



RUCHAZIE HOUSING ASSOCIATION LIMITED
REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2010

Financial Services Authority No. 2420R(S)
Registered Housing Association No. HCB 277

FRENCH DUNCAN LLP
Chartered Accountants and Registered Auditor
375 West George Street
Glasgow
G2 4LW

RUCHAZIE HOUSING ASSOCIATION LIMITED

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

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MEMBERS, EXECUTIVE AND ADVISERS

Committee of Management

| | |
|-------------|----------------------------|
| A Macdonald | Chairperson |
| I Moor | Vice – Chairperson |
| W Hunter | Secretary |
| P McInally | |
| J Rawlings | (Appointed September 2009) |
| P Kelly | (Appointed September 2009) |
| F Caffolla | (Appointed September 2009) |
| D Millen | (Appointed September 2009) |
| M Caldwell | (Appointed September 2009) |
| B Tollett | (Appointed September 2009) |
| M McTaggart | (Appointed September 2009) |

Executive Officers

| | |
|------------|-----------------|
| W Nicol | Director |
| G Shepherd | Finance Manager |

Registered Office

24 Avondale Street
Ruchazie
Glasgow
G33 3QS

Auditors

French Duncan LLP
Chartered Accountants
Registered Auditor
375 West George Street
Glasgow
G2 4LW

Bankers

The Royal Bank of Scotland plc
92 Smithycroft Road
Glasgow
G33 2RQ

Solicitors

Brechin Tindal Oatts
48 St Vincent Street
Glasgow
G2 5HS

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

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

Legal status

The Association is registered as a non-profit making organisation under the Industrial and Provident Societies Act 1965. No. 2420R(S). The Association is constituted under its rule book.

Principal Activities

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

Changes in fixed assets

Details of fixed assets are set out in Note 8.

Review of business and future developments

The committee are satisfied with the Association's performance during the year. The surplus for the year after taxation was £142,632 (2009 - £13,810). The Association's net assets are now £329,966 (2009 - £135,482).

The committee are satisfied with the level of designated reserves to meet its longer term planned and major repair work. A transfer of £nil (2009 - £12,000) to the revenue reserve has been made. Future rent setting will continue to take account of both short and longer term commitments.

The committee of management and executive officers

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

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

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.

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

- Select suitable accounting policies and then apply them consistently;
- Make judgements and estimates that are reasonable and prudent;
- State whether applicable accounting standards have been followed subject to any material departures disclosed and explained in the financial statements;
- Prepare the financial statements on a going concern basis unless it is inappropriate to presume that the Association will continue in business.
- Prepare 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 accounts comply with the Industrial and Provident Societies Act 1965 to 2002, the Housing (Scotland) Act 2001 and the Registered Social Landlords Accounting Requirements (Scotland) Order 2007.

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

The committee 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.

The management committee confirms that the financial statements comply with the above requirements.

Internal Financial Controls

The committee is responsible for the Association's system of internal financial control and has reviewed its effectiveness from information provided by management staff.

Any system can only provide reasonable and not absolute assurance against material misstatement or loss.

The financial control system within the Association is fundamentally simple and appropriate to the size and complexity of the organisation. It includes a combination of regular review of financial results compared with an agreed budget and authorisation of all expenditure by senior staff and committee.

Related Party Transactions

Five of the committee members are tenants. Their tenancies are on the Association's normal tenancy terms and they cannot use their positions to their advantage.

Statement of disclosure to auditor

- (a) so far as the committee are aware, there is no relevant audit information of which the company's auditors are unaware, and
- (b) they have taken all the steps that they ought to have taken as members of the committee in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

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 6.

Auditors

A resolution proposing French Duncan LLP be re-appointed as auditors will be put to the members at the Annual General Meeting.

By order of the committee



W Hunter - Secretary

Dated: 18 August 2010

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF RUCHAZIE HOUSING ASSOCIATION LIMITED

We have audited the financial statements on pages 7 to 26, which have been prepared under the accounting policies set out on pages 10 to 11.

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

Respective responsibilities of committee and auditors

The Management Committee's responsibilities for preparing of the Financial Statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Management Committee's Responsibilities.

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' Act 1965 to 2002, Schedule 7 of the Housing (Scotland) Act 2001 and Registered Social Landlords Accounting Requirements (Scotland) Order 2007. We also report to you if, in our opinion, the Management Committee's report is not consistent with the Financial Statements, if the 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 other transactions with the Association is not disclosed.

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

Basis of opinion

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

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

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF RUCHAZIE HOUSING ASSOCIATION LIMITED

Opinion

In our opinion, the financial statements give a true and fair view in accordance with United Kingdom Generally Accepted Accounting Practice of the state of affairs of the Association as at 31st March 2010 and of its income and expenditure and cash flow for the year then ended; and have been properly prepared in accordance with the Industrial and Provident Societies Acts 1965 to 2002, Schedule 7 of the Housing Scotland Act 2001 and the Registered Social Landlords Accounting Requirements (Scotland) Order 2007.

French Duncan LLP

French Duncan LLP
Chartered Accountants
Registered Auditor
375 West George Street
Glasgow
G2 4LW

Dated: 18 August 2010

**REPORT OF THE INDEPENDENT AUDITORS TO THE MANAGEMENT COMMITTEE OF
RUCHAZIE HOUSING ASSOCIATION LIMITED ON CORPORATE GOVERNANCE MATTERS**

In addition to our audit of the Financial Statements, we have reviewed whether your statement on pages 2 and 3 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 1999/5 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 pages 2 and 3 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

Dated: 18 August 2010

**INCOME AND EXPENDITURE ACCOUNT
FOR THE YEAR ENDED 31 MARCH 2010**

| | Notes | 2010 £ | 2009 £ |
|---|-------|-----------------------|----------------------|
| Turnover | 2 | 1,646,872 | 590,426 |
| Less: Operating costs | 2 | (1,417,922) | (442,219) |
| Operating surplus | 2 | <u>228,950</u> | <u>148,207</u> |
| Interest receivable and other income | 4 | 1,901 | 4,303 |
| Interest payable and similar charges | 5 | <u>(36,372)</u> | <u>(119,599)</u> |
| Surplus on ordinary activities before taxation | | 194,479 | 32,911 |
| Tax on surplus on ordinary activities | | <u>(51,847)</u> | <u>(19,101)</u> |
| Surplus for the year | | <u><u>142,632</u></u> | <u><u>13,810</u></u> |

The results for the year relate wholly to continuing activities.

The Association has no recognised gains and losses other than those included in the surplus above, and therefore no separate statement of total recognised gains and losses has been presented.

The notes on pages 10 to 26 form part of these financial statements

**BALANCE SHEET
AS AT 31 MARCH 2010**

| | Notes £ | 2010 £ | 2009 |
|--|------------|--------------------|--------------------|
| Tangible Fixed Assets | | | |
| Housing properties – cost less depreciation | 9 | 17,462,565 | 18,677,143 |
| Less SHG and other grants | 9 | 14,399,596 | 15,099,327 |
| | | <u>3,062,969</u> | <u>3,577,816</u> |
| NSSE Loan | | 553,855 | - |
| NSSE Grant | | (553,855) | - |
| | | <u>-</u> | <u>-</u> |
| Other fixed assets | 10 | 7,533 | 16,137 |
| | | <u>3,070,502</u> | <u>3,593,953</u> |
| Current Assets | | | |
| Stock and Work In Progress | 11 | 47,231 | - |
| Debtors | 12 | 47,786 | 430,221 |
| Cash at bank and in hand | | 734,313 | 148,685 |
| | | <u>829,330</u> | <u>578,906</u> |
| Creditors: amounts falling due within one year | 14 | <u>(356,417)</u> | <u>(615,431)</u> |
| Net current assets | | <u>472,913</u> | <u>(36,525)</u> |
| Total assets less current liabilities | | <u>3,543,415</u> | <u>3,557,428</u> |
| Creditors: amounts falling due after more than one year | 14 | <u>(3,265,296)</u> | <u>(3,421,946)</u> |
| Net assets | | <u>278,119</u> | <u>135,482</u> |
| Capital and reserves | | | |
| Share capital | 15 | 118 | 113 |
| Designated reserves | 7 | 26,000 | 26,000 |
| Revenue reserve | 8 | 252,001 | 109,369 |
| | | <u>278,119</u> | <u>135,482</u> |

The financial statements were approved by the committee of management on 18 August 2010 and were signed on its behalf by:

A MacDonald Chairperson *A MacDonald*
 I Moor Vice chairperson *I Moor*
 W Hunter Secretary *W Hunter*

The notes on pages 10 to 26 form part of these financial statements

STATEMENT OF CASH FLOW

FOR THE YEAR TO 31 MARCH 2010

| | Notes | 2010 £ | 2009 £ |
|---|-------|-----------|-------------|
| NET CASH INFLOW FROM OPERATING ACTIVITIES | 19 | 318,545 | 233,612 |
| RETURNS ON INVESTMENTS AND SERVICING OF FINANCE | | | |
| Interest received | | 1,901 | 4,303 |
| Interest paid | | (36,372) | (119,599) |
| | | (34,471) | 115,296 |
| NET CASH INFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE | | 284,074 | 118,317 |
| TAXATION | | | |
| Tax paid | | (19,101) | - |
| Grant Received | | - | - |
| | | (19,101) | - |
| CAPITAL EXPENDITURE | | | |
| Cash paid for development, construction and purchase of housing | | (738,094) | (3,385,658) |
| Cash paid for purchase of other fixed assets | | - | (3,500) |
| Social Housing Grant received and abated | | 149,709 | 2,070,832 |
| Disposal of housing properties | | 1,032,573 | - |
| NET CASH INFLOW/(OUTFLOW) FROM INVESTING ACTIVITIES | | 444,188 | (1,318,326) |
| NET CASH INFLOW/(OUTFLOW) BEFORE USE OF LIQUID RESOURCES AND FINANCING | | 709,161 | (1,200,010) |
| MANAGEMENT OF LIQUID RESOURCES | | | |
| Cash drawn from term deposits | | - | - |
| FINANCING | | | |
| Increase in loan finance | | - | 1,309,886 |
| New HP Finance | | - | 3,500 |
| HP Repayments | | (700) | (525) |
| Movement on loans | | (122,838) | (85,119) |
| Shares issued | | 5 | 3 |
| NET CASH (OUTFLOW)/INFLOW FROM FINANCING | | (123,533) | 1,227,745 |
| INCREASE IN CASH | 20 | 585,628 | 27,735 |

The notes on pages 10 to 26 form part of these Financial Statements.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2010****1. Accounting Policies****(a) Introduction and accounting basis**

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

These financial statements are prepared under the historical cost convention in accordance with applicable accounting standards and statements of recommended practice and comply with the requirements of the Registered Social Landlords Accounting Requirements (Scotland) Order 2007.

(b) Turnover

Turnover represents rental and service charge income, factoring service income and fees or revenue grants receivable from local authorities and from the Scottish Government, together with proceeds of NSSE sales.

(c) Loans

Mortgage loans are advanced by Private Lenders or the Scottish Housing Regulator under the terms of individual mortgage deeds in respect of each property or housing scheme. Advances are available only in respect of those developments which have been given approval by Glasgow City Council. Mortgage loans in the balance sheet include amounts due but not received.

(d) Housing Association Grant (SHG)

Social Housing Grant, at amounts approved by the Glasgow City Council, is paid directly to the Association as required to meet its liabilities during the development process.

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

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2009****1. Accounting Policies (continued)****(e) Fixed assets – Housing properties**

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

1. Cost of acquiring land and buildings
2. Development expenditure including administration costs
3. Interest charged on the mortgage loans raised to finance the scheme

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

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

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

Interest is capitalised from first draw down of private finance according to the funding arrangements agreed by the Scottish Government. This will normally occur after SHG as been claimed up to the agreed limit.

All costs and grants relating to the share of property sold are accounted for in accordance with the Statement of Recommended Practice (2008) treating all proceeds from first tranche sales in the income and expenditure account as turnover with only the surplus or deficit being accounted for in the income and expenditure account for subsequent tranches.

(f) Depreciation**1. Housing properties**

Depreciation is charged on a straight line basis on the housing cost, less grants received, less land, over the expected economic useful lives of the properties at an annual rate of 2%.

2. Other fixed assets

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

The following rates have been used:-

| | |
|----------------------|------------------------|
| Furniture & Fittings | - 33% straight line |
| Office Improvements | - 10% reducing balance |
| Computer Equipment | - 33% straight line |

A full year's depreciation is charged in the year of purchase.
No charge is made in the year of disposal.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2010****1. Accounting Policies (continued)****(g) Stock and work in progress**

Stock and work in progress comprises the costs to balance sheet date of properties being developed for sale as shared equity properties under the New Supply Shared Equity Scheme (NSSE).

(h) Designated Reserves (Note 7)**(i) Cyclical Maintenance including Major Repairs**

The reserve is based on the Association's liability to maintain the properties in accordance with a planned programme of works, provided it will not be met from revenue in the year in which it is incurred, and to maintain housing properties in a state of repair which at least maintains their residual value in prices prevailing at the time of acquisition and construction. The reserve represents amounts set aside in respect of future costs and will be transferred to General Reserves as appropriate.

(h) Apportionment of management expenses

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

(i) Pensions (Note 22)

The Association provides a pension scheme, through The Pensions Trust – SFHA Pension Scheme, for the benefit of its employees. The funds of the scheme are administered by independent trustees and are separate from the Association. Independent actuaries complete valuations at least every three years and, in accordance with their recommendations, annual contributions are paid to the scheme so as to secure the benefits set out in the rules. The costs of these are charged against surpluses on a systematic basis over the service lives of the employees.

(j) Financial Commitments

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

(k) Finance Leases

Assets obtained under hire purchase contracts and finance leases are capitalised as tangible assets and depreciated over the shorter of the lease term and their useful lives. Obligations under such agreements are included in creditors net of the finance charge allocated to future periods. The finance element of the rental payment is charged to the profit and loss account so as to produce a constant periodic rate of charge on the net obligation outstanding in each period.

(l) The Association is not VAT registered. All expenditure as a result is shown inclusive of VAT.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2010

2. Particulars of Turnover, Cost of Sales, Operating Costs and Operating Surplus

| | Note | Turnover £ | 2010 Operating Costs £ | Operating (Deficit)/ Surplus £ | 2009 Operating (Deficit)/ Surplus £ |
|--------------------------------------|------|------------------|---------------------------------|---|---|
| Social Lettings | 3a | 663,840 | (431,830) | 232,010 | 149,032 |
| Other Income and Expenditure | | | | | |
| Other | 3b | 983,032 | (986,092) | (3,060) | (825) |
| Total | | 1,646,872 | (1,417,922) | 228,950 | 148,207 |
| Total for previous period of account | | 590,426 | (442,219) | 148,207 | |

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2010

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

| | 2010 General Needs Housing £ | 2009 General Needs Housing £ |
|--|---------------------------------------|---------------------------------------|
| Income from social lettings | | |
| Rent receivable net of service charges | 664,561 | 549,910 |
| Rent losses from voids | (721) | (284) |
| Net rents receivable | <u>663,840</u> | <u>549,626</u> |
| Grants from Scottish Ministers | - | - |
| Other Revenue Grants | - | - |
| Total income from social letting activities | <u>663,840</u> | <u>549,626</u> |
| Operating costs for social letting activities | | |
| Management and maintenance administration costs | 258,690 | 265,648 |
| Service Costs | - | - |
| Planned and cyclical maintenance including major repairs costs | 58,634 | 27,441 |
| Reactive Maintenance | 39,687 | 34,190 |
| Bad Debts – rents and service charges | (4,444) | (15,916) |
| Depreciation of social housing | 79,263 | 89,231 |
| Operating costs for social letting activities | <u>431,830</u> | <u>400,594</u> |
| Operating surplus on social lettings | <u>232,010</u> | <u>149,032</u> |

There is no other accommodation except for General Needs.

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

3b. Particulars of turnover, operating costs and operating surplus or deficit from other activities

| | Grants from Scottish Ministers | Other revenue grants | Supporting people income | Other income | Total Turnover | Operating costs – bad debts | Other operating costs | Operating surplus or deficit | Operating surplus or deficit for previous period of account |
|--|--------------------------------|----------------------|--------------------------|----------------|----------------|-----------------------------|-----------------------|------------------------------|---|
| | £ | £ | £ | £ | £ | £ | £ | £ | £ |
| Wider role activities undertaken to support the community, other than the provision, construction, improvement and management of housing | - | - | - | - | - | - | - | - | - |
| Care and repair of property | - | - | - | - | - | - | - | - | - |
| Factoring | - | - | - | - | - | - | - | - | - |
| Development and construction of property activities | - | - | - | - | - | - | - | - | - |
| Support activities | - | - | - | - | - | - | (750) | (750) | (825) |
| Care activities | - | - | - | - | - | - | - | - | - |
| Agency/management services for registered social landlords | - | - | - | - | - | - | - | - | - |
| Other agency/management services | - | - | - | - | - | - | - | - | - |
| Developments for sale to registered social landlords | - | - | - | - | - | - | - | - | - |
| Developments and improvement for sale to non registered social landlords | - | - | - | 983,032 | 983,032 | - | (985,342) | (2,310) | - |
| Other activities (describe here) | - | - | - | - | - | - | - | - | - |
| Total from other activities | - | - | - | 983,032 | 983,032 | - | (986,092) | (3,060) | (825) |
| Total from other activities for the previous period of account | - | - | - | 40,800 | 40,800 | - | (41,625) | (825) | |

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2010

| | 2010 £ | 2009 £ | |
|--|----------------------------------|-----------------------|----------------------------------|
| 4. Interest receivable and other income | | | |
| Interest receivable on deposits | <u>1,901</u> | <u>4,303</u> | |
| 5. Interest payable and similar charges | | | |
| On private loans | <u>36,372</u> | <u>119,599</u> | |
| 6. Taxation | | | |
| Corporation tax at 21% (2009 – 20%) | <u>51,847</u> | <u>19,101</u> | |
| 7. Designated Reserves | Opening Balance £ | Transfer £ | Closing Balance £ |
| Cyclical maintenance | - | - | - |
| Major repairs | 26,000 | - | 26,000 |
| | <u>26,000</u> | <u>-</u> | <u>26,000</u> |
| 8. Revenue Reserves | | 2010 £ | 2009 £ |
| At 1 April 2009 | | 109,369 | 83,559 |
| Surplus for the year | | 142,632 | 13,810 |
| | | <u>252,001</u> | <u>97,369</u> |
| Transfer from designated reserves | | - | 12,000 |
| At 31 March 2010 | | <u>252,001</u> | <u>109,369</u> |

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

9. Tangible Fixed Assets

| | Housing Properties Held for Letting £ | Housing Properties In course of Construction £ | Total £ |
|--------------------------------|---|--|-------------------|
| Cost | | | |
| At 1 April 2009 | 17,675,591 | 1,401,151 | 19,076,742 |
| Additions during year | - | 738,094 | 738,094 |
| Transfers to stock | - | (1,882,013) | (1,882,013) |
| Transfers to completed schemes | 67,005 | (67,005) | - |
| | <u>17,742,596</u> | <u>190,227</u> | <u>17,932,823</u> |
| At 31 March 2010 | | | |
| Depreciation | | | |
| At 1 April 2009 | 399,599 | - | 399,599 |
| Charge for year | 70,659 | - | 70,659 |
| | <u>470,258</u> | <u>-</u> | <u>470,258</u> |
| At 31 March 2010 | | | |
| SHG and other Grants | | | |
| At 1 April 2009 | 14,002,972 | 1,096,356 | 15,099,328 |
| Received during year | 160 | 184,329 | 184,489 |
| Grants repayable | (34,781) | - | (34,781) |
| Transfers to stock | - | (849,440) | (849,440) |
| Transfers to completed schemes | 241,277 | (241,277) | - |
| | <u>14,209,628</u> | <u>189,968</u> | <u>14,399,596</u> |
| At 31 March 2010 | | | |
| Net Book Value | | | |
| At 31 March 2010 | <u>3,062,710</u> | <u>259</u> | <u>3,062,969</u> |
| At 31 March 2009 | <u>3,273,020</u> | <u>304,795</u> | <u>3,577,815</u> |

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

10. Tangible Fixed Assets – Other Assets

| | Furniture Fittings & Equipment £ | Office Property £ | Total £ |
|-----------------------|---|----------------------------------|--------------------|
| Cost | | | |
| At 1 April 2009 | 44,545 | 20,000 | 64,545 |
| Additions during year | - | - | - |
| At 31 March 2010 | <u>44,545</u> | <u>20,000</u> | <u>64,545</u> |
| Depreciation | | | |
| At 1 April 2009 | 36,778 | 11,630 | 48,408 |
| Charge for year | 7,767 | 837 | 8,604 |
| At 31 March 2010 | <u>44,545</u> | <u>12,467</u> | <u>57,012</u> |
| Net Book Value | | | |
| At 31 March 2010 | <u>-</u> | <u>7,533</u> | <u>7,533</u> |
| At 31 March 2009 | <u>7,767</u> | <u>8,370</u> | <u>16,137</u> |

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2010

11. Stock and Work In Progress

| | £ | New Supply Shared Equity £ | Total £ |
|-------------------------------------|----------|-------------------------------------|---------------|
| In-Complete Stock | | | |
| At 1 April 2009 | - | - | - |
| Cost transfer from other assets | - | 1,882,013 | 1,882,013 |
| Grants transfer from other assets | - | (849,440) | (849,440) |
| Transfers to completed | - | (1,032,573) | (1,032,573) |
| At 31 March 2010 | <u>-</u> | <u>-</u> | <u>-</u> |
| Completed Stock | | | |
| At 1 April 2009 | - | - | - |
| Cost transfer from other assets | - | - | - |
| Transferred from Incomplete | - | 1,032,573 | 1,032,573 |
| Write down of Cost of Sales | - | (985,342) | (985,342) |
| At 31 March 2010 | <u>-</u> | <u>47,231</u> | <u>47,231</u> |
| Total Stock at 31 March 2010 | <u>-</u> | <u>47,231</u> | <u>47,231</u> |
| Total Stock at 31 March 2009 | <u>-</u> | <u>-</u> | <u>-</u> |

The Association participates in the Scottish Government's New Supplied Share Equity Scheme (NSSE) with the aim of providing assistance to those on lower incomes to own their own home. Grants are made to equity sharing owners to reduce the purchase cost to an affordable level. A standard security is taken over the property in favour of the Scottish Government and no rent or interest is receivable from the equity sharing owner.

12. Debtors

| | 2010 £ | 2009 £ |
|--------------------------------------|---------------|----------------|
| Amounts falling due within one year: | | |
| Rental debtors – housing benefit | 47,765 | 35,776 |
| – other | - | 28,278 |
| Less: Provision for bad debts | (14,411) | (18,855) |
| | <u>33,354</u> | <u>45,199</u> |
| Development funding receivable | 8,498 | 378,273 |
| Other debtors and prepayments | 5,934 | 6,749 |
| | <u>47,786</u> | <u>430,221</u> |

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

13. Creditors: amounts falling due within one year

| | | |
|---------------------------------|----------------|----------------|
| Bank Loans and overdrafts | 118,931 | 85,119 |
| Contract retentions | 98,171 | 113,640 |
| Prepaid rent | 5,178 | 2,964 |
| Corporation Tax | 51,847 | 19,101 |
| Other taxes and social security | 4,261 | 3,430 |
| Accruals and deferred income | 75,754 | 388,202 |
| HP Creditor | 2,275 | 2,975 |
| | <u>356,417</u> | <u>615,431</u> |

14. Creditors: amounts falling due after more than one year

| | | |
|--------------------------------|------------------|------------------|
| Housing Loans | | |
| Due between one and two years | 111,042 | 333,125 |
| Due between two and five years | 333,125 | 232,798 |
| Due in five years or more | 2,821,130 | 3,103,087 |
| | <u>3,265,296</u> | <u>3,421,946</u> |

Loans are secured by specific charges on the Association's properties and are repayable at varying rates of interest in installments. Included in loans due in 5 years or more is £1,306,184 in respect of a loan from the Royal Bank of Scotland. The full amount is shown as due in more than 5 years since terms for repayment have not yet been agreed but will be of a long term nature.

15. Share capital

| | | |
|---|------------|------------|
| At 1 April 2009 | 113 | 110 |
| Shares of £1 each fully paid and issued during the year | 5 | 3 |
| Shares forfeited in year | - | - |
| At 31 March 2010 | <u>118</u> | <u>113</u> |

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

16. Directors' Emoluments

The directors are defined as the members of the management committee, the chief executive and any other person reporting directly to the chief executive or the management committee whose total emoluments exceed £60,000 per year. No emoluments were paid to any member of the management committee during the year.

| | 2010 £ | 2008 £ |
|---|---------------|---------------|
| Aggregate emoluments payable to directors (including pension contributions and benefits in kind) | <u>52,010</u> | <u>51,793</u> |
| Emoluments payable to highest paid director who received emoluments (excluding pension contributions) were: | <u>45,069</u> | <u>44,293</u> |
| Total expenses reimbursed to directors in so far as not Chargeable to United Kingdom income tax | <u>280</u> | <u>653</u> |

17. Employee Information

| | No. | No. |
|--|----------------|----------------|
| Administrative staff | <u>5</u> | <u>5</u> |
| | £ | £ |
| Staff costs (including director's emoluments): | | |
| Wages and salaries | 147,477 | 147,581 |
| Social security costs | 11,488 | 10,920 |
| Pension costs (Note 22) | 18,956 | 18,394 |
| At end of year | <u>177,920</u> | <u>176,894</u> |

18. Operating Surplus

| | | |
|---|--------------|--------------|
| Operating surplus is stated after charging: | | |
| Depreciation | 79,263 | 89,230 |
| Auditor's remuneration | | |
| - In their capacity as auditors | 4,450 | 4,450 |
| - In respect of other services | <u>1,500</u> | <u>1,500</u> |

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

**19. Reconciliation of operating surplus to net cash inflow
from operating activities**

| | 2010 £ | 2009 £ |
|----------------------------------|----------------|----------------|
| Operating surplus | 228,950 | 148,207 |
| Depreciation | 79,263 | 78,560 |
| (Increase)/decrease in debtors | 382,435 | (243,810) |
| (Decrease)/increase in creditors | (324,872) | 239,985 |
| (Increase) in stock | (47,231) | - |
| | <u>318,545</u> | <u>233,612</u> |

20. Reconciliation of net cashflow to movement in net debt

| | 2010 £ | 2009 £ |
|---------------------------|--------------------|--------------------|
| Increase in cash in year | 585,628 | 27,735 |
| Loans repaid/(received) | <u>122,839</u> | <u>(1,224,768)</u> |
| New HP Finance | - | (3,500) |
| HP Repayments | <u>700</u> | <u>525</u> |
| | 709,166 | (1,200,008) |
| Net debt at 1 April 2009 | <u>(3,361,355)</u> | <u>(2,161,347)</u> |
| Net debt at 31 March 2010 | <u>(2,652,189)</u> | <u>(3,361,355)</u> |

21. Analysis of changes in debt

| | As at 1 April 2009 £ | Cash Flows £ | Other Changes £ | As at 31 March 2010 £ |
|------------------------|-------------------------------|--------------------|-----------------------|--------------------------------|
| Cash in hand, at bank | 148,685 | 585,628 | - | 734,313 |
| HP Finance | (2,975) | 700 | - | (2,275) |
| Debt due within 1 year | (85,119) | 85,119 | (118,931) | (118,931) |
| Debt due after 1 year | <u>(3,421,946)</u> | <u>37,719</u> | <u>118,931</u> | <u>(3,265,296)</u> |
| | <u>(3,358,380)</u> | <u>709,166</u> | <u>-</u> | <u>(2,652,189)</u> |

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2009****22. Pensions****General**

Ruchazie Housing Association Limited (the "Association") participates in the SFHA 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 on a reasonable and consistent basis the share of underlying assets and liabilities belonging to an individual participating employer as the Scheme is a multi-employer arrangement where the assets are co-mingled for investment purposes, benefits are paid from the total Scheme assets, and the contribution rate for all employers is set by reference to the overall financial position of the Scheme rather than by reference to individual employer experience. Accordingly, due to the nature of the Scheme, the accounting charge for the period under FRS17 represents the employer contribution payable.

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

The last formal valuation of the Scheme was performed as at 30 September 2006 by a professionally qualified actuary using the "projected unit credit" method. The market value of the Scheme's assets at the valuation date was £268 million. The valuation revealed a shortfall of assets compared to liabilities of £54 million (equivalent to a past service funding level of 83.4%).

The Scheme Actuary has prepared an Actuarial Report that provides an approximate update on the funding position of the Scheme as at 30 September 2008. Such a report is required by legislation for years in which a full actuarial valuation is not carried out. The funding update revealed a decrease in the assets of the Scheme to £265 million and indicated an increase in the shortfall of assets compared to liabilities to approximately £149 million, equivalent to a past service funding level of 63.9%.

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

The Scheme operates with three benefit structures to employers, namely;

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

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

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

22. Pensions (continued)

The Association has elected to operate the final salary with a 1/60th accrual rate benefit structure for active members and new members.
During the accounting period, the Association paid contributions at the rate of 15.4%. Member contributions were 7.7%.

As at the balance sheet date there were 2 active members of the Scheme employed by the Association. The Association continues to offer membership of the Scheme to its employees.

Financial Assumptions

The financial assumptions underlying the valuation were as follows:-

| | % 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% pa) | 2.2 |
| - Rate of price inflation | 2.6 |

Valuation results

The valuation was carried out using 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:

| Benefit Structure | Long-term joint contribution rate (% of pensionable salaries) |
|----------------------|--|
| Final Salary 60ths | 17.8 comprising employer contributions of 10.1% and member contributions of 7.7% |
| Career Average 60ths | 14.6 comprising employer contributions of 8.0% and member contributions of 6.6% |
| Career Average 70ths | 12.6 comprising employer contributions of 6.6% and member contributions of 6.0% |

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2009****22. Pensions (continued)**

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 buyout basis ie the cost of securing benefits by purchasing annuity policies from an insurer, plus an allowance for expenses) with the assets of the Scheme. If the liabilities exceed assets there is a buy-out debt.

The leaving employer's share of the buy-out debt is the proportion of the Scheme's liability attributable to employment with the leaving employer compared to the total amount of the Scheme's liabilities (relating to employment with all the 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 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 SFHA Pension Scheme based on the financial position of the scheme as at 30 September 2009. As at this date, the estimated employer debt for the Association was £192,923.

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

23. Housing Stock

The number of units of accommodation in management was as follows:-

| | Units in Management | |
|----------------|------------------------|------------|
| | 2010 £ | 2009 £ |
| General needs: | | |
| New Build | 190 | 183 |
| Improved | 24 | 24 |
| Commercial | 1 | 1 |
| | <u>215</u> | <u>208</u> |

24. Legislative Provisions

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

25. Capital Commitments

| | 2010 £ | 2009 £ |
|---------------------------------------|-----------|----------------|
| Expenditure contracted less certified | - | <u>926,869</u> |
| Funded by: | | |
| Bank Loans | - | - |
| SHG | - | - |
| House sales | - | <u>926,869</u> |
| | <u>-</u> | <u>926,869</u> |

26. Related Parties

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