ACCOUNTS – 2010 - 232

(RURAL STIRLING HOUSING ASSOCIATION LTD)

Rural Stirling
HOUSING ASSOCIATION

RURAL STIRLING HOUSING ASSOCIATION LTD

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2010

Register of Friendly Society No 2376(S)
Communities Scotland Registration No HAL232
Company Number SP00878R
Scottish Charities No: SCO37849

Contents

Committee of Management, Executive Officers and Appointees

Committee of Management

O McKee	**Chairman**
D Frood	**Vice Chairman**
M Beaton	**Secretary**
D Wilson	**Treasurer**
L Anderson	
I Bell	
R Hughes	
J MacPherson	
J Lambie (Council Representative)	
J Milne	
F Mitchell	
P Pearson	
F Russell	

Registered Office
Stirling Road
Doune
Perthshire
FK16 6AA

Registered Numbers
Financial Services Authority 2376 (S)
The Scottish Housing Regulator HAL232
Company Number SP00878R
Scottish Charity NO. SCO37849 Scotland

Appointed Banker, Solicitor and Auditors

Bankers
Royal Bank of Scotland,
55 Main Street,
Callander,
FK17 8DY

Solicitors
Hill & Robb,
3 Pitt Terrace,
Stirling,
FK8 2EY

External Auditors
Alexander Sloan,
Chartered Accountants,
38 Cadogan Street,
Glasgow,
G2 7HF

Internal Auditors
Findlay & Co,
Chartered Accountants,
11 Dudhope Terrace,
Dundee,
DD3 6TS

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

A – CONTEXT – STRUCTURE, ACTIVITIES, GOVERNANCE AND MANAGEMENT

1. Structure

Rural Stirling Housing Association (RSHA) is a Registered Social Landlord and is registered under the Industrial and Provident Societies Act 1965 and is a Scottish Charity, with a Committee of Management (hereinafter referred to as the Committee) as governing body.

2. Principal Activities

The principal activities of RSHA are the:

- Development of new housing projects at affordable rents and low cost home ownership initiatives, for people in need.
- Management and maintenance of its housing property.

3. Statement of The Committee's Responsibilities

Housing Association legislation requires the Committee to prepare financial statements for each financial year which give a true and fair view of the state of the affairs and 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 them on a 'going concern' basis unless it is inappropriate to presume that the Association will continue in business.

The Committee is also responsible for:

- Keeping proper accounting records which disclose, with reasonable accuracy at any time, the financial position of the Association.
- Ensuring that the financial statements comply with the requirements of the Industrial and Provident Societies Acts 1965 to 2002, Section 24 (1) of the Housing Association Act 1985 and the Registered Social Landlords Accounting Requirements (Scotland) Order 2007.
- Maintaining a satisfactory system of control over accounting records and transactions, and for safeguarding all assets of the Association and, hence, take reasonable steps to prevent and detect fraud and other irregularities.

4. Compliance and Status of this Report

Accounting for the Association's financial affairs is governed by the Statement of Recommended Accounting Practice (SORP), Accounting by Registered Social Landlords (update 2008).

Under the SORP the Association is not required to publish a Board Report that includes a full Operating and Financial Review (OFR) as it has fewer than 5,000 houses in management. However the exemption means that as a registered Scottish Charity the Association must publish an Annual Report as outlined in the SORP entitled Accounting for Charities. Given the differences in accounting methods dictated by the two SORP's, the Annual Report can only be followed where it is relevant and practicable.

5. Statement as to Disclosure of Information to Auditors

So far as the Committee is aware, there is no relevant audit information of which the Association's auditors are unaware, and each member of the Committee has taken all the steps that they ought to have taken, as a member of that body, in order to make themselves aware of any relevant audit information and to establish that auditors are aware of this information.

6. Corporate Rules and the Regulator

The governing document of the Association is the Rules, which are based on the SFHA standard set of Charitable Rules and adapted through time by properly constituted meetings of the members of the Association. The Rules are the equivalent of a company's Articles and Memorandum of Association. A copy of the Rules can be obtained on request to the Registered Office.

As part of its monitoring process the Association's regulating body, The Scottish Housing Regulator, audits the activities of the Association, to ensure that they are in line with the Rules. The Association has never been found to be in breach of its rules.

7. Membership of the Association

Paragraphs 7 to 14 in the Rules lay out in detail the criteria for being a member of the Association.

The Committee may at their discretion admit to membership any individual persons (including the nominees of unincorporated bodies), Societies, Companies and Local Authorities (being bodies incorporated). Every Member on the register holds one share in the Association.

Shares cost £1 but do not entitle the holder to any interest, dividend or bonus. In the event of the withdrawal, death or expulsion of the Member the £1 becomes the property of the Association.

There are currently 175 tenant, 2 corporate members and 110 ordinary members.

8. Membership of the Committee

Paragraphs 38 to 46 in the Rules lay out in detail eligibility, recruitment and appointment of Committee Members.
The pertinent points are:

- There has to be a minimum of seven Committee Members and a maximum of fifteen.
- One place on Committee is reserved for a representative of Stirling Council.
- Otherwise only Members of the Association can be elected Committee Members.
- Committee Members are voted on at General Meetings where one third of the membership has to stand for re-election.

The Committee are drawn from a wide background bringing together professional, commercial and local experience, are unpaid and are tenants and non-tenants of the Association.

The principal executive officer is the Director, who:

- Is an employee of the Association
- Is employed under the same terms and pension arrangements as all other employees
- Holds no interest in the Association's shares
- Acts as an executive within the authority delegated by the Committee.

The present Committee Members and the Executive Officers of the Association are set out in page 3.

9. Committee Training

On joining the Committee, new members are provided with an induction training programme, involving in-house and external training on essential background information, Regulatory requirements etc and familiarisation with the Association's activities.

The process is ongoing whereby internal and external training is provided to Committee members in accordance with a regularly reviewed assessment of priorities. The Association is a member of training agency S.H.A.R.E, through which it is able to access tailored training for Committee and staff specific to the housing association sector.

10. Delegation, Meetings and Performance Monitoring

Through their election by the Members at a General Meeting the Committee is delegated via Standing Orders to:

- Appoint a Chairperson and other Office Bearers.
- Appoint Sub-Committees and Working Groups.
- Formulate and implement policies and strategies.
- Delegate to the Executive Officers.
- Make decisions based on the information received from the Director.

The Standing Orders also detail the level of delegated powers that can be given to the Director and senior staff.

The Committee gives delegated authority to the Audit and Personnel (A&P) Sub-Committee which meets to monitor all audit and personnel issues of the Association. Internal Audit Reports which provide an independent view on the organisation's efficiency, effectiveness and performance are received by this Sub-Committee.

The Committee gives delegated authority to the Development Committee which meets to give detailed consideration to matters relating to property development.

The Committee has the authority to set up single task Working Parties to address specific issues that are usually time limited and make specific recommendations back to the Committee for consideration.

The Committee meets 10 times a year and the A&P shall meet as often as they see fit but this is not likely to be less than 4 times a year. At these meetings the Director presents papers from, which decisions are made by the Committee.

The Committee accounts for its actions and decisions in the year by presenting to the members the Annual Financial Statements and the Annual Report at the AGM.

11. Strategic Management

The Committee is responsible for agreeing the Strategic Objectives of the organisation, the policies required to achieve those objectives and the monitoring mechanisms required to ensure targets and programmes are being met.

Each year Committee members and senior staff members hold a planning day to review the Strategic Objectives of the Association and to consider what events and objectives are likely to affect overall business performance.

12. Accounting Policies

The group's principal accounting policies are set out in pages 20 to 22 of the financial statements. The policies that are most critical to the financial results relate to accounting for housing properties and include capitalisation of costs; deduction of capital grant from the cost of assets; housing property depreciation and the treatment of shared ownership properties.

There are no changes to the policies used in last year's Annual Financial Statements however for the sake of transparency and clarity additional narratives have been added to Note 1 on Taxation and the treatment of Shared Ownership Properties.

13. Going Concern

The Annual Financial Statements are prepared under the basis of a going concern. The use of the going concern basis of accounting is appropriate because there are no material uncertainties related to events or conditions that may cast significant doubt about the ability of the company to continue as a going concern. See section C, Statement of Going Concern.

14. Credit Payment Policy

RSHA's policy concerning the payment of its trade creditors complies with the Confederation of British Industry guidelines. The average payment period is within thirty days.

15. Employment Involvement and Health and Safety

RSHA takes seriously its responsibilities to employees and as a policy, provides employees with information on matters of concern to them. It is also the policy of the Association to consult, where practical, employees or their representatives so that their views may be taken into account in making decisions likely to affect their interests.

16. Disabled Employees

Applications for employment by disabled persons are given full and fair consideration for all vacancies in accordance with their particular aptitudes and abilities. In the event of employees becoming disabled, every effort would be made to retrain them in order that their employment with the Association may continue.

It is RSHA's policy that training, career development and promotion opportunities should be available to all employees.

17. Committee and Executive Officers' Insurance

RSHA has purchased and maintains insurance to cover its Committee and Officers against liabilities in relation to their duties on behalf of the Association as authorised by the Association's rules.

18. AGM

The annual general meeting will be held on Wednesday 15 September, at the Bridgend Hotel Callender.

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

B – YEAR'S BUSINESS AND PERFORMANCE REVIEW

1. Key Principles

Clauses 2, 3 and 4 of the Rules set out the charitable objects, as follows:

- Provide for the relief of those in need by reason of age, ill health, disability, financial hardship or other disadvantages through the provision, construction, improvement of land and accommodation.
- Undertake any activity allowed under Section 58 of the Housing (Scotland) Act 2001 (as amended by the Housing (Scotland) Act 2006) which is charitable.
- The permitted activities and powers include anything which is necessary or expedient to help us achieve these objectives.

As a landlord we have regard for the requirement of public accountability, use any money we receive carefully and properly and consider the welfare of the people who live in the properties we manage.

2. Objectives and Strategy

RSHA's overall aim is to provide and manage high quality, affordable homes achieved through the following objectives, to:

- Provide housing and associated services for people with a wide range of needs.
- Provide the highest quality housing and related services to our customers.
- Develop to the highest standards in an innovative, sympathetic and sustainable manner.
- Seek to take account of the views of our customers and the rural communities where we work and to work in partnership with them and other agencies to achieve our objectives.
- Prudently manage the affairs of the Association and protect our assets over the longer term.
- Provide equal opportunities in all of our activities.

From the Committee's annual strategic meeting a revised 3 Year Internal Management Plan is prepared with an Action Plan against which performance can be measured against agreed targets. The Committee of Management receives regular reports on progress in achieving these objectives.

3. Risks and Uncertainties

Risks that may prevent the Association achieving its objectives are considered and reviewed annually by the Committee as part of the corporate planning processes. The risks are recorded and assessed in terms of their impact and probability. The major risks to successful achievement of the Association's objectives going forward are considered below.

Business Area	Summarised Risk	Action to Mitigate Risk
Development	Affordable Housing Investment Reform Project, and/or increased competition from others, resulting in restricted future growth and the ability to influence new supply.	Track record as developer and existing relationship with HIDE and Council. Development policies and procedures. Ability to fund programme.
Development	Development restricted due to amount of HAG available or the basis upon which it is calculated.	Joint working around the SHIP and pressured area designation. Review feasibility of all existing and proposed schemes and factor into forward financial projections
Finance	Changes in economy and banking system impact on availability of loan finance.	Environment scanning and continued relationships with multiple lenders.
Corporate	Major Incident resulting in loss of office.	Insurance; Business Continuity Plan; Fire, Security and Health & Safety checks and arrangements; Reciprocal agreement with another RSL.
Development & Corporate	Sudden or unplanned loss of Agency Services.	Agency Services Agreement; Liaison with Senior Agency staff when issues arise; Responsibility of agent to ensure continuity of service.

4. Finance

The Association reported a surplus of £195k during the year, transferred £15k to the retained reserves and the Net Assets base rose to £2,039k.

The financial performance over the past five years is analysed in Table 1, on page 11.

Rent loss from voids
The target for the year was to keep voids below 0.50% of rental income receivable, and the actual is 0.33%.

Rent loss from bad debts
The target for the year was to keep bad debts below 0.8% of rental income receivable, and the actual is 0.0%.

Overall rent collection
Net arrears (arrears less prepayments) have decreased as at 31 March 2010 and when combined with the positive variances from the above, produces a rent collected in the year of 99.7% which is slightly higher than the target of 98.8%. Outstanding net arrears at the year end represents 0.7% of the total rent roll (2009 – 1.0%).

5. Housing Properties

At 31 March 2010, the Association owned 471 housing units. The properties are carried at the historic cost of £36m (2009 - £35m) which nets off to £7.0m (2009 - £6.9m) after depreciation and capital grants. Housing units are funded by Social Housing Grant, loans and working capital.

Last financial year, a valuation for 127 units was carried out for the purpose of securing loan finance. When this professional valuation was extrapolated across the whole stock a value in use of £12.1m was indicated.

6. Capital Structure and Treasury Policy

The Association borrowed £0.50m during the year from the Royal Bank of Scotland to develop social housing, taking the borrowings at the year end to £5.9m. At the reporting date a further £0.5m of this faculty was still to be drawn down. Since the reporting date a further facility has been negotiated with the Royal Bank for £3m.

The Association borrows from banks and building societies in accordance with the Treasury Policy approved by the Committee. MURJA Structured Finance & Risk Management is used to ensure that all the products in the market are considered and to assist in the administration process of securing loans. In this way RSHA manages its borrowing arrangements to ensure that it is always in a position to meet its financial obligations as they fall due, whilst minimising excess cash and liquid resources held.

The Association, as a matter of policy, does not enter into transactions of a speculative nature and fixes rates of interest through embedded rates within loans. At 31 March 2010, the mix of variable and fixed ratio was 78%:22% which is out of kilter with the Treasury Management Policy which sets a guideline ratio of 50:50.

7. Cash Flows

Cash inflows and outflows during the year are shown in the Cash Flow Statement (page 18).

The cash inflow from operating activities increased this year to £587k (2009 - £456k), a net £61k (2009 - £876k) was spent acquiring assets which was funded by net loans draw down of £274k (2009 – £607k). The net cost of financing was £140k (2009 - £262k) and the Net debt moved from £5,505k in 2009, to £5,119k.

At the reporting date £23k was due from the Scottish Government, this was paid in April.

8. General Reserves Policy

The Committee has reviewed the reserves of the Association. This review encompassed the nature of the income and expenditure streams, the need to match variable income with fixed commitments, and the nature of the reserves.

The reserves, of £2.0m, are made up of three different types:

- Designated Reserves, which represent a commitment to expenditure in the future.
- Ordinary Risk Reserves, which represents the extent to which the Association can carry the effect of an adverse event and not impact on the Revenue Reserve Surplus.
- The Revenue Reserves, which represent the amount of the Net Asset Base which is not encumbered by either future commitments or the likelihood of an adverse event.

The Committee are satisfied that the level of all the various reserves are commensurate with the purposes for which they exist.

Details of the actual reserves and the associated amounts are in Notes 1 to 23.

9. Donations

RSHA donated £6.2k (2009 - £nil) to charitable organisations and made no political donations.

10. Development and Sale of Properties

During the reporting year the Association spent £1.6m (2009 - £2.2m), of which £1.4m (2009 – £1.5m) is funded by grants received from the Housing and Investment Division of the Scottish Government, creating 14 new social housing units.

The Association sold a 50% tranche of a Shared Ownership property in the year, thereby allowing tenants to move closer to their aspiration of becoming home owners.

During the year the Association wrote down the value of the project at Station Wynd, Doune by £206k to the recoverable amount. At the reporting date it is not certain that this project will go ahead due to a lack of HAG funding.

In the year ending 31 March 2011, it is expected that the Association will spend £4.5m on the development of new properties funded by £2.5m HAG. This represents bringing 31 units into management.

11. Asset Management (Property Maintenance)

RSHA seeks to maintain its properties to the highest standard. To this end it carries out repairs in three distinct time frames:

- Routine Maintenance, which is carried out within days of notification, expenditure in the year was £128k (2009 - £113k)
- A programme of cyclical repairs carried out in the medium term to deal with the gradual and predictable deterioration of building components. Expenditure in the year was £96k (2009 - £46k)
- A long-term programme of Major Repairs for the replacement or repair to components which have come to the end of their economic lives or are required by legislative changes. Expenditure in the year was £71k (2009 - £284k).

The cost of all repairs is charged to the Income and Expenditure Account unless, in the case of major repairs, it is agreed they could be capitalised within the terms outlined in the SORP. There was no capitalisation in the year.

Overall times for reactive maintenance met were 96.7% (2009 – 94.7%) and customer satisfaction returns gave a 95.0% expression of satisfaction (2009 – 95.5%).

The Committee is confident that the necessary funds will be available in the future to cover the Association's commitments under the Scottish Housing Quality Standards.

12. Customer Services

The Association's Rent Policy is a points system based on the size, type and facilities of the accommodation which ensures that the rent structure is easy to administer and covers the wide variations within the properties. This policy follows the generally accepted practice/principles of the Voluntary Housing Movement.

Work continues on reducing the period of time taken to re-let or let new properties to ensure that we maximise our effectiveness in housing people in need and reduce our costs. However, the average time taken to re-let or let a new property has decreased to 10 days (2009 – 11 days).

Every 5 years, an independent Tenant Satisfaction Survey is carried out. All tenants receive a regular newsletter.

13. Staff Performance Management

High quality personnel are seen as an essential part of the control environment and, the ethical standards expected are communicated through the Director. Service delivery is underpinned by staff performance and continues to be a high priority.

The staff attendance for the year is 99.1% (2009 – 98.9%).

During the year the Association applied for the Investors In People award and was successful.

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

Table 1 – Group Highlights – Five Year Historical Summary

For the Year Ended 31 March	2010	2009	2008	2007	2006
	£'000	£'000	£'000	£'000	£'000
Income & Expenditure Account					
Total Turnover	1,576	1,437	1,324	1,249	1,120
Social Lettings Income	1,472	1,368	1,300	1,191	1,120
Operating Surplus	306	279	435	512	414
Surplus for the year (before tax)	**195**	**60**	**142**	**265**	**204**
Balance Sheet					
Net Housing Properties	7,050	6,944	6,401	6,211	5,924
Other Fixed Assets	169	177	179	177	180
Fixed Assets	7,219	7,121	6,580	6,388	6,104
Net Current Assets	450	182	132	(153)	73
Total Assets less Current Liabilities	7,669	7,303	6,712	6,235	6,177
Long Term Loans	5,630	5,459	4,924	4,588	4,730
Net Assets	**2,039**	**1,844**	**1,788**	**1,647**	**1,447**
Reserves					
Designated Reserves	1,593	1,338	1,314	1,202	1,003
Risk Reserves	132	207	207	207	207
Accumulated Surplus	314	299	267	238	237
	2,039	**1,844**	**1,788**	**1,647**	**1,447**
Housing Stock	**471**	**457**	**450**	**423**	**425**
Statistics					
Surplus for year as % of turnover	12.4%	4.0%	10.7%	21.2%	18.2%
Surplus for year as % of Social Lettings income	13.3%	4.2%	10.9%	22.3%	18.2%
Rent loss from Voids and Bad Debts in the year	0.33%	0.25%	0.5%	0.7%	2.1%
Rent Collected in terms of rent collectable in the year	99.7%	100.6%	99.7%	97.0%	97.4%
Liquidity (current assets/current liabilities)	1.5/1	1.5 / 1	1.4 /1	0.8 / 1	1.1 / 1
Gearing (total loans as % of capital grants plus reserves)	16.9%	19.6%	18.6%	17.6%	19.7%

C - STATEMENT OF GOING CONCERN

Through the Executive officers the Committee has reviewed and discussed the various aspects of the Association as a Going Concern and its liquidity. The review covered the following items

- The Annual Budget including Cashflow to 31 March 2011
- The 5 Year Viability Plan including Cashflow to 31 March 2015 that is required by the regulator
- The 30 Year Plan including Cashflow to 2040

Based on these documents and the following facts;

- There is no sign of impairment of the housing stock through increased voids,
- 93.1% of the turnover is rent related,
- 6.8% of the turnover is Grants from the Scottish Ministers,
- There is a development programme backed by the Scottish Government ,
- The Association does not trade abroad,
- The Association has negotiated £3m loan facility with the RBS,
- The Reserves of Association are over £2m.

The Committee has no reason to believe that Association will not still be a Going Concern well beyond 12 months from the signing date of these Annual Financial Statements.

D– STATEMENT OF INTERNAL FINANCIAL CONTROLS

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

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

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

- Formal policies and procedures are in place, including the documentation of key systems and rules relating to the delegation of authorities, which allow the monitoring of controls and restrict the unauthorised use of the Association's assets.

- Experienced and suitably qualified staff to take responsibility for important business functions. Annual appraisal procedures have been established to maintain standards of performance.

- Forecasts and budgets are prepared which allow the Committee and management to monitor the key business risks and financial objectives and progress towards financial plans set for the year and the medium term; regular management accounts are prepared promptly, providing relevant, reliable and up-to-date financial and other information and significant variances from budgets are investigated as appropriate.

- All significant new initiatives, major commitments and investment projects are subject to formal authorisation procedures, through relevant sub-committees.

- The Committee reviews reports from management, from the internal auditors and from the external auditors to provide reasonable assurance that control procedures are in place and are being followed. This includes a general review of the major risks facing the Association.

Formal procedures have been established for instituting appropriate action to correct weaknesses identified from the above reports.

The Committee has reviewed the effectiveness of the system of internal financial controls that exist in the Association for the year ended 31 March 2010 and until the date of signing of the financial statements. No weaknesses were found in internal financial controls which resulted in material losses, contingencies, or uncertainties which require disclosure in the financial statements or in the auditors' report on the financial statements.

D – AUDITOR

It is the Committee's intention to tender for external audit services for Financial Statements for the year ended 31 March 2010, prior to the AGM to be held on 15 September 2010, and to make a recommendation on the appointment of Auditors to the AGM. This action is in line with good practice as the contract with the current auditors, Alexander Sloan, ends with the auditing of these Financial Statements. Alexander Sloan will be invited to tender.

By order of the Committee

Margaret Beaton

M Beaton
Secretary

Date 4 August 2010

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF RURAL STIRLING HOUSING ASSOCIATION LIMITED FOR THE YEAR ENDED 31 MARCH 2010

We have audited the financial statements of Rural Stirling Housing Association Limited for the year ended 31st March 2010 which comprise an income and expenditure account, balance sheet, cash flow statement and related notes. These financial statements have been prepared in accordance with the accounting policies set out therein.

This report is made solely to the Association's members, as a body, in accordance with Section 9 of the Friendly 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 auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Association and the Association's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective Responsibilities of Management Committee and Auditors

As described in the Statement of Management Committee's Responsibilities the Association's Management Committee are responsible for the preparation of the Financial Statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

We report to you our opinion as to whether the Financial Statements give a true and fair view and are properly prepared in accordance with the Industrial and Provident Societies Act 1965 to 2002, the Housing (Scotland) Act 2001 and the Registered Social Landlords Accounting Requirements (Scotland) Order 2007. We also report to you if, in our opinion, the Management Committee's Report is 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 Management Committee's remuneration and 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 judgments made by the Management Committee in the preparation of the Financial Statements, and of whether the accounting policies are appropriate to the Association's circumstances, consistently applied and adequately disclosed.

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

Opinion
In our opinion the Financial Statements:

- give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice of the state of the Association's affairs as at 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, the Housing (Scotland) Act 2001 and the Registered Social Landlords Accounting Requirements (Scotland) Order 2007.

In our opinion, the information given in the Management Committee's Report is consistent with the financial statements.

Corporate Governance Matters
In addition to our audit of the Financial Statements, we have reviewed your statement on page 12 concerning the Association's compliance with the information required by the section on Internal Financial Control within SFHA's publication "Raising Standards in Housing".

Basis of Opinion
We carried out our review having regard to the requirements relating to corporate governance matters within 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 Control on page 12 has provided the disclosures required by the section on Internal Financial Control within SFHA's publication "Raising Standards in Housing" and is consistent with the information which came to our attention as a result of our audit work on the Financial Statements.

Through enquiry of certain members of the Management Committee and Officers of the Company, and examination of relevant documents, we have satisfied ourselves that the Management Committee's Statement on Internal Financial Control appropriately reflects the Association's compliance with the information required by the section on Internal Financial Control within SFHA's "Raising Standards in Housing".

Alexander Sloan
Chartered Accountants & Statutory Auditors
4 August 2010

INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED 31 MARCH 2010

	Notes	2010	2009
		£'000	£'000
Turnover	2	1,576	1,437
Less: Operating costs	2	1,270	1,158
Operating surplus – continuing activities	2	306	279
Gain on sale of fixed assets	14	29	43
Interest receivable	7	-	9
Interest payable	8	(140)	(271)
Surplus on ordinary activities before taxation		195	60
Corporation tax on surplus on ordinary activities	9	-	(4)
Surplus for the year		195	56

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.

There is no difference between the surplus on ordinary activities for the year and the retained surplus for the year stated above and their historical cost equivalents.

The notes on pages 19 to 35 form part of these financial statements.

BALANCE SHEET AS AT 31 MARCH 2010

	Notes	2010 £'000	2009 £'000
Tangible Fixed Assets			
Housing properties – depreciated cost	13	35,294	33,815
Less: Grants	13	28,244	26,871
		7,050	6,944
Other Fixed Assets	15	169	177
		7,219	7,121
Current Assets			
Debtors	16	104	360
Investments	17	1,238	137
Cash at bank and in hand		47	46
		1,389	543
Creditors: amounts falling due within one year	18	(939)	(361)
Net Current Assets/ (Liabilities)		450	182
Total Assets less Current Liabilities		7,669	7,303
Creditors: amounts falling due more than one year	19	(5,630)	(5,459)
		2,039	1,844
Capital and Reserves			
Share Capital	20	-	-
Designated Reserves	21	1,593	1,338
Risk Reserves	21	132	207
Revenue Reserves	21	314	299
		2,039	1,844

The financial statements on pages 16 to 35 were approved and authorised for issue by the Committee on 4 August 2010 and were signed on its behalf by:

O McKee .... **(Chairman)**

D Frood .... **(Vice Chairman)**

M Beaton Margaret Beaton .... **(Secretary)**

Date: **4 August 2010**

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2010

	Notes	2010 £'000	2009 £'000
Net Cash Flow from operating activities	A	**587**	456
Returns on investment and servicing of finance:			
Interest received		-	9
Interest paid		**(140)**	(271)
Net Cash (Outflow) from returns of investment and servicing of finance		**(140)**	(262)
Taxation:			
Tax paid		-	(4)
Grant received		-	51
Net Cash Inflow/(Outflow) from taxation		-	47
Capital Expenditure:			
Acquisition and construction of properties		**(1,837)**	(2,348)
Purchase of other fixed assets		**(1)**	(8)
Capital grants received		**1,721**	1,403
Sales of properties		**56**	77
Net Cash Outflow from capital expenditure		**(61)**	(876)
Net Cash Inflow/(Outflow) before use of liquid resources and financing		**386**	(635)
Management of liquid resources			
Money market account movement		**(1,101)**	10
Financing:			
Loans received		**500**	750
Loans repaid		**(226)**	(143)
Shares issued		-	-
Shares cancelled		-	-
Net Cash (Outflow)/Inflow from financing		**274**	607
Increase/(Decrease) in cash	B	**(441)**	(18)

NOTES TO STATEMENTS OF CASH FLOW FOR THE YEAR ENDED 31 MARCH 2010

A Reconciliation of Operating Surplus to Net Cash Inflow from Operating Activities

	2010	2009
	£'000	£'000
Operating Surplus for the Year	**306**	279
Depreciation	**142**	138
Impairment charge	**206**	-
Decrease/(Increase) in debtors	**(50)**	26
(Decrease) in creditors	**(17)**	13
Net Cash Inflow from operating activities	**587**	456

B Reconciliation of Net Cashflow to Movement in Net Debt

	2010	2009
	£'000	£'000
Increase in bank overdraft in the year	**(442)**	(9)
Increase/(decrease) in cash in year	**1**	(9)
Cash flow from increase/(decrease) in liquid resources	**1,101**	(10)
Cash (Inflow) from debt finance	**(500)**	(750)
Cash Outflow from debt finance	**226**	143
Change in net debt	**386**	(635)
Net debt at 1 April 2009	**(5,505)**	(4,870)
Net debt at 31 March 2010	**(5,119)**	(5,505)

C Analysis of Changes in Net Debt

	At 01.04.09 £'000	Cash Flows £'000	**At 31.03.10 £'000**
Cash in hand and at bank	46	1	**47**
Overdrafts	(46)	(442)	**(488)**
Money market account	137	1,101	**1,238**
Debts due within 1 year	(183)	(103)	**(286)**
Debts due after 1 year	(5,459)	(171)	**(5,630)**
Total	(5,505)	386	**(5,119)**

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

1. Principal Accounting Policies

Basis of Accounting

The Financial Statements have been prepared in accordance with applicable Accounting Standards, the Statement of Recommended Practice - Accounting by Registered Social Landlords 2008, and on the historical cost basis. They also comply with the Registered Social Landlords Accounting Requirements (Scotland) Order 2007. A summary of the more important accounting policies is set out below.

Turnover

Turnover represents rental and service charge income, income from the sale of properties, fees and revenue based grants receivable from local authorities and from The Scottish Housing Regulator. Tenant service charges are levied on a basis intended to cover appropriate service costs each year.

Liquid Resources

Liquid resources include cash at bank and short term deposits.

Retirement Benefits

The Association participates in the S.F.H.A. Defined Benefits 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 in accordance with periodic calculations by consulting Actuaries and are based on pension costs applicable across the various participating Associations taken as a whole.

Private Finance

Private Finance loans are advanced by private lenders under the terms of individual mortgage deeds in respect of each property. Advances are available only in respect of those developments, which have been given approval for Social Housing Grant (SHG) by Scottish Ministers.

Tangible Fixed Assets - Housing Properties (Note 13)

Housing properties for let are stated at cost, less social housing and other grants and less accumulated depreciation. The cost of Shared Ownership properties is shown net of the income from the sales of first tranches. The development costs of housing properties funded with traditional SHG or under earlier funding arrangements include the following:

- Cost of Acquiring Land and Buildings.
- Development Expenditure.
- Interest and Other Costs Charged on the Mortgage Loans Raised to Finance the Scheme.

Development expenditure includes development administration costs incurred directly in relation to construction or acquisition of the property up to the value of the revenue grant received. Costs in excess of this grant are included in the operational costs of the Association.

From 31 March 2001, development expenditure on completed properties also includes accruals for retentions, fees and other appropriate costs.

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.

Social Housing Grant (Note 13)

For schemes developed under the terms of the 1988 Housing Act, SHG is paid directly to the Association as required, to meet its liabilities during the development process. SHG is repayable under certain circumstances primarily following the sale of property, but will normally be restricted to net proceeds of sale. SHG received is deducted from the cost of Housing Properties in the balance sheet. Where SHG has been received in respect of revenue expenditure, it is credited to the Income & Expenditure Account in the same period as the expenditure to which it relates.

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

Tax (Note 9)

The Association is recognised by HMRC as a charity for taxation purposes. This results in no liability to corporation tax in the year.

Other Grants (Note 13)

Grants received from other bodies are included in the total of grants deducted from the cost of Housing Properties on the Balance Sheet.

Depreciation (Notes 13 & 15)

Freehold land is not depreciated. Depreciation is charged so as to write down the cost (net of social housing and other grants) of housing properties other than freehold land to their estimated residual value on a straight line basis over their expected useful economic lives at an annual rate of 2%.

The Association charges depreciation on its heritable property so as to write down the costs other than freehold land to their estimated residual value on a straight line basis over their expected economic lives at a rate of 2% per annum.

To establish the value of the freehold land, the Association commissioned a report from I & H Murning Associates to provide open market valuations on the land acquired at the date construction was started. The valuations were undertaken by a qualified valuer in accordance with the Royal Institution of Chartered Surveyors Appraisal and Valuation Manual.

Other fixed assets are depreciated over their estimated useful lives, using the following rates and methods:

Furniture and fittings	10% Straight Line
Office equipment	20% Straight Line
Information technology	33 1/3 % Straight Line
Motor vehicle	25% Straight Line

Sales of Housing Properties

First tranche Shared Ownership disposals are credited to turnover on completion, the cost of construction of these sales is taken to operating cost. Disposals of subsequent tranches are treated as fixed asset disposals with the gain or loss on disposal shown in the income and expenditure account, in accordance with the Statement of Recommended Practice.

Disposals of housing property under the Right to Buy scheme is treated as a fixed asset disposal and any gain and loss on disposal accounted for in the income and expenditure account.

Disposals under shared equity schemes are accounted for in the income and expenditure account. The remaining equity in the property is treated as a fixed asset investment, which is matched with the grant received.

Property Development Cost

The proportion of the development cost of shared ownership properties expected to be disposed as a first tranche sale is held in current assets until it is disposed off. The remaining part of the development cost is treated as a fixed asset. Surpluses made on the disposal of first tranche sales are taken to the income and expenditure account in accordance with the Statement of Recommended Practice.

Property developments that are intended for resale are included in current assets until disposal.

Operating Leases (Notes 23)

Costs in respect of operating leases are charged to the Income and Expenditure Account on a straight line basis over the lease term.

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

Designated Reserves (Note 21)

Designated reserves will be transferred back in future periods to match expenditure charged to the income and expenditure account.

- **Future Cyclical Repairs and Maintenance**

  Transfers are made to this fund in recognition of its future liabilities in relation to expected future cyclical repairs. Actual expenditure will be charged to the Income and Expenditure account as it occurs and transfers to this reserve made as and when necessary.

- **Major Repairs**

  Transfers are made to the reserve for component replacement based on a life cycle model using The Scottish Housing Regulator established allowances for Social Housing Grant funded schemes.

- **Service Equalisation Fund**

  This fund represents the Association's commitment to provide service items funded through yearly income streams in periods in the future. In years where the expenditure is greater than the income a transfer will be made from this fund.

- **Equipment Replacement Fund**

  This fund represents the Association's commitment to replace furniture and equipment funded through yearly income streams in periods in the future. In years where the expenditure is greater than the income a transfer will be made from this fund.

Ordinary Risk Reserves (Note 21)

These reserves represent potential calls on the Association's resources.

- **Office Accommodation Reserve**

  The Association had set aside funds to provide for sufficient funds to increase the capacity of the Association's office in Doune.

- **Acquisition & Development Reserve**

  The reserve is designated to set aside funds to purchase sites for future development earlier than the receipt of relevant funding from The Scottish Housing Regulator. It is also maintained to cover unforeseen development costs not specifically covered by insurance or other sources of income.

- **Interest Fluctuation Reserve**

  Some loans borrowed to finance properties constructed are at variable interest rates. The Association considers that a reserve is required to cover the increase in interest repayments resulting from a rise of two per cent per annum. This reserve could be used to meet the costs which would be incurred if the Association decided to convert some of its existing variable loans to fixed interest.

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

2. Particulars of Turnover, Operating Costs and Operating Surplus or Deficit

	2010			2009
	Turnover	Operating Costs	Operating Surplus/ (Deficit)	Operating Surplus/ (Deficit)
	£'000	£'000	£'000	£'000
Social lettings	1,472	898	574	359
Other activities	104	372	(268)	(80)
Total 2010	1,576	1,270	306	279
Total 2009	1,437	1,158	279	435

3.Particulars of Turnover, Operating Costs and Operating Surplus or Deficit from Social Letting Activities

	2010			2009
	General Needs Housing £'000	Shared Ownership Housing £'000	Total £'000	Total £'000
Rent receivable net of service charges	1,386	56	1,442	1,335
Service charges	30	-	30	30
Gross income from rents and service charges	1,416	56	1,472	1,365
Less voids	5	-	5	3
Net income from rents and service charges	1,411	56	1,467	1,362
Grants from the Scottish Ministers	4	-	4	4
Other	1	-	1	2
Subtotal – Non-rental income	5	-	5	6
Total turnover from social letting activities	1,416	56	1,472	1,368
Management and maintenance admin costs	396	20	416	386
Service costs	50	-	50	53
Planned & cyclical maintenance including major repairs	167	-	167	330
Reactive maintenance costs	128	-	128	113
Bad debts – rents and service charges	4	-	4	-
Depreciation of social housing	131	2	133	127
Total operating costs for social letting activities	876	22	898	1,009
Operating Surplus /(Deficit) for social lettings	540	34	574	359
Comparative Figures for 2009	328	31	359	

There is no other accommodation except for General Needs and Shared Ownership.

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

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

	2010								2009
	Grants from Scottish Ministers	Other Revenue Grants	Supporting People Income	Other Income	Total Turnover	Operating Costs Bad Debts	Other Operating Costs	Operating Surplus/ (Deficit)	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Wider role activities undertaken to support the community	18	-	-	-	18	-	27	(9)	(5)
Impairment charge – housing properties under construction	-	-	-	-	-	-	206	(206)	-
Development and construction of property activities	86	-	-	-	86	-	139	(53)	(75)
Total from other activities	104	-	-	-	104	-	372	(268)	(80)
Total from other activities from 2009	69	-	-	-	69	-	149	(80)	

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

5. Housing Stock

		2009 (Units)	Additions (Units)	Disposals (Units)	**2010 (Units)**
The number of units of accommodation in management at the year end was:					
General Needs	– New Build	420	14	-	**434**
	– Rehabilitation	7	-	-	**7**
Shared Ownership		30	-	-	**30**
		457	14	-	**471**

6. Surplus for Year

Surplus for year is stated	**2010 £'000**	2009 £'000
After charging:		
Depreciation	**142**	138
Operating lease rental – Plant and machinery	**3**	3
External auditors' remuneration	**6**	6
Impairment charge	**206**	-
And including:		
Gain on disposal of fixed assets	**29**	43

7. Interest receivable and Similar Income

	2010 £'000	2009 £'000
Bank deposit interest	**-**	9

8. Interest Payable and Similar Charges

	2010 £'000	2009 £'000
Interest payable	**140**	271

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

9. Taxation

	2010	2009
	£'000	£'000
a) Analysis of charge in period		
Current tax	-	
UK corporation tax on profits of the period	-	-
Adjustments in respect of previous periods	-	4
Total current tax (note 9(b))	-	4
Deferred tax:	-	
Origination and reversal of timing differences	-	-
Tax on surplus on ordinary activities	-	4
(b) Factors affecting tax charge for period		
The tax assessed for the period is higher		
The differences are explained below		
Tax on surplus on ordinary activities at standard at rate of 21 % (2008 – 20%)	-	-
Effects of:		
Adjustment in respect of previous periods	-	4
Gain on sale of fixed asset	-	-
Capital gains	-	-
Profits not chargeable to corporation tax	-	-
Depreciation in excess of capital allowances	-	-
	-	4

The Association is recognised by HMRC as a charity for taxation purposes. This results in no liability to corporation tax in the year.

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

10. Officers' Emoluments

The Officers are defined in s74 of the Industrial & Provident Societies Act 1965 as the members of the Management Committee, managers or servants of the Association.

No officer of the Association received emoluments greater than £60,000.

	2010 £'000	2009 £'000
Emoluments payable to Chief Executive (excluding pension contributions)	50	45

11. Employees

	2010 £'000	2009 £'000
Salaries	225	238
Social Security costs	16	17
Pension costs	34	36
	275	291

	No.	No.
Average monthly number of employees (Full Time Equivalent)	9.0	8.9

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

12. Pensions

Scottish Federation of Housing Associations Pension Scheme

Rural Stirling Housing Association Limited participates in the SFHA Pension Scheme. The SFHA Pension Scheme is a multi-employer defined benefit scheme. The Scheme is funded and is contracted out of the state scheme.

The Scheme offers three benefit structures to employers, namely:

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

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 1/60th accrual rate benefit structure for active members as at 31 March 2008 and the final salary with a 1/60th accrual rate, benefit structure for new entrants from 1 April 2008.

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

The actuarial valuation assesses whether the Scheme's assets at the valuation date are likely to be sufficient to pay the pension benefits accrued by members as at the valuation date. Asset values are calculated by reference to market levels. Accrued pension benefits are valued by discounting expected future benefit payments using a discount rate calculated by reference to the expected future investment returns.

During the accounting period, 9 employers paid contributions at the rate of 15.4%. Member contributions were 7.7%.

As at the balance sheet date, there were 9 active members of the Scheme employed by the Association. The Association continues to offer membership of the Scheme to its employees.

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

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

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%. Annual funding updates of the SFHA Pension Scheme are carried out using approximate actuarial techniques rather than member by member calculations, and will therefore not produce the same results as a full actuarial valuation. However they will provide a good indication of the financial progress of the scheme since the last full valuation.

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

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

12. Pensions - Cont

The financial assumptions underlying the valuation as at 30 September 2006 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	2.25
(for leavers before 1 October 1993 pension increases are 5.0%)	
Rate of price inflation	2.6

The valuation was carried out using the PA92C2025 short cohort mortality table for non-pensioners and PA92C2013 short cohort mortality table for pensioners. The table below illustrates the assumed life expectancy in years for pension scheme members at age 65 using these mortality assumptions:

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

The long-term 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 per annum)
Final salary 60ths	17.8
Career average 60ths	14.6
Career average 70ths	12.6

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

Following consideration of the results of the valuation it was agreed that the shortfall of £54 million would be dealt with by the payment of additional contributions of 5.3% of pensionable salaries per annum with effect from 1 April 2008. It is the Scheme policy that the joint contribution rate payable is split between employers and members in the ratio 2:1. Accordingly the joint contribution rates from 1 April 2008 for each of the benefit structures is:

Benefit structure	Joint contribution rate (% of pensionable salaries per annum)
Final salary 60ths	23.1 - comprising employer contributions of 15.4% and member contributions of 7.7%
Career average 60ths	19.9 - comprising employer contributions of 13.3% and member contributions of 6.6%
Career average 70ths	17.9 - comprising employer contributions of 11.9% and member contributions of 6.0%

A small number of employers that have closed the Scheme to new entrants are required to pay an additional employer contribution loading of 3.5% to reflect the higher costs of a closed arrangement.

If the valuation assumptions are borne out in practice, this pattern of contributions should be sufficient to eliminate the past service deficit, on an on-going funding basis, by 31 March 2020.

A copy of the recovery plan, setting out the level of deficit contributions payable and the period for which they will be payable, must be sent to the Pensions Regulator. The Regulator has the power under Part 3 of the Pensions Act 2004 to issue scheme funding directions where 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 scheme liabilities and hence impact on the recovery plan) or impose a schedule of contributions on the Scheme (which would effectively amend the terms of the recovery plan). The Regulator has reviewed the recovery plan for the SFHA Pension Scheme and confirmed that, in respect of the September 2006 actuarial valuation, it does not propose to issue any scheme funding directions under Part 3 of the Pensions Act 2004.

The current triennial valuation, as at 30 September 2009, is being undertaken by a professionally qualified actuary. The provisional results of this valuation were issued by the SFHA Pension Scheme in May 2010. These figures show that the deficit on the scheme has increased from £53.6million to £160million. The funding level of liabilities, based on these figures, would be 64.8% (2006 – 83.4%).

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

12. Pensions - Cont

As a result of this valuation the total contribution rate must increase on average by 7% of pensionable earnings for all existing benefit options structures from April 2011.

Contingent Liability if Rural Stirling ceases to participate in the Scheme

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

The leaving employer's share of the buy-out debt is the proportion of the 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.

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

13. Tangible Fixed Assets – Housing Properties

	Completed Properties		Under Construction	
	Held for Let	Shared Ownership	Held for Let	Total
	£'000	£'000	£'000	£'000
COST				
At 1 April 2009	31,731	1,308	1,569	34,608
Additions	4	-	1,866	1,870
Transfers	1,572	-	(1,572)	-
Disposal	-	(27)	-	(27)
Adjustments	(25)	-	-	(25)
At 31 March 2010	**33,282**	**1,281**	**1,863**	**36,426**
ACCUMULATED DEPRECIATION				
At 1 April 2009	748	45	-	793
Charge	131	4	-	135
Impairment charge	-	-	(206)	(206)
Disposals	-	(2)	-	(2)
At 31 March 2010	**879**	**47**	**(206)**	**926**
Depreciated Cost 31 March 2010	**32,403**	**1,234**	**1,657**	**35,294**
SHG				
At 1 April 2009	24,094	931	1,188	26,213
Received in year	-	-	1,414	1,414
Transfers	1,016	-	(1,016)	-
Repaid in year	-	(16)	-	(16)
At 31 March 2010	**25,110**	**915**	**1,586**	**27,611**
OTHER GRANTS				
At 1 April 2009	603	20	35	658
Received in year	-	-	-	-
Transfers	-	-	-	-
Repaid in year	-	-	-	-
Adjustment	(25)	-	-	(25)
At 31 March 2010	**578**	**20**	**35**	**633**
Total Grants 31 March 2010	**25,688**	**935**	**1,621**	**28,244**
Net Book Value at 31 March 2010	**6,715**	**299**	**36**	**7,050**
Net Book Value at 31 March 2009	6,286	312	346	6,944

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

14. Properties Sales

	Total £'000
Net proceeds	56
Less asset cost*	27
Accumulated depreciation	-
Net gain on sale	29

* Asset cost is the historical cost of the property net of the first tranche sale funds received.

15. Tangible Fixed Assets – Other Fixed Assets

	Furniture and Fittings £,000	Office Equipment £,000	Information Technology £,000	Motor Vehicles £,000	Heritable Property £,000	Let Property Furnishings £,000	Total £,000
Cost							
At 1.4.09	11	6	58	9	192	5	281
Additions	1	-	-	-	-	-	1
Disposals	-	-	-	-	-	-	-
At 31.3.10	12	6	58	9	192	5	282
Grants							
At 1.4.09	-	-	-	-	-	5	5
Received	-	-	-	-	-	-	-
At 31.3.10	-	-	-	-	-	5	5
Depreciation							
At 1.4.09	9	6	53	4	27	-	99
Charge for Year	1	-	3	2	3	-	9
Disposals	-	-	-	-	-	-	-
At 31.3.10	10	6	56	6	30	-	108
NBV at 31.3.10	2	-	2	3	162	-	169
NBV at 31.3.09	2	-	5	5	165	-	177

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

16. Debtors

	2010 £'000	2009 £'000
Amounts falling due within one year:		
Rental debtors	54	54
Less: Provision for bad debts	26	23
	28	31
SHG receivable	23	278
Other debtors	53	49
Prepayments and accrued income	-	2
	104	360

17. Cash on Deposit

	2010 £'000	2009 £'000
Short term deposits	1,238	137

18. Creditors – Amounts Falling Due Within One Year

	2010 £'000	2009 £'000
Housing loans (see Note 19)	286	183
Bank overdraft	488	46
Accruals and deferred income	27	32
Rent in advance	44	40
Trade creditors	52	35
Other creditors	42	25
	939	361

19. Creditors – Amounts Falling Due After More Than One Year

	2010 £'000	2009 £'000
Housing loans	5,630	5,459

Loans are secured by specific charges on the Association's properties and repayable at varying rates of interest (average 2.4%) in instalments due as follows, with the final instalment being due in March 2033:

	2010 £'000	2009 £'000
Due within 1 year:	286	183
Due within 1 to 2 years	278	179
Due within 2 to 5 years	796	573
Due after 5 years	4,556	4,707
Total	5,916	5,642

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

20. Called Up Share Capital

Allotted, issued and fully paid: ordinary shares of £1 each	**2010**	2009
	£	£
At 1 April	**346**	336
Issued in year at par	**12**	19
Cancelled in year at par	**71**	(9)
At 31 March	**287**	346

The shares were allotted to individuals wishing to become members.

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

21. Reserves

	At 1 April 2009	**Transfer to/(from) Revenue Reserves**	**At 31 March 2010**
	£'000	**£'000**	**£'000**
Designated reserves			
Future cyclical repairs	99	**1**	**100**
Major repairs reserve	1,193	**246**	**1,439**
Equipment replacement fund	46	**8**	**54**
	1,338	**255**	**1,593**
Risk reserves			
Office accommodation upgrade reserve	50	**-**	**50**
Acquisition and development reserve	75	**(75)**	**-**
Interest fluctuation reserve	82	**-**	**82**
	207	**(75)**	**132**
Total	1,545	**180**	**1,725**

Revenue Reserve	**£'000**
At 1 April	**299**
Surplus for the year	**195**
Transfer to Designated Reserves	**(255)**
Transfer from Risk Reserve	**75**
	314

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

22. Capital Commitments

	2010 £'000	2009 £,000
Capital expenditure that has been contracted for but has not been provided for in the financial statements	3,236	464

The amount contracted for at 31 March 2010 will be funded from grants approved by Scottish Ministers, financed from private loans or met from the Association's Reserves

23. Operating Lease Commitment

The payment, which the company is committed to make in the next year, under operating leases, are as follows:

	2010 £,000	2009 £'000
Expiry date: between one and five years	3	3

24. Legislative Provisions

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

25. Payments to Members and Committee Members

No member of the association received any fee or remuneration during the year.

I.Bell, M Beaton and F. Mitchell were members of the Committee and tenants of Rural Stirling Housing Association Limited. Each were issued with standard tenancy agreements and were awarded tenancies in line with the Association's Allocation Policy. Under the Committee Code of Conduct, no tenant members can use their position on the Committee to their own advantage.

One member is a local councillor. Transactions with this local authority are made at arm's length on normal commercial terms and they cannot use their position to their advantage.