

SPIRE VIEW HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS



FOR THE YEAR ENDED 31 MARCH 2010

Register of Friendly Societies No. 2295R(S)

Registered Housing Association No. HAC 136

Registered Charity No. SC033266

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

**SPIRE VIEW HOUSING ASSOCIATION LIMITED**

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

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**MANAGEMENT COMMITTEE, EXECUTIVES AND ADVISERS**

**Committee of Management**

Charlie Lunn	(Chairperson)
Tilly McIlroy	(Vice Chairperson)
Jean Lunn	(Secretary)
Alan Brown	(Treasurer)

May Duffy  
Madge Logan  
Frances McEwan  
May Brannan (deceased January 2010)  
Hannah Simpson  
William Tibbs  
Andrew Samson  
Brian Samson  
Christine Finigan (resigned January 2010)  
Frank Reilly (appointed October 2009)  
Marie McHugh (appointed October 2009)  
Geraldine Bain (appointed February 2010)

**Executive Officer**

Fiona Watson (Director)

**Registered Office**

43 Tharsis Street  
Roystonhill  
GLASGOW  
G21 2JF

**Auditors**

French Duncan LLP  
375 West George Street  
Glasgow  
G2 4LW

**Bankers**

Alliance & Leicester  
Bridle Road  
Bootle, Merseyside

Clydesdale Bank plc  
66 Queen Street  
Glasgow

Dunfermline Building Society  
Caledonia House, Carnegie Avenue  
Dunfermline

**Financial Consultants**

A.C. Davidson & Co.  
Dunskaithe Place  
Glasgow  
G34 0AZ

**REPORT OF THE MANAGEMENT COMMITTEE**

**FOR THE YEAR ENDED 31 MARCH 2010**

The Management Committee presents its 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 2295R(S). The Association is also a recognised charity. The Association is constituted under its rule book.

**Principal Activities**

The principal activities of the Association, are to provide good quality, affordable rented accommodation for those in housing need.

**Results**

The members of the Management Committee are of the opinion that the state of affairs of the Association is satisfactory. The surplus for the year was £65,801 (2009 – Surplus £128,863). Transfers to the designated reserves were £150,000 (2009 – £180,000). Net Assets now total £8,447,302 (2009 - £7,231,864). The revaluation of the properties added £1,149,635 to reserves.

**Changes in Fixed Assets**

Details of Fixed Assets are set out in Note 10.

**Management Committee and Executive Officers**

The members of the Management Committee and the Executive Officers are listed on page 1.

**Statement of Management Committee's Responsibilities**

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

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

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

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

The Management Committee confirms that the Financial Statements comply with the above requirements.

**REPORT OF THE MANAGEMENT COMMITTEE**

**FOR THE YEAR ENDED 31 MARCH 2010 (CONTINUED)**

In so far as the Management Committee are aware

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

**Related Party Transactions**

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.

**Raising Standards Guidance on Internal Financial Control and Financial Reporting**

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

**Internal Financial Control**

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

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

- the formulation of policies and approval procedures in the areas such as compliance, investment and treasury operations and capital expenditure
  
- a comprehensive system of budgeting, planning and financial reporting
  
- formal business risk reviews by management which consider the potential effects of risk and identify potential new risk
  
- internal audit reviews of the controls and processes from which formal reports are prepared
  
- the Management Committee considers significant control issues and receives regular reports from both the internal and external auditors
  
- external auditors report on any weaknesses in internal financial control identified during the course of their audits. These reports, together with the replies from management and details of measures taken as a consequence are reviewed by the Management Committee.

**REPORT OF THE MANAGEMENT COMMITTEE**

**FOR THE YEAR ENDED 31 MARCH 2010 (CONTINUED)**

**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 to re-appoint French Duncan LLP, Chartered Accountants, Glasgow, as auditors will be put to the members at the Annual General Meeting.

By Order of the Management Committee

  
\_\_\_\_\_  
Jean Lunn

1 September 2010

## REPORT OF THE AUDITORS TO THE MEMBERS OF

## SPIRE VIEW HOUSING ASSOCIATION LIMITED

## FOR THE YEAR ENDED 31 MARCH 2010

We have audited the Financial Statements on pages 7 to 26 which have been prepared under the historical cost convention and on the basis of accounting policies set out on pages 11 and 12.

This report is made solely to the Association's members as a body, in accordance with Section 9 of the Friendly and Industrial 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 Management Committee and Auditors**

As described on page 2, the Management Committee is responsible for the preparation of the Financial Statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice). It is our responsibility 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 company 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 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 Auditing Standards 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 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 of the state of affairs of the Association at 31 March 2010 and of its income and expenditure and cash flow for the year then ended; and give a true and fair view of the state of affairs of the Association at 31 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.

*French Duncan LLP*

FRENCH DUNCAN LLP  
Chartered Accountants  
Registered Auditor

375 West George Street  
Glasgow  
G2 4LW

1 September 2010

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

**SPIRE VIEW HOUSING ASSOCIATION LIMITED**

**FOR THE YEAR ENDED 31 MARCH 2010**

In addition to our audit of the Financial Statements, we have reviewed your Statement on pages 3 and 4 concerning the Association's compliance with the paragraphs of the Internal Financial Control section within the Scottish Federation of Housing Association's publication "Raising Standards in Housing".

**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 perform the additional work necessary to, and we do not, express any opinion on the effectiveness of either the Association's system of internal financial control or its corporate governance procedures.

**Opinion**

In our opinion the statement on internal financial controls on pages 3 and 4 has provided the disclosures required by the Internal Financial Control section within the Scottish Federation of Housing Association's publication "Raising Standards in Housing" and 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  
1 September 2010



## INCOME AND EXPENDITURE ACCOUNT

FOR THE YEAR ENDED 31 MARCH 2010

	Notes	2010 £	2009 £
TURNOVER	2	1,369,330	1,382,150
Operating costs	2	<u>(1,118,286)</u>	<u>(1,034,859)</u>
OPERATING SURPLUS/(DEFICIT)	7	251,044	347,291
(Loss) on disposal of housing		(21,337)	-
Interest receivable and other income		1,842	45,660
Interest payable	8	<u>(165,748)</u>	<u>(264,088)</u>
TOTAL SURPLUS/(DEFICIT) FOR YEAR BEFORE TAXATION		65,801	128,863
Tax on surplus on ordinary activities	9	<u>-</u>	<u>-</u>
SURPLUS/(DEFICIT) FOR YEAR		<u><u>65,801</u></u>	<u><u>128,863</u></u>

The results for the year relate wholly to continuing activities.

## STATEMENT OF TOTAL RECOGNISED SURPLUSES AND DEFICITS

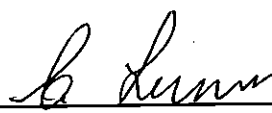
FOR THE YEAR ENDED 31 MARCH 2010

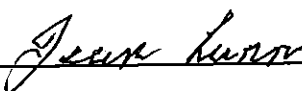
	2010	2009
	£	£
Surplus/(Deficit) for year attributable to shareholders	65,801	128,863
Unrealised profit on revalued properties	<u>1,149,635</u>	<u>-</u>
Total surpluses and deficits recognised since the last annual report	<u><u>1,215,436</u></u>	<u><u>128,863</u></u>

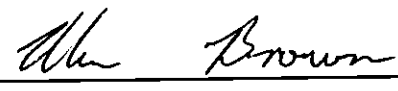
## BALANCE SHEET AS AT 31 MARCH 2010

	Notes	2010 £	2009 £
<b>TANGIBLE FIXED ASSETS</b>			
Housing properties	10	42,036,872	41,325,917
Less: Social Housing, Other Grants and Depreciation		<u>(30,289,799)</u>	<u>(30,643,964)</u>
		11,747,073	10,681,953
Other	10	<u>431,004</u>	<u>443,196</u>
		<u>12,178,077</u>	<u>11,125,149</u>
<b>CURRENT ASSETS</b>			
Debtors	11	188,421	213,056
Cash at bank and in hand		<u>1,160,327</u>	<u>1,181,379</u>
		1,348,748	1,394,435
<b>CURRENT LIABILITIES</b>			
Creditors: Amounts falling due within one year	12	<u>(498,097)</u>	<u>(495,277)</u>
		850,651	899,158
<b>NET CURRENT ASSETS</b>			
		13,028,728	12,024,307
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			
Creditors: Amounts falling due after one year	13	<u>(4,581,426)</u>	<u>(4,792,443)</u>
		<u>8,447,302</u>	<u>7,231,864</u>
<b>CAPITAL AND RESERVES</b>			
Called up Share capital	14	467	465
Designated reserves	15	1,708,243	1,558,243
Revaluation reserve	16	6,220,709	5,133,377
Revenue reserves	17	<u>517,883</u>	<u>539,779</u>
		<u>8,447,302</u>	<u>7,231,864</u>

The Financial Statements were approved by the Management Committee on 1 September 2010 and signed on its behalf by:-

  
 \_\_\_\_\_ CHAIRPERSON  
 Charlie Lunn

  
 \_\_\_\_\_ SECRETARY  
 Jean Lunn

  
 \_\_\_\_\_ TREASURER  
 Alan Brown

## STATEMENT OF CASH FLOW

FOR THE YEAR TO 31 MARCH 2010

	Notes	2010 £	2009 £
<b>NET CASH INFLOW FROM OPERATING ACTIVITIES</b>	18	<u>398,044</u>	<u>473,267</u>
<b>RETURNS ON INVESTMENTS AND SERVICING OF FINANCE</b>			
Interest received		1,842	45,660
Interest paid		<u>(165,748)</u>	<u>(264,088)</u>
<b>NET CASH (OUTFLOW) FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE</b>		<u>(163,906)</u>	<u>(218,428)</u>
<b>TAXATION</b>			
Tax paid		<u>-</u>	<u>-</u>
		<u>-</u>	<u>-</u>
<b>CAPITAL EXPENDITURE</b>			
Cash paid for development, construction and purchase of housing		(58,198)	(155,232)
Cash paid for purchase of other fixed assets		(2,081)	(1,679)
Social Housing Grant received		6,587	153,545
Net proceeds on disposal of housing properties		3,184	-
HAG abatement		<u>-</u>	<u>-</u>
		<u>(50,508)</u>	<u>(3,366)</u>
<b>NET CASH INFLOW/(OUTFLOW) BEFORE USE OF LIQUID RESOURCES AND FINANCING</b>		<u>183,629</u>	<u>251,473</u>
<b>FINANCING</b>			
Loan finance received		-	-
Loans repaid		(204,694)	(150,823)
Shares issued		13	29
		<u>(204,681)</u>	<u>(150,794)</u>
<b>INCREASE/(DECREASE) IN CASH</b>	20	<u>(21,052)</u>	<u>100,679</u>

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2010

## 1. ACCOUNTING POLICIES

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

The Financial Statements have been prepared in accordance with applicable Accounting Standards, the Statement of Recommended Practice 2008 and comply with the Registered Social Landlords (Accounting Requirements) (Scotland) Order 2007.

The principal accounting policies are set out below.

## a) Basis of accounting

The financial statements are prepared on the historical cost basis modified to include the revaluation of properties.

## b) Turnover

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

## c) Social Housing Grant (SHG)

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

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

## d) Tangible Fixed Assets - Housing Properties

Housing properties are stated at cost less Social Housing Grant and other grants and adjusted for property revaluations at the stated dates..

## e) Depreciation

Depreciation is charged on a straight line basis over the expected economic useful lives of the properties at annual rates of 1% excluding land costs and Social Housing Grant.

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

Office building	-	2% straight line
Furniture	-	15% straight line
Computer equipment	-	33.33% straight line
CCTV systems	-	10% straight line

## f) Capitalisation of Interest

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

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 MARCH 2010 (Continued)**

**1. ACCOUNTING POLICIES (Continued)**

**g) Development Administration**

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

**h) Cyclical and Major Repairs**

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

**i) Designated Reserves**

**Cyclical Maintenance Reserve**

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.

**Major Repairs**

The Association maintains its housing properties in a state of repair which at least maintains their residual value in prices prevailing at the time of acquisition and construction. Provision is made for such future repair expenditure on the basis of a costed programme.

**j) Pensions**

The Association participates in the centralised Scottish Federation of Housing Associations 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 to the independently administered Pensions Trust in accordance with periodic calculations by consulting actuaries and are based on pension costs applicable across the various participating organisations taken as a whole. The expected cost to the Association of pensions is charged to income so as to spread the cost of pensions over the service lives of the employees in the scheme taken as a whole.

**k) Leases**

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

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2010 (Continued)

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

	Note	Turnover £	Operating Costs £	2010 Operating Surplus/ (Deficit) £	2009 Operating Surplus/ (Deficit) £
Social lettings	3	<u>1,318,675</u>	<u>(1,066,487)</u>	<u>252,188</u>	<u>352,600</u>
Other activities	4	<u>50,655</u>	<u>(51,799)</u>	<u>(1,144)</u>	<u>(5,309)</u>
Total		<u>1,369,330</u>	<u>(1,118,286)</u>	<u>251,044</u>	<u>347,291</u>
Total for previous period of account		<u>1,382,150</u>	<u>(1,034,859)</u>	<u>347,291</u>	

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2010 (Continued)

## 3. PARTICULARS OF TURNOVER, OPERATING COSTS AND OPERATING SURPLUS OR (DEFICIT) FROM SOCIAL LETTINGS

	General Needs Housing £	Supported Housing Accommodation £	Shared Ownership Housing £	Other (describe) £	2010 Total £	2009 Total £
Rent receivable net of service charges	1,310,130	-	12,210	-	1,322,340	1,317,472
Service charges	-	-	-	-	-	-
Gross income from rents and service charges	1,310,130	-	12,210	-	1,322,340	1,317,472
Less Voids	(3,665)	-	-	-	(3,665)	(2,693)
Net income from rents and service charges	1,306,465	-	12,210	-	1,318,675	1,314,779
Grants from the Scottish Ministers	-	-	-	-	-	-
Other revenue grants	-	-	-	-	-	-
Total turnover from social letting activities	1,306,465	-	12,210	-	1,318,675	1,314,779
Management and maintenance administration costs	457,379	-	12,210	-	469,589	139,201
Service costs	-	-	-	-	-	-
Planned and cyclical maintenance including major repairs costs	351,765	-	-	-	351,765	582,703
Reactive maintenance costs	120,747	-	-	-	120,747	126,616
Bad debts - rents and service charges	12,780	-	-	-	12,780	4,632
Depreciation of social housing	111,606	-	-	-	111,606	109,027
Impairment of social housing	-	-	-	-	-	-
Operating costs for social letting activities	1,054,277	-	12,210	-	1,066,487	962,179
Operating surplus/(deficit) for social lettings	252,188	-	-	-	252,188	352,600
Operating surplus/(deficit) for social letting for previous period of account	352,600	-	-	-	352,600	



## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2010 (Continued)

## 4. PARTICULARS OF TURNOVER, OPERATING COSTS AND OPERATING SURPLUS OR DEFICIT FROM OTHER ACTIVITIES

	Grants from Scottish Ministers £	Other revenue grants £	Supporting people income £	Other income £	Total Turnover £	Operating costs - bad debts £	Other operating costs £	Operating surplus or deficit £	Operating previous period of account £
Wider role activities undertaken to support the community, other than the provision, construction, improvement and management of housing	50,644	-	-	-	50,644	-	51,799	(1,155)	(5,328)
Care and repair of property	-	-	-	-	-	-	-	-	-
Factoring	-	-	-	-	-	-	-	-	-
Development and construction of property activities	-	-	-	-	-	-	-	-	-
Support activities	-	-	-	-	-	-	-	-	-
Care activities	-	-	-	-	-	-	-	-	-
Agency/management services for registered social landlords	-	-	-	-	-	-	-	-	-
Other agency/management services	-	-	-	-	-	-	-	-	-
Developments for sale to registered social landlords	-	-	-	-	-	-	-	-	-
Developments and improvements for sale to non registered social landlords	-	-	-	-	-	-	-	-	-
Other activities - Forfeited shares	-	-	-	11	11	-	-	11	19
Total from other activities	50,644	-	-	11	50,655	-	51,799	(1,144)	(5,309)
Total from other activities for the previous period of account	67,352	-	-	19	67,371	-	72,680	(5,309)	

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2010 (Continued)

## 5. DIRECTORS' EMOLUMENTS

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

	2010 £	2009 £
Total Emoluments (including pension contributions and benefits in kind)	<u>59,612</u>	<u>57,154</u>
Emoluments of highest paid director (excluding pension contributions)	<u>51,810</u>	<u>49,655</u>
	Number	Number
Greater than £60,000	<u>-</u>	<u>-</u>
	£	£
Total expenses re-imbursed insofar as not chargeable to income tax		
Management Committee	<u>643</u>	<u>690</u>

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

## 6. EMPLOYEES

	Number	Number
The average weekly numbers of persons employed during the year was:	<u>8</u>	<u>9</u>
Staff Costs:	£	£
Wages and Salaries	223,858	216,735
Social Security Costs	18,643	15,269
Pension Contributions	<u>22,136</u>	<u>23,896</u>
	<u>264,637</u>	<u>255,900</u>

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2010 (Continued)

## 7. OPERATING SURPLUS

	2010 £	2009 £
Operating surplus is stated after charging:-		
Depreciation	125,879	125,340
Auditors Remuneration - Audit Services	5,437	6,325
- other services	-	-
	<u>131,316</u>	<u>131,665</u>

## 8. INTEREST PAYABLE

On Bank Loans and Overdrafts	<u>165,748</u>	<u>264,088</u>
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## 9. TAXATION

No taxation is due as the Association has only undertaken charitable activities.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2010 (Continued)

## 10. TANGIBLE FIXED ASSETS

	Properties Held for Letting £	Properties Under Construction £	Completed Shared Ownership Properties £	Total £
<b>Cost or Valuation</b>				
At 1 April 2009	40,847,727	-	478,190	41,325,917
Additions	58,198	-	-	58,198
Disposals	(76,944)	-	-	(76,944)
Revaluation	729,701	-	-	729,701
<b>At 31 March 2010</b>	<b>41,558,682</b>	<b>-</b>	<b>478,190</b>	<b>42,036,872</b>
<b>Social Housing Grant</b>				
At 1 April 2009	29,943,357	-	391,697	30,335,054
Additions	6,587	-	-	6,587
Disposals	(51,842)	-	-	(51,842)
<b>At 31 March 2010</b>	<b>29,898,102</b>	<b>-</b>	<b>391,697</b>	<b>30,289,799</b>
<b>Depreciation</b>				
At 1 April 2009	308,910	-	-	308,910
Provided during year	111,606	-	-	111,606
Disposals	(582)	-	-	(582)
On revaluation	(419,934)	-	-	(419,934)
<b>At 31 March 2010</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net Book Value at 31 March 2010</b>	<b>11,660,580</b>	<b>-</b>	<b>86,493</b>	<b>11,747,073</b>
<b>Net Book Value at 31 March 2009</b>	<b>10,595,460</b>	<b>-</b>	<b>86,493</b>	<b>10,681,953</b>

Development expenditure for the year of £Nil (2009 - £Nil) is included in the cost of housing properties held for letting.

On 31 March 2010 the properties held for letting were revalued by Allied Surveyors Scotland PLC on the Existing Use Value – Social Housing basis.

On the historical cost basis, the revalued property at 31 March 2010 would have been included at a cost of £36,365,379 (2009 - £36,284,125) less Social Housing Grant and depreciation of £30,863,403 (2009- £30,908,658).

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2010 (Continued)

## 10. TANGIBLE FIXED ASSETS

	Office Premises £	Office Furniture £	Office Equipment £	CCTV System £	Total £
<b>Cost</b>					
At 1 April 2009	515,641	37,083	55,848	30,948	639,520
Additions	-	2,081	-	-	2,081
Revaluation	-	-	-	-	-
Disposals	-	-	-	-	-
<b>At 31 March 2010</b>	<b>515,641</b>	<b>39,164</b>	<b>55,848</b>	<b>30,948</b>	<b>641,601</b>
<b>Depreciation</b>					
At 1 April 2009	80,169	37,083	54,722	24,350	196,324
Charge for the year	10,313	312	554	3,094	14,273
Disposals	-	-	-	-	-
<b>At 31 March 2010</b>	<b>90,482</b>	<b>37,395</b>	<b>55,276</b>	<b>27,444</b>	<b>210,597</b>
<b>Net Book Value at 31 March 2010</b>	<b>425,159</b>	<b>1,769</b>	<b>572</b>	<b>3,504</b>	<b>431,004</b>
<b>Net Book Value at 31 March 2009</b>	<b>435,472</b>	<b>-</b>	<b>1,126</b>	<b>6,598</b>	<b>443,196</b>

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2010 (Continued)

<b>11. DEBTORS</b>		
	2010	2009
	£	£
Amounts falling due within one year:		
Arrears of rental service charges	40,388	44,153
Prepayments and accrued income	29,221	28,305
Other Debtors	<u>118,812</u>	<u>140,598</u>
	<u><u>188,421</u></u>	<u><u>213,056</u></u>
<b>12. CREDITORS - AMOUNTS FALLING DUE WITHIN ONE YEAR</b>		
Bank overdraft	-	-
Housing loans	207,073	200,750
Trade creditors	41,173	63,164
Corporation tax	-	-
Other taxes and social security	4,701	4,302
Other creditors	63,780	60,239
Accruals and deferred income	<u>181,370</u>	<u>166,822</u>
	<u><u>498,097</u></u>	<u><u>495,277</u></u>
<b>13. CREDITORS - AMOUNTS FALLING DUE AFTER ONE YEAR</b>		
Housing loans:-		
Due between one and two years	214,037	207,175
Due between two and five years	685,415	663,767
Due after five years	<u>3,681,974</u>	<u>3,921,501</u>
	<u><u>4,581,426</u></u>	<u><u>4,792,443</u></u>

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

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2010 (Continued)

## 14. SHARE CAPITAL

	2010 £	2009 £
Shares of £1 each fully paid and issued		
Allotted, issued and fully paid at 1 April 2009	465	455
Issued during the year	13	29
Forfeited during the year	<u>(11)</u>	<u>(19)</u>
At 31 March 2010	<u><u>467</u></u>	<u><u>465</u></u>

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

Under the Association's Rules, share capital is non refundable if a person ceases to be a member.  
At 31 March 2010, shares issued were split as follows:

Active members	467	465
Ceased members	<u>-</u>	<u>-</u>
	<u><u>467</u></u>	<u><u>465</u></u>

## 15. DESIGNATED RESERVES

	Planned Maintenance £
Balance at 1 April 2010	1,558,243
Transferred in year	<u>150,000</u>
Balance at 31 March 2010	<u><u>1,708,243</u></u>

## 16. REVALUATION RESERVE

	2010 £
Balance at 1 April 2010	5,133,377
Release to revenue reserve	(62,303)
Revaluation in year	<u>1,149,635</u>
Balance at 31 March 2010	<u><u>6,220,709</u></u>

## 17. REVENUE RESERVE

	2010 £	2009 £
Revenue reserves at 1 April 2009	539,779	538,535
Surplus for the year	65,801	128,863
Release from revaluation reserve	62,303	52,381
Transfer (to)/from designated reserves	<u>(150,000)</u>	<u>(180,000)</u>
At 31 March 2010	<u><u>517,883</u></u>	<u><u>539,779</u></u>

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2010 (Continued)

18. RECONCILIATION OF OPERATING SURPLUS  
TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	2010 £	2009 £
OPERATING SURPLUS/(DEFICIT) FOR THE YEAR	229,707	347,291
Depreciation	125,879	125,341
Loss on sale of assets	21,337	-
Forfeited shares	(11)	(19)
Decrease/(Increase) in debtors	24,635	(13,286)
(Decrease)/Increase in creditors	<u>(3,503)</u>	<u>13,940</u>
 NET CASH INFLOW FROM OPERATING ACTIVITIES	 <u><u>398,044</u></u>	 <u><u>473,267</u></u>

19. RECONCILIATION OF NET CASHFLOW  
TO MOVEMENT IN NET DEBT

(Decrease)/Increase in cash in year	(21,052)	100,679
Loan Repayments	204,694	150,823
Loans Received	-	-
Change in net debt	<u>183,642</u>	<u>251,502</u>
Net debt at 1 April 2009	<u>(3,811,814)</u>	<u>(4,063,316)</u>
 Net debt at 31 March 2010	 <u><u>(3,628,172)</u></u>	 <u><u>(3,811,814)</u></u>

## 20. ANALYSIS OF CHANGES IN NET DEBT

	As at 1 April 2009 £	Cash Flow £	Other Changes £	As at 31 March 2010 £
Cash at bank and in hand	1,181,379	(21,052)	-	1,160,327
Bank overdraft	-	-	-	-
	<u>1,181,379</u>	<u>(21,052)</u>	<u>-</u>	<u>1,160,327</u>
Debt due within 1 year	(200,750)	200,750	(207,073)	(207,073)
Debt due after 1 year	(4,792,443)	3,944	207,073	<u>(4,581,426)</u>
	<u>(3,811,814)</u>	<u>183,642</u>	<u>-</u>	<u><u>(3,628,172)</u></u>

## 21 CAPITAL COMMITMENTS

	2010 £	2009 £
Expenditure contracted less paid and certified	-	-
Expenditure authorised by Management Committee not contracted	<u>-</u>	<u>-</u>
	<u><u>-</u></u>	<u><u>-</u></u>



## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2010 (Continued)

22. HOUSING STOCK	2010 No	2009 No
The number of units of accommodation in management at the year end was		
General needs	550	551
Shared ownership	<u>7</u>	<u>7</u>
	<u>557</u>	<u>558</u>

## 23. PENSION OBLIGATIONS

The Association participates in the SFHA Pension Scheme (the 'Scheme'), administered by the Pension Trust. The scheme is a multi-employer defined benefit scheme. The scheme is funded and contracted out of the state scheme.

The scheme currently operates with a single benefit structure, final salary with a 1/60th accrual rate. From April 2008 there were three benefit structures available, 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 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 and new members from April 2009.

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 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 values. Accrued pension benefits are valued by discounting expected future benefit payments using a discounted rate calculated by reference to the expected future investment returns.

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

As at the balance sheet date there were 5 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. Accordingly, due to the nature of the Plan, the accounting charge for the period under FRS 17 represents the employer contribution payable.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2010 (Continued)

## 23. PENSION OBLIGATIONS (cont)

The last formal valuation of the Scheme was performed as at 30 September 2006 by a professionally qualified actuary using the Projected Unit Method. The Market value of the Scheme's assets at the valuation date was £268 million. The valuation therefore revealed a shortfall of assets compared with the value of liabilities of £54 million, equivalent to a funding level of 83.4%.

The Scheme Actuary has prepared an Actuarial Report that provides an approximate update on the funding position of the Plan as at 30 September 2007. Such a report is required by legislation for years in which a full actuarial valuation is not carried out. The funding update revealed an increase in the assets of the Scheme to £310 million and indicated a surplus of assets compared to liabilities of approximately £28 million, equivalent to a funding level of 91.8%. 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 financial progress of the Plan since the last valuation.

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

The financial assumptions underlying the valuation as at 30 September 2006 are as follows:

- 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 inflation	2.6%

The valuation was carried out using PA92C2025 short cohort mortality table for non-pensioners and PAC92C2013 short cohort mortality rate 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 contribution rates required from employers and members to meet the cost of future benefit accrual

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

## NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 31 MARCH 2009 (Continued)

## 23. PENSION OBLIGATIONS (cont)

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 will be:

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%	

A small number of employers that have closed the Scheme to new entrants are required to pay additional employer contribution loading of 3.5% to reflect the higher costs in the 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 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 next full actuarial valuation will be carried out as at 30 September 2009. An Actuarial Report will be prepared as at 30 September 2008 in line with statutory regulations.

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 Plan. The Trustee's current policy is that it only applies to members with pre October 2001 liabilities in the Plan. The debt is due in the event of the employer ceasing to participate in the Plan or the Plan 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 Plan's pre October 2001 liability attributable to employment with the leaving employer compared to the total amount of the Plan's pre October 2001 liabilities (relating to employment with all the currently participating employers). The leaving employer's debt therefore includes a share of any 'orphan' liabilities in respect of previously participating employers. The amount of the debt therefore depends on many factors including total Plan liabilities, Plan investment performance, the liabilities in respect of current and former employer, and financial conditions at the time of the cessation event and the insurer buy-out market. The amounts 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 2006. As at this date, the estimated employer debt for the Association was £1,550,956

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2010 (Continued)

## 24. SCOTTISH SECURE TENANCY RENTS

	2010 £	2009 £
Average Scottish Secure tenancy rent for housing accommodation	<u>2,581</u>	<u>2,399</u>
Percentage increase from previous year	<u>7.59%</u>	<u>5.59%</u>

## 25. RELATED PARTY TRANSACTIONS

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