debts – rents and service charges	15,564	593	-	16,157	-
Depreciation of social housing	<u>39,353</u>	<u>-</u>	<u>-</u>	<u>39,353</u>	<u>39,353</u>
Operating costs for social letting activities	<u>2,155,154</u>	<u>166,113</u>	<u>-</u>	<u>2,321,267</u>	<u>2,207,491</u>
Operating surplus	<u>119,968</u>	<u>3,192</u>	<u>-</u>	<u>123,160</u>	<u>217,884</u>
Operating surplus for social lettings for previous year	<u>242,970</u>	<u>(25,086)</u>	<u>-</u>	<u>217,884</u>	

REIDVALE HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST MARCH 2011 (CONTINUED)4. PARTICULARS OF TURNOVER, OPERATING COSTS AND OPERATING SURPLUS OR (DEFICIT)
FROM OTHER ACTIVITIES

	Grants from Scottish Ministers	Other revenue grants	Supporting people income	Other income	Total Turnover	Operating costs – bad debts	Other operating costs	Operating surplus	Operating surplus or deficit for previous period of account
	£	£	£	£	£	£	£	£	£
Wider role activities undertaken to support the community, other than the provision, construction, improvement and management of housing	-	-	-	-	-	-	-	-	-
Care and repair of property	-	-	-	-	-	-	-	-	-
Factoring	-	-	-	20,609	20,609	-	(8,566)	12,043	20,856
Development and construction of property activities	-	-	-	-	-	-	-	-	-
Support activities	-	-	-	-	-	-	-	-	-
Care activities	-	-	-	-	-	-	-	-	-
Agency/management services for registered social landlords	-	-	-	70,966	70,966	-	(72,685)	(1,719)	(7,031)
Other agency/management services	-	-	-	-	-	-	-	-	-
Developments for sale to registered social landlords	-	-	-	-	-	-	-	-	-
Developments and improvement for sale to non registered social landlords	-	-	-	-	-	-	-	-	-
Other activities :									
Commercial Rent	-	-	-	30,680	30,860	-	(11,798)	19,062	17,060
Sale of Property Allowance	-	-	-	1,916	1,916	-	(14,943)	(13,027)	(10,662)
Total from other activities	-	-	-	124,351	124,351	-	(107,992)	16,359	20,223
Total from other activities for the previous period of account	-	-	-	128,557	128,557	-	(108,334)	20,223	

REIDVALE HOUSING ASSOCIATION LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
AS AT 31ST MARCH 2011 (CONTINUED)**

5. DIRECTORS' EMOLUMENTS

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

	2011 £	2010 £
Total executive staff member and directors emoluments (including pension contributions and benefits in kind)	<u>158,446</u>	<u>152,685</u>
Emoluments of highest paid director (excluding pension contributions)	<u>57,149</u>	<u>54,475</u>
	Number	Number
Greater than £60,000	<u>2</u>	<u>2</u>

The highest paid director is an ordinary member of the Association's pension scheme described in note 23. No enhanced or special terms apply to memberships and there are no other pension arrangements to which the Association contribute. The Association's contributions for the director in the year amounted to £8,505 (2010 - £8,244).

Total expenses re-imbursed insofar as not chargeable to income tax

	£	£
Management Committee	<u>348</u>	<u>828</u>

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

6. EMPLOYEES

The average full time equivalent weekly number of persons employed during the year was:

	Number	Number
	<u>18</u>	<u>18</u>

Staff Costs:

	£	£
Wages and Salaries	625,285	615,770
Social Security	52,357	49,289
Pension Contributions	78,565	76,204
	<u>756,207</u>	<u>741,263</u>

REIDVALE HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS
AS AT 31ST MARCH 2011 (CONTINUED)

7. OPERATING SURPLUS

	2011 £	2010 £
Operating surplus is stated after charging:-		
Depreciation	112,224	112,325
Auditors' Remuneration - Audit Services	<u>6,500</u>	<u>6,500</u>

8. INTEREST PAYABLE

On other loans	<u>53,578</u>	<u>60,555</u>
----------------	---------------	---------------

9. TAXATION

Corporation Tax at 21% (2010 - 21%)	40,000	22,000
Under provision in respect of prior years	<u>6,803</u>	<u>7,673</u>
	<u>46,803</u>	<u>29,673</u>

REIDVALE HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS
AS AT 31ST MARCH 2011 (CONTINUED)

10. TANGIBLE FIXED ASSETS

	Housing properties held for letting £	Housing properties in course of construction £
Cost		
At 1st April 2010	31,209,931	-
Additions	12,321	-
Disposals	(64,427)	-
At 31st March 2011	31,157,825	-
Social Housing Grant		
At 1st April 2010	29,439,370	-
Additions	28,648	-
Disposals	(59,693)	-
At 31st March 2011	29,408,325	-
Depreciation		
At 1st April 2010	322,624	-
Provided during year	39,353	-
Disposals	(1,041)	-
At 31st March 2011	360,935	-
Net Book Value		
At 31st March 2011	1,388,565	-
At 31st March 2010	1,447,937	-

REIDVALE HOUSING ASSOCIATION LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
AS AT 31ST MARCH 2011 (CONTINUED)**

10. TANGIBLE FIXED ASSETS

	Office premises £	Land £	Commercial premises £	Fittings and equipment £	Total £
Cost					
At 1st April 2010 and 31st March 2011	1,147,358	5,288	211,256	242,811	1,606,716
Depreciation					
At 1st April 2010	442,054	-	211,256	220,023	873,333
Charge for year	69,374	-	-	3,497	72,871
At 31st March 2011	511,428	-	211,256	223,520	946,204
Net Book Values					
At 31st March 2011	635,930	5,288	-	19,294	660,512
At 31st March 2010	705,304	5,288	-	22,791	733,383

REIDVALE HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS
AS AT 31ST MARCH 2011 (CONTINUED)

11. DEBTORS

	2011 £	2010 £
Amounts falling due within one year:		
Arrears of rent and service charges	179,360	162,530
Less: provision for doubtful debts	(37,879)	(38,578)
	<u>141,481</u>	<u>123,952</u>
Prepayments and accrued income	57,826	41,756
Other debtors	22,204	28,779
	<u>221,511</u>	<u>194,487</u>

Of the total rent arrears £3,223 (2010 - £1,376) were technical arrears.

12. CREDITORS DUE WITHIN ONE YEAR

Mortgages	23,880	29,004
Housing loans	37,111	45,526
Trade creditors	132,491	179,574
Rent in advance	15,858	20,561
Corporation Tax	40,000	22,000
Other taxes and social security	19,829	-
Other creditors	28,310	55,514
Accruals and deferred income	156,261	229,297
	<u>453,740</u>	<u>581,476</u>

13. CREDITORS - AMOUNTS FALLING DUE
AFTER ONE YEAR

Mortgages		
Due between one and two years	23,880	29,004
Due between two and five years	71,639	87,012
Due after five years	200,082	198,340
Housing loans		
Due between one and two years	37,111	45,526
Due between two and five years	63,484	85,743
Due after five years	317,636	344,538
	<u>713,832</u>	<u>790,163</u>

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

REIDVALE HOUSING ASSOCIATION LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
AS AT 31ST MARCH 2011 (CONTINUED)**

14. SHARE CAPITAL

	2011 £	2010 £
Shares of £1 each fully paid and issued		
Allotted, issued and fully paid at 1st April 2010	413	417
Issued during the year	55	25
Forfeited during the year	(26)	(29)
At 31st March 2011	<u>442</u>	<u>413</u>

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

Under the Association's Rules, share capital is non refundable if a person ceases to be a member.
At 31st March, shares issued were split as follows:

	No.	No.
Active members	442	413
Ceased members	728	702
	<u>1,170</u>	<u>1,115</u>

15. DESIGNATED RESERVES

	Furniture and Equipment Replacement £	Capital Expenditure £	Cyclical Maintenance Reserve £	Major Repairs Reserve £	Regeneration Initiative Reserve £	Total £
Balance at 1st April 2010	70,000	701,581	-	535,291	230,000	1,536,872
Transfer in	13,295	-	-	336,000	166,566	515,861
Transfer out	1,093	-	-	344,009	137,418	482,520
Balance at 31st March 2011	<u>82,202</u>	<u>701,581</u>	-	<u>527,282</u>	<u>259,148</u>	<u>1,570,213</u>

16. RECONCILIATION OF MOVEMENT IN ACCUMULATED SURPLUS

Revenue reserves brought forward at 1st April 2010	275,356	108,206
Surplus for the year	40,975	154,532
Transfer from designated reserves	(33,341)	12,618
Revenue reserves carried forward at 31st March 2011	<u>282,990</u>	<u>275,356</u>

REIDVALE HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS
AS AT 31ST MARCH 2011 (CONTINUED)17. RECONCILIATION OF OPERATING SURPLUS
TO NET CASH INFLOW FROM
OPERATING ACTIVITIES

	2011 £	2010 £
OPERATING SURPLUS FOR THE YEAR	140,559	243,458
Depreciation and amortisation	112,224	112,325
Gain on sale of housing accommodation	(1,040)	(5,351)
(Increase)/decrease in debtors	(27,024)	22,888
(Decrease)/increase in creditors	<u>(103,549)</u>	<u>23,231</u>
NET CASH INFLOW FROM OPERATING ACTIVITIES	<u>121,170</u>	<u>396,551</u>

18. RECONCILIATION OF NET CASHFLOW
TO MOVEMENT IN NET DEBT

Increase in cash in year	63,734	181,340
Cash inflow from financing	89,870	74,532
Cash movement in liquid resources	<u>(121,552)</u>	<u>78,016</u>
Change in net debt	32,052	333,888
Net debt at 1st April 2010	<u>(55,518)</u>	<u>(389,406)</u>
Net debt at 31st March 2011	<u>(23,466)</u>	<u>(55,518)</u>

19. ANALYSIS OF CHANGES IN NET DEBT

	As at 1st April 2010 £	Cash Flows £	Other Changes £	As at 31st March 2011 £
Debt due within 1 year	(74,530)	74,530	(60,991)	(60,991)
Debt due after 1 year	(790,163)	15,340	60,991	(713,832)
Cash at bank and in hand	336,869	63,734	-	400,603
Term deposits	472,306	(121,552)	-	350,754
	<u>(55,518)</u>	<u>32,052</u>	<u>-</u>	<u>(23,466)</u>

20. HOUSING STOCK

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

	2011 No	2010 No
General needs - new build	131	131
- rehabilitation	738	740
Supported housing	<u>44</u>	<u>44</u>
	<u>913</u>	<u>915</u>

**NOTES TO THE FINANCIAL STATEMENTS
AS AT 31ST MARCH 2011 (CONTINUED)**

21. CAPITAL COMMITMENTS

	£	£
Expenditure contracted less paid and certified	-	-
Expenditure authorised but not contracted by Committee of Management	-	-
	<u>-</u>	<u>-</u>
	<u>-</u>	<u>-</u>

22. PENSION OBLIGATIONS

Reidvale Housing Association Limited (the “Association”) participates in the Scottish Housing Associations’ Pension Scheme (the “Scheme”). The Scheme is a multi-employer defined benefit scheme. The Scheme is funded and is contracted out of the state scheme.

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

The Trustee commissions an actuarial valuation of the Scheme every 3 years. The main purpose of the valuation is to determine the financial position of the Scheme in order to determine the level of future contributions required so that the Scheme can meet its pension obligations as they fall due.

The last formal valuation of the Scheme was performed as at 30 September 2009 by a professionally qualified actuary using the “Projected Unit Credit” method. The market value of the Scheme’s assets at the valuation date was £295 million. The valuation revealed a shortfall of assets compared with the value of liabilities of £160 million, equivalent to a past service funding level of 64.8%.

The Scheme Actuary has prepared an Actuarial Report that provides an approximate update on the funding position of the Scheme as at 30 September 2010. Such a report is required by legislation for years in which a full actuarial valuation is not carried out. The funding update revealed an increase in the assets of the Scheme to £335 million and indicated an increase in the shortfall of assets compared to liabilities to approximately £162 million, equivalent to a past service funding level of 67.4%.

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

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

**NOTES TO THE FINANCIAL STATEMENTS
AS AT 31ST MARCH 2011 (CONTINUED)**

22. PENSION OBLIGATIONS (Continued)

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.

The Association has been notified by the Pensions Trust of the estimated employer debt on withdrawal from the Scottish Housing Associations' Pension Scheme based on the financial position of the Scheme as at 30 September 2010. As of this date the estimated employer debt for Reidvale Housing Association Limited was £3,231,488.

The Scheme offers five benefit structures to employers, namely:

- Final salary with a 1/60 accrual rate.
- Career average revalued earnings with a 1/60 accrual rate.
- Career average revalued earnings with a 1/70 accrual rate.
- Career average revalued earnings with a 1/80 accrual rate
- Career average revalued earnings with a 1/120 accrual rate, contracted in.

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

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

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

As at the balance sheet date there were 14 active members of the Scheme employed by the Association. The annual pensionable payroll in respect of these members was £510,163.

The key valuation assumptions used to determine the assets and liabilities of the Scottish Housing Associations' Pension Scheme are:

2009 Valuation Assumptions	% pa
▪ Investment return pre retirement	7.4
▪ Investment return post retirement – non-pensioners	4.6
▪ Investment return – pensioners	4.8
▪ Rate of salary increases	4.5
▪ Rate of pension increases	
pension accrued pre 6 April 2005	2.9
pension accrued from 6 April 2005	2.2
(for leavers before 1 October 1993 pension increases are 5%)	
▪ Rate of price inflation	3.0

**NOTES TO THE FINANCIAL STATEMENTS
AS AT 31ST MARCH 2011 (CONTINUED)**

22. PENSION OBLIGATIONS (Continued)

The valuation was carried out using the PA92C2025 short cohort mortality table for non-pensioners and PA92C2013 short cohort mortality table for pensioners.

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

Mortality Tables:

Non-pensioners and pensioners- SAPS (S1PA) All Pensioners Year of Birth Long Cohort with 1% p.a. minimum improvement.

Contribution Rates for Future Service (payable from 1 April 2011):	%pa
Final Salary 1/60	19.2
Career average revalued earnings 1/60	17.1
Career average revalued earnings 1/70	14.9
Career average revalued earnings 1/80	13.2

Contribution Rates for Future Service (payable from 1 April 2011)	% pa
Career average revalued earnings 1/120	9.4
Additional rate for deficit contributions*	10.4

(*Expressed in nominal pound terms (for each employer) increasing each 1 April in line with the rate of salary increases assumption. Earnings as at 30 September 2009 are used as the reference point for calculating the additional contributions.)

The Association participates in the Pensions Trust's Growth Plan ("the Growth Plan"). The Growth Plan is funded and is not contracted out of the state scheme. The Growth Plan is a multi-employer pension plan.

Contributions paid into the Growth Plan up to and including September 2001 were converted to defined amounts of pension payable from Normal Retirement Date. From October 2001, contributions were invested in personal funds which have a capital guarantee and which are converted to pension on retirement, either within the Growth Plan or by the purchase of an annuity.

The rules of the Growth Plan allow for the declaration of bonuses and/or investment credits if this is within the financial capacity of the Growth Plan assessed on a prudent basis. Bonuses/investment credits are not guaranteed and are declared at the discretion of the Growth Plan's Trustee.

The Trustee commissions an actuarial valuation of the Growth Plan every 3 years. The purpose of the actuarial valuation is to determine the funding position of the Growth Plan by comparing the assets with the past service liabilities as at the valuation date. Asset values are calculated by reference to market levels. Accrued past service liabilities are valued by discounting expected future benefit payments using a discount rate calculated by reference to the expected future investment returns.

The rules of the Growth Plan give the Trustee the power to require employers to pay additional contributions in order to ensure that the statutory funding objective under the Pensions Act 2004 is met. The statutory funding objective is that a pension scheme should have sufficient assets to meet its past service liabilities, known as Technical Provisions.

**NOTES TO THE FINANCIAL STATEMENTS
AS AT 31ST MARCH 2011 (CONTINUED)**

22. PENSION OBLIGATIONS (Continued)

If the actuarial valuation reveals a deficit, the Trustee will agree a recovery plan to eliminate the deficit over a specified period of time either by way of additional contributions from employers, investment returns or a combination of these.

The rules of the Growth Plan state that the proportion of obligatory contributions to be borne by the Member and the Member's Employer shall be determined by agreement between them. Such agreement shall require the Employer to pay part of such contributions and may provide that the Employer shall pay the whole of them.

The Association paid contributions at the rate of 0% during the accounting period. Members paid contributions at the rate of 5-6% during the accounting period.

As at the balance sheet date there were two active members of the Growth Plan employed by the Association. The Association continues to offer membership of the Growth Plan to its employees.

It is not possible in the normal course of events to identify on a reasonable and consistent basis the share of underlying assets and liabilities belonging to individual participating employers. The Growth Plan is a multi-employer scheme where the plan assets are co-mingled for investment purposes and benefits are paid from the total Growth Plan assets. Accordingly, due to the nature of the Growth Plan, the accounting charge for the period under FRS17 represents the employer contribution payable.

The valuation results at 30 September 2008 have now been completed and have been formalised. The valuation of the Growth Plan was performed by a professionally qualified actuary using the Projected Unit Method. The market value of the Growth Plan's assets at the valuation date was £742 million and the Growth Plan's Technical Provisions (ie past service liabilities) were £771 million. The valuation therefore revealed a shortfall of assets compared with the value of liabilities of £29 million, equivalent to a funding level of 96%.

The financial assumptions underlying the valuation as at 30 September 2008 were as follows:

	%pa
▪ Investment return pre-retirement	7.6
▪ Investment return post-retirement	
- Actives/deferreds	5.1
- Pensioners	5.6
▪ Bonuses on accrued benefits	0.0
▪ Rate of price inflation	3.2

In determining the investment return assumptions the Trustee considered advice from the Scheme Actuary relating to the probability of achieving particular levels of investment return. The Trustee has incorporated an element of prudence into the pre and post retirement investment return assumptions such that there is a 60% expectation that the return will be in excess of that assumed and a 40% chance that the return will be lower than that assumed over the next 10 years.

The scheme actuary has prepared a funding position update as at 30 September 2010. The market value of the Growth Plan's assets at that date was £780 million and the Plan's Technical Provisions (i.e. past service liabilities) were £825 million. The valuation therefore revealed a shortfall of assets compared with the value of liabilities of £45 million, equivalent to a funding level of 95%.

If an actuarial valuation reveals a shortfall of assets compared to liabilities the Trustee must prepare a recovery plan setting out the steps to be taken to make up the shortfall.

**NOTES TO THE FINANCIAL STATEMENTS
AS AT 31ST MARCH 2011 (CONTINUED)****22. PENSION OBLIGATIONS (Continued)**

In view of the small funding deficit and the level of prudence implicit in the assumptions used to calculate the Growth Plan liabilities the Trustee has prepared a recovery plan on the basis that no additional contributions from participating employers are required at this point in time. In reaching this decision the Trustee has taken actuarial advice and has been advised that the shortfall of £29 million (as at 30 September 2008) will be cleared within 10 years if the investment returns from assets are in line with the “best estimate” assumptions. “Best estimate” means that there is a 50% expectation that the return will be in excess of that assumed and a 50% expectation that the return will be lower than that assumed over the next 10 years. These “best estimate” assumptions are 8.4% per annum pre retirement, 5.1% per annum post retirement (actives and deferreds) and 5.6% per annum post retirement (pensioners).

The Regulator has the power under Part 3 of the Pensions Act 2004 to issue scheme funding directions where it believes that the actuarial valuation assumptions and/or recovery plan are inappropriate. For example, the Regulator could require that the Trustee strengthens the actuarial assumptions (which would increase the Plan liabilities and hence impact on the recovery plan) or impose a schedule of contributions on the Plan (which would effectively amend the terms of the recovery plan). A copy of the recovery plan in respect of the September 2008 valuation was forwarded to the Pensions Regulator on 18 December 2009, as is required by legislation.

The next full actuarial valuation will be carried out as at 30 September 2011.

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

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

The leaving employer’s share of the buy-out debt is the proportion of the Growth Plan’s pre October 2001 liability attributable to employment with the leaving employer compared to the total amount of the Growth Plans pre-October 2001 liabilities relating to employment with all the currently participating employers. The leaving employer’s debt therefore includes a share of any “orphan” liabilities in respect of previously participating employers. The amount of the debt therefore depends on many factors including total Growth Plan liabilities, Growth Plan 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.

The Association has been notified by the Pensions Trust of the estimated employer debt on withdrawal from the Growth Plan based on the financial position of the Growth Plan as at 30th September 2010. As of this date the estimated employer debt for Reidvale Housing Association Limited was £44,124.

**NOTES TO THE FINANCIAL STATEMENTS
AS AT 31ST MARCH 2011 (CONTINUED)****23. ASSURED TENANCY RENTS**

	2011	2010
	£	£
Average Scottish Secure Tenancy Rent for housing accommodation	2,529	2,458
Percentage increase from previous year	2.90%	3.50%

24. RELATED PARTIES

Various members of the Management Committee are tenants of the Association. The transactions with the Association are all done on standard terms, as applicable to all tenants.