



**Viewpoint Housing Association Limited**

**Financial Statements**

**for the year ended 31 March 2010**

**Register of Housing Associations NO. HEP 199**

**Register of Industrial & Provident Societies No. 1228 RS**

**Charity registered with the HMRC No. SCO05619**

**Charity registered with OSCR No. CR39420/SH**

1 of 1

**Viewpoint Housing Association Limited**  
**Financial Statements**  
**For the year ended 31 March 2010**

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Viewpoint Housing Association Limited  
Board of Trustees, Executives and Advisors  
31 March 2010

**Board of Trustees**

|                   |   |
|-------------------|---|
| Dr R G Smith      | (Chairman)  |
| Miss E M Morrison | (Vice Chair)  |
| Miss E M Beedie   |   |
| Mr A Brown        |   |
| Mr I W Calder     |   |
| Mr R D Hamilton   | (Resigned 31 <sup>st</sup> December 2009)                                       |
| Mr J D Ritchie    | (Resigned 31 <sup>st</sup> December 2009)                                       |
| Mr I Kennedy      | (Elected 22 <sup>nd</sup> September 2009, Resigned 15 <sup>th</sup> July 2010)  |
| Mr G Anderson     | (Co-opted 22 <sup>nd</sup> April 2009)  |
| Mr P Hush         | (Co-opted 22 <sup>nd</sup> April 2009)  |
| Mrs M Henderson   | (Elected 22 <sup>nd</sup> September 2009)                                       |
| Mrs N Donaldson   | (Elected 18 <sup>th</sup> February 2010)  |
| Mr R Stewart      | (Elected 18 <sup>th</sup> February 2010)  |
| Mrs I Duncan      | (Co-opted 18 <sup>th</sup> February 2010, Resigned 19 <sup>th</sup> April 2010) |

**Executive Officers**

|   |   |
|---|---|
| Chief Executive/Secretary                 | Mrs Dorry McLaughlin (Appointed 15 <sup>th</sup> February 2010) |
| Chief Executive/Secretary                 | Ms Margaret Wilkinson (Resigned 4 <sup>th</sup> July 2009)      |
| Assistant Chief Executive                 | Mrs Jane Brown  |
| Director of Housing and Property Services | Ms Sandra Brydon  |
| Director of Finance and ICT               | Mrs Jenni Fairbairn   |
| Director of Development                   | Mr Graham Harper (Resigned 30 <sup>th</sup> June 2010)          |

**Registered Office**

4 South Oswald Road  
EDINBURGH  
EH9 2HG

**Registration Numbers**

Register of Housing Associations No. HEP 199  
Register of Industrial & Provident Societies No. 1228 RS  
Charity registered with HMRC No. CR39420/SH  
Charity registered with OSCR No. SCO05619

**Solicitors**

Biggart Baillie  
7 Castle Street  
EDINBURGH  
EH2 3AP

HBJ Gateley Wareing  
Exchange Tower  
19 Canning Street  
EDINBURGH  
EH3 8EH

**Bankers**

The Royal Bank of Scotland  
36 St Andrews Square  
EDINBURGH  
EH2 2YB

**Auditors**

Baker Tilly UK Audit LLP  
First Floor  
Quay 2  
139 Fountainbridge  
EDINBURGH  
EH3 9QG

**Internal Auditors**

Scott Moncrieff  
17 Melville Street  
EDINBURGH  
EH3 7PH

**Viewpoint Housing Association Limited**  
**Report of the Board**  
**31 March 2010**

The Board of Trustees (the Board) presents its report and the audited financial statements for the year ended 31 March 2010.

**Principal Activities**

Viewpoint Housing Association (Viewpoint) was formed for the benefit of the community and is a specialist provider of housing, support and care home services with the primary objective of providing high quality accommodation and services. Although our main client group is older people we also provide mainstream housing to those in need.

Viewpoint's Head Office is in Edinburgh and its properties and services are largely in Edinburgh and Fife. Viewpoint has 3 care homes with nursing (112 bedspaces) and 1,072 units of accommodation for older people ranging from amenity housing through to enhanced sheltered housing with higher levels of support. Viewpoint also owns and manages 315 mainstream units.

Viewpoint works in partnership with other organisations and in particular the Rowan Group through which its Housing Association Grant funded development programme is administered.

**Financial Performance**

The results for the year are shown in the Income and Expenditure Account on page 11. The Association's surplus of £7,230 (2009 deficit £1,062,147) shows a significant improvement on previous deficits, however, considerable losses continue to have been incurred in the Association's care homes, as reported on page 21. A major restructuring exercise of the care homes was commenced during the year, its objectives being to restore their operational and financial position. The Association recognised that this exercise would take around twelve to eighteen months to complete and targeted its initial focus to restoring the operational position on the basis that this would be followed by sustainable improvements to the financial position. The Association very much appreciated the receipt of a £230k grant from the Viewpoint Trust during the year which was provided and used, for costs associated with the care home restructure.

A series of financial reviews, including housing, central office, development and care home administration were commenced within the year. These reviews concluded that the Association could make a number of efficiency savings in excess of £400k per annum. The first tranche which was completed in June 2010 produced annualised savings of approximately £380k. Additional work is underway to make the remaining savings identified.

During the year the Association took a number of decisions to defer expenditure on some of its capital projects and non essential planned maintenance. This was to enable the cash balances to be maintained to facilitate the investment required in completing the care homes review, developing a sound and prioritised asset management strategy, exploring efficiency initiatives and expanding its services. The Association completed its 30 year financial plan in June 2010 which confirmed that on implementation of its efficiency savings the Association will return to a sufficiently strong revenue position to be able to re-commence capital projects and meet its asset management and planned maintenance objectives.

Having breached bank loan covenants during 2009, the Association recovered this position and complied in full during the year to 31<sup>st</sup> March 2010. Bank loans are therefore reported according to when they fall due rather than wholly within creditors falling due within one year. As a result net current assets of £1,503,415 are reported at 31<sup>st</sup> March 2010 compared to net current liabilities in 2009 of £4,236,302. The total reserves decreased marginally from £11,714,196 to £11,688,678 as at 31<sup>st</sup> March 2010, with designated reserves totalling £6,511,590 (2009: £6,080,044).

**Structure Governance and Management**

Viewpoint is incorporated under the Industrial and Provident Societies Act 1965 and is registered with the Financial Services Authority as a Friendly Society. Viewpoint Housing Association is also registered with The Office of the Scottish Charities Regulator (OSCR) as a charity and the Scottish Housing Regulator as a Registered Social Landlord.

Viewpoint has a fully owned subsidiary Benview Trading whose purpose is to manage housing/homes funded by Special Needs Capital Grant. Viewpoint Housing Association provides management and development services to Benview Trading for which they are charged. The results of Benview Trading Limited for the year ended 31 March 2010 have not been consolidated into Viewpoint Housing Association Limited as these are of an immaterial nature to the results of Viewpoint Housing Association.

**Viewpoint Housing Association Limited**  
**Report of the Board**  
**31 March 2010**

Viewpoint is governed by a voluntary Board of Management (Board) whose members are elected by the membership and are unpaid. During the year the Board supported by Governance Alliance Scotland, the Chief Executive and Directors, undertook a fundamental review of its governance arrangements. The following policies and arrangements were approved as a result:

- Board Member Appraisal Policy
- Board Member Learning and Development Policy
- Board Member Recruitment Policy
- Board Member Induction Policy
- Six weekly Board meetings
- Schedule of Board agenda items

These policies and arrangements are in the process of being implemented and the Board will review its progress bi-annually and receives regular reports on emerging good practice in governance.

Two co-opted members joined Viewpoint in April 2009 on the advice of the Scottish Housing Regulator. These members contributed fully to the Governance Review and have provided invaluable contributions to Viewpoint's business. Two members joined to fill casual vacancies in February 2010 bringing to the Board social housing expertise and additional business experience. A co-optee with significant care experience also joined in February 2010 but had to resign almost immediately for health reasons.

Further recruitment will take place in summer 2010 to bring care and further business experience to the Board. The Board is also keen to recruit two tenants to its membership. This recruitment will replace members who plan to resign at the AGM or who resigned shortly after April 2010.

Management is delegated by the Board to the Director Team. This Team comprises the Chief Executive, Directors of Finance, Housing and Property Services and Assistant Chief Executive – Business Development. The Director of Development post was made redundant in early 2010/11 as Viewpoint consolidated its operations.

Each member of the Board holds one fully paid share of £1 in Viewpoint. The Chief Executive and Directors hold no interest in Viewpoint's share capital, and although not having the legal status of directors, act as Executives within the authority delegated by the Board.

Viewpoint maintains insurance to cover its Board and Officers against liabilities in relation to their duties carried out on behalf of the Viewpoint, as authorised by Viewpoint Housing Association's rules.

The Board meets six weekly and in between meetings receives mailings related to its strategy and operating environment. The Board held an away day during the year to consolidate the Governance Review and intends to hold similar reviews annually.

### **Resident and Tenant Involvement**

The Viewpoint Tenants Representative Group (VTRG) became well established during the year and became Viewpoint's first Registered Tenants' Organisation (RTO). It meets regularly with staff and meets with the Board bi-annually. The VTRG provides Viewpoint with a challenging and constructive sounding board against which to test its strategic plans and with which to consult about operating and other changes.

The Board commenced work to achieve accreditation for its tenant involvement work with the Tenant Participation Advisory Service (TPAS).

### **Strategy, Objectives and Business Review**

To sustain continued improvements in performance Viewpoint reviewed its Strategic Plan during the year and approved a new Strategic Planning Framework. Viewpoint developed a vision and set of core values to guide its work and established aims and importantly objectives to direct its activities during the following year:

- To enhance the quality of existing, and develop new accommodation and services by shaping the markets in which we operate through targeted research and development activity.
- To be efficient and to offer value for money - making a sufficient surplus to invest in existing and future accommodation and services.
- To have accountable leaders who walk our values and are passionate about our vision.
- To communicate our vision both internally and externally and generate confidence in our ambitions and our strategic direction.

Viewpoint Housing Association Limited  
Report of the Board  
31 March 2010

- To maintain our accommodation to high standards and to ensure that it not only meets regulatory standards but is fit for the future.
- To have a well trained, qualified and motivated staff team that welcomes feedback and embraces change.

These objectives are underpinned by key priorities to achieve efficiency gains particularly in back office services as well as operating efficiencies and improved effectiveness in its core operating business areas of housing and support and care. A major review of Head Office based services began towards the end of the year and by early 2010/11 it was clear that this review would yield efficiency savings in excess of £400,000 per annum.

The current economic climate has no doubt affected Viewpoint's Strategic priorities. Whilst interest rates are low, the availability and cost of new borrowing is higher than in the past. There may be stringent cutbacks in public sector spending which will have an impact on the level and availability of revenue funding for new projects. The property downturn is having an impact on those who might self-pay in care homes and those interested in taking our loan stock.

Funding restraints also place uncertainty over the ability of housing associations to grow in the more traditional HAG funded way. There will be pressure on the amount of available grant and associations will undoubtedly seek to maximise partnerships to grow their businesses. This, however, also presents opportunities for Viewpoint as associations look to rationalise their product offerings or find imaginative ways to work with others to maximise opportunities.

Viewpoint did not complete any new developments during the year but concentrated its available resources by investing in its existing assets £248,193 invested in converting 35 difficult to let sheltered bedsit accommodation to create 23 one and two bedroom flats at Croft An Righ and Gillespie Crescent and £1,018,129 in planned and cyclical works across the stock.

All of Viewpoint's accommodation will meet the Social Housing Quality Standard as set by the Scottish Housing Regulator by 2015.

Viewpoint went a long way to achieving its target response times for responsive repairs with 92% (94% 2008/9) of emergency repairs being completed within 24 hours, 94% (86% 2008/9) of urgent repairs being completed within 3 days and 97% (95% 2008/9) of routine repairs being completed within 15 days.

The combination of the above activity resulted in Viewpoint achieving void turnaround times which averaged 51 days during the year. Although this was below the internal target of 30 days and in excess the 2008/9 result of 36 days, it exceeded the norm for the Scottish Housing Regulator's housing association peer group for Viewpoint. In spite of the time taken to relet empty housing properties the total void loss was 2.54% of gross housing income.

There is no doubt that the 'idea' and 'nature' of sheltered housing has shifted for various reasons and there continues to be a move away from a resident staff based service towards more professionalised and in some cases 'floating' support services. Increasingly new tenants have support needs not traditionally associated with a sheltered service nor with age.

The availability of Supporting People Grant is an ongoing concern. There is the prospect of local authorities looking to tender housing support services and so the emphasis is on ensuring that appropriate services are developed to meet individual customer needs whilst delivering efficient services which represent value for money for both the customer and commissioner.

In spite of these challenges Viewpoint developed some innovative services during the year. For example the communication needs of a Chinese community based within one sheltered complex is met through the innovative use of pictorial representations of key housing management themes. A pilot with the City of Edinburgh Council for a mobile response service for older people through its community alarm service was successful and is now being offered to tenants in Edinburgh who would benefit from the service.

A new housing management IT system, Qlx, was introduced during the year. Although there is still work on implementation to be carried out, there are benefits from the robust recording of the number and nature of tenant contacts and information about tenants' housing and support circumstances. This data about the needs and expectations of our tenants will help us follow up with positive action, a recent survey of tenant satisfaction with services and tenants' aspirations for new services during 2010/11.

The introduction of Qlx has also enabled Viewpoint to monitor arrears of rents and service charges more consistently. Total arrears amounted to 1.6% of total income.

**Viewpoint Housing Association Limited**  
**Report of the Board**  
**31 March 2010**

The care market is highly competitive particularly with local authority fee rates not meeting the full cost of care and the Care Commission driving up quality standards through an increasingly robust and 'public' inspection regime. To meet these challenges the service offered must be of a quality standard recognised not only by the Care Commission but also by those using the service who have much influence over the reputation of the homes and Viewpoint as a whole. There is also a need to be efficient, particularly in relation to staff resources, but also to price the workforce arrangements so that staff are retained.

These issues have been embraced through the commencement of a care home review in 2009/10 which has resulted in efficiency savings, a more appropriate staff structure with the required levels of nursing and clinical support, and enhanced physical environments. This review is also having a major impact on quality and is facilitating a reduction in agency uses with the appointment of new and permanent staff. This recruitment exercise is continuing into 2010/11. Viewpoint has made considerable progress in establishing a training and development plan for care home staff, with 28% of care staff having achieved SVQ2 by the year end. Care grades are also improving and this is having a positive impact on occupancy levels which reached 86% by the year end. The Association has continued to strive towards achieving its overall internal target of 97% with St. Raphael's attaining 100% occupancy early in 2010/11.

### **The Future**

During the coming year we will commit ourselves to achieving our Strategic Aims and Objectives as set out in our new Strategic Plan. We will embed our values; quality, forward looking and sustainable, valuing and investing in people, and openness in order to help us achieve this. We will seek to evidence improving quality by working towards achieving the Investors in People award and developing a Dementia Strategy to underpin much of our work with older people. We must continue to focus on improving our financial position in order that we can develop new and enhance existing services. Working groups have been established to explore further efficiency savings amounting to £150,000 during 2010/11. Staff and Residents' Conferences and more corporate newsletters will keep all our key stakeholders informed of our progress in achieving this Strategy.

To help us gauge our performance during 2010/11 a suite of Key Performance Indicators has been developed. These are discussed regularly by all managers and the Board receives a monthly report on performance against targets. The Board will be focussing particularly on achieving the following performance targets which are directly related to our Strategic Aims and Objectives:

| <b>Indicator</b>                              | <b>Target</b> |
|---|---------------|
| Care occupancy                                | 97%           |
| Care home direct staff costs as % new income  | 65%           |
| Void turnaround time (average) social housing | 35 days       |
| Social housing arrears as % income            | 2%            |
| Interest cover                                | 2 times       |
| Staff turnover                                | 15%           |
| Average recruitment time                      | 35 days       |

Viewpoint has made strides in achieving stability following a difficult period of change. Our 30 year financial plan shows that Viewpoint has the resources to achieve, through the new Strategic Plan and by building on the firm foundations laid during 2009/10, a platform for moving forward to maximise opportunities and exploit our considerable strengths.

### **Employee Information and Engagement**

Viewpoint has an establishment of 268 full and part time employees. At 31<sup>st</sup> March 2010 there were 183 full time equivalent employees in post.

Absence has a major impact on service levels. During the year 6.9 days per full time equivalent were lost due to staff sickness and turnover amounted to 28.4%. Activity in the care homes had a major impact on turnover as the new structure was introduced. However turnover should reduce considerably during 2010/11.

Viewpoint has an Employee Forum which meets monthly and produces a quarterly staff newsletter. A system of core briefing has been introduced to engage staff in strategic developments and other matters impacting on operations. Viewpoint plans to prepare for Investors in People during the coming year.

**Viewpoint Housing Association Limited**  
**Report of the Board**  
**31 March 2010**

**Treasury Management**

Viewpoint cannot invest in transactions of a speculative nature. The Board reviews Viewpoint's Treasury Policy and Strategy bi-annually. Cash funds are held in institutions who have a long term grading of A as a minimum.

Borrowings are secured on a combination of fixed and variable rate finance. 70% of Viewpoint's bank loan facilities were fixed at 31<sup>st</sup> March 2010.

A significant part of the Association's finance is raised through loan-stock provided by loan-stock tenants. These loans are unsecured and with the exception of Croft an Righ, where loans are repaid in full as tenancies end, they are repaid six months after a loan-stock tenancy has ended or earlier if the property is re-let in that period. Any decisions taken regarding the borrowing requirements for the Association must consider the status of the Loan-stock portfolio at that time.

**Risk Management**

Viewpoint reviewed its Risk Policy and Strategy during the year and has developed a robust Risk Map. Risk is a standing agenda item at Audit Committee meetings and the Board also reviews the Risk Map regularly.

The key risks facing Viewpoint during the year were:

| <b>Risk</b>   | <b>Mitigation</b>  | <b>Monitoring Tools</b>   |
|---|--|---|
| Service/accommodation in care homes do not meet customer demands, needs and/or aspirations and occupancy falls  | Development of Asset Management Strategy embracing accommodation as well as service relevance  | Key Performance Indicators - daily operational monitoring and monthly Board reporting including competitor benchmarking |
| Service/accommodation in sheltered housing do not meet customer demands, needs and/or aspirations and voids increase  | Development of Asset Management Strategy embracing accommodation as well as service relevance  | Key Performance Indicators - daily operational monitoring and monthly Board reporting including competitor benchmarking |
| Supporting People Grant unavailable to meet service developments in sheltered housing   | Explore alternative sources of funding eg Viewpoint Trust  | Management Accounts reporting   |
| Pension costs unaffordable  | New employees to contribute to money purchase scheme<br>Review of pension benefits during Pay and Benefits Review – benchmark with competitors | Management Account reporting  |
| Failure to improve financial viability leading to breach of lenders covenants, regulatory contract and uncompetitive bids for new services as a result of:<br><br>Housing Benefit restrictions<br>Revenue eg Supporting People Grant or rents not meeting costs<br>Care Home Review ineffective | Care Home Review and restructuring for efficiencies in Corporate overheads and Housing and Property Services<br>Asset Management Strategy      | Management Accounts reporting and KPIs established. Board oversight of Care Homes Review                                |

There is a system for carrying out and reviewing health and safety risk assessments at all homes and complexes. A Health and Safety Working Group reviews operational approaches to health and safety and all staff are encouraged to take their responsibilities in relation to health and safety seriously and with commitment.



**Viewpoint Housing Association Limited**  
**Statement of the Board's Responsibilities**  
**31 March 2010**

**Statement of Disclosure to the Auditors**

At the time of approval of this report:

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

**Responsibilities of the Board**

The Board are responsible for preparing the Board's Report and the financial statements in accordance with applicable law and regulations.

Industrial and Provident Society law requires the Board to prepare financial statements for each financial year. Under those regulations the Board have elected to prepare the financial statements in accordance with UK Accounting Standards.

The financial statements are required by law to give a true and fair view of the state of affairs of the Association and of the surplus or deficit for that year.

In preparing these financial statements, the Board are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards and the Statement of Recommended Practice have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Association will continue in business.

The Board are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Association and enable them to ensure that its financial statements comply with the Industrial & Provident Societies Acts 1965 to 2002, the Housing (Scotland) Act 2001 and the Registered Social Landlords Accounting Requirements (Scotland) Order 2007. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Association and to prevent and detect fraud and other irregularities.

**Auditors**

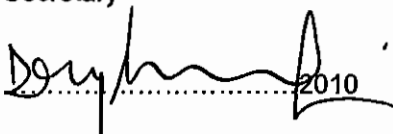
The contract with the current auditors, Baker Tilly, ends with the auditing of these Financial Statements. It is the Board's intention to tender for external audit services for the years ended 31 March 2011 to 31st March 2013, after the AGM of 21 September 2010. A resolution will be put to the members at the AGM to delegate the responsibility of appointing the auditors to the Audit Committee and to retain Baker Tilly as interim auditors in the meantime. Baker Tilly will be invited to tender for the Association's external audit contract.

**Going Concern**

After making enquiries to the Directors, the Board has a reasonable expectation that the Association has adequate resources to continue in operational existence for the foreseeable future being a period of at least 12 months after the date on which the report and the financial statements are signed and, therefore, these financial statements are prepared on a going concern basis.

By order of the Board

Dorry McLaughlin  
Secretary



2010

24th August 2010

Viewpoint Housing Association Limited  
The Board's Statement on Internal Financial Control  
31 March 2010

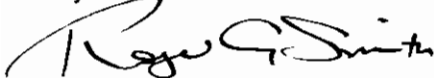
The Board acknowledge their ultimate responsibility for ensuring that the Association has in place a system of internal financial controls that is appropriate to the various business environments in which it operates. These controls are designed to give reasonable assurance with respect to:-

- The reliability of financial information used within the Association or for publication;
- The maintenance of proper accounting records; and
- The safeguarding of assets.

It is the Board's responsibility to establish and maintain systems of internal financial control. Such systems can only provide reasonable and not absolute assurance against material misstatement 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 take responsibility for important business functions.
- Forecasts and budgets are prepared regularly which allow the Board and staff to monitor the key business risks and financial objectives and progress towards the 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 variance from budgets are investigated as appropriate.
- All significant new initiatives, major commitments and investment projects are subject to formal authorisation procedures.
- The Board reviews reports from management and from both internal and external auditors to provide reasonable assurance that control procedures are in place and are being followed. As reported last year, weaknesses in our control systems were exposed in relation to Governance and the communication process between the Board and management. Significant progress has been made in the last 12 months. A governance review has been carried out, the recommendations from which are being actioned under the leadership of our new Chief Executive Officer appointed in February 2010. Our Risk Assessment procedures have been reinvigorated and Financial Control policies have been approved by the Board. Our annual report from our internal auditors is more positive, although they specifically draw attention to control weaknesses and there is work to be done to further enhance the Association's controls.
- Formal procedures have been established for instituting appropriate action to correct these weaknesses and to ensure that the Board and management work effectively to ensure that the Association's financial health and our tenants welfare is secure.
- Financial risk identification has been carried out and the Risk Map has been approved by the Board. The Board reviews the annual strategy and development-funding plan and both it and the internal management plan are subject to approval by the Board. A treasury management policy is in place to guide and review all borrowing and investment activities and is reviewed regularly and policy changes approved by the Board. Given the reviews to date, the Board are satisfied that the control system was sufficient to give them confidence in the current financial statements. The arrangements comply with the Scottish Housing Regulator's and Scottish Federation of Housing Association's publication "Raising Standards in Housing"

By order of the Board



Date: 24th August 2010

Viewpoint Housing Association Limited  
Auditors' Report on Corporate Governance Matters  
31 March 2010

**Corporate Governance**

In addition to our audit of the financial statements, we have reviewed the Board's statement on page 8 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 bulletin 2006/5 issued by the Auditing Practices Board. The Bulletin does not require us to review the effectiveness of the Association's procedures for ensuring compliance with the guidance notes, nor to investigate the appropriateness of the reasons given for non compliance.

**Opinion**

In our opinion the statement on internal financial controls on page 8 has provided the disclosure required by the section on internal financial controls within SFHA's document "Raising Standards in Housing".

*Baker Tilly UK Audit LLP*

BAKER TILLY UK AUDIT LLP  
Registered Auditor  
First Floor,  
Quay 2  
139 Fountainbridge  
Edinburgh  
EH3 9QG

Date..... *27 August* 2010

Independent Auditors' Report to the Members of  
Viewpoint Housing Association Limited  
31 March 2010

We have audited the financial statements on pages 11 to 35, which have been prepared under the accounting policies set out on pages 14 to 18.

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 responsibility to anyone other than the Association and the Association's members as a body, for our audit work, for this report and for the opinion we have formed.

**Respective responsibilities of the Board and auditors**

The Board's responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Board's Responsibilities.

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

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Industrial and Provident Societies Acts 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, a satisfactory system of internal control over transactions has not been maintained, if the Association has not kept proper accounting records or if we have not received all the information and explanations we require for our audit.

We read other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. This information comprises only the Report of the Board. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

**Basis of opinion**

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Board 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 error or other irregularity. 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 31 March 2010 and of its surplus for the year then ended and have been properly prepared in accordance with the Industrial and Provident Societies Acts 1965 to 2002, Schedule 7 to the Housing (Scotland) Act 2001 and the Registered Social Landlords Accounting Requirements (Scotland) Order 2007.

*Baker Tilly UK Audit LLP*

BAKER TILLY UK AUDIT LLP  
Registered Auditor  
Chartered Accountants  
First Floor Quay 2  
139 Fountainbridge  
Edinburgh EH3 9QG

DATE.....*27 August 2010*.....

**Viewpoint Housing Association Limited**  
**Income and Expenditure Account**  
**For the Year Ended 31 March 2010**

|                                      | Notes | 2010<br>£           | 2009<br>£                 |
|--------------------------------------|-------|---------------------|---------------------------|
| Turnover                             | 2     | 11,105,016          | 10,347,390                |
| Operating costs                      | 2     | (10,772,505)        | (11,229,856)              |
| Operating Surplus/(Deficit)          | 2     | <u>332,511</u>      | <u>(882,466)</u>          |
| Gain on Sale of Fixed Assets         |       | 4,077               | 3,088                     |
| Interest Receivable and Other Income | 4     | 47,439              | 187,422                   |
| Interest Payable and similar charges | 5     | (376,797)           | (370,191)                 |
| Net Surplus/(Deficit) for the year   | 9     | <u><u>7,230</u></u> | <u><u>(1,062,147)</u></u> |

There are no recognised gains or losses other than those reported above; therefore a separate statement of recognised gains and losses has not been prepared.

The notes on pages 14 to 35 form an integral part of these financial statements.

All activities are continuing.

Viewpoint Housing Association Limited  
Balance Sheet  
As at 31 March 2010

|   | Notes | 2010<br>£           | 2009<br>£          |
|---|-------|---------------------|--------------------|
| <b>Fixed assets</b>   |       |                     |                    |
| Housing Properties and Homes - Depreciated Cost                 | 10    | 55,022,639          | 54,420,959         |
| Less: Housing Association Grant                                 | 10    | (31,260,836)        | (30,389,472)       |
| Less: Capital Donations   | 10    | (4,020,277)         | (4,011,188)        |
|   |       | <u>19,741,526</u>   | <u>20,020,299</u>  |
| Other fixed assets  | 11    | 1,095,227           | 1,186,360          |
| Investments   | 12    | 111                 | 111                |
| <b>Total fixed assets</b>                                       |       | <u>20,836,864</u>   | <u>21,206,770</u>  |
| <b>Current assets</b>   |       |                     |                    |
| Stocks  |       | -                   | 2,868              |
| Debtors   | 13    | 920,683             | 1,031,005          |
| Cash at bank and in hand  |       | 3,432,913           | 4,355,750          |
|   |       | <u>4,353,596</u>    | <u>5,389,623</u>   |
| <b>Creditors - Amounts due within one year</b>                  | 14    | <b>(2,850,181)</b>  | <b>(9,625,925)</b> |
| <b>Net current assets/(liabilities)</b>                         |       | <u>1,503,415</u>    | <u>(4,236,302)</u> |
| <b>Total assets less current liabilities</b>                    |       | <u>22,340,279</u>   | <u>16,970,468</u>  |
| <b>Creditors - Amounts falling due after more than one year</b> | 15    | <b>(10,651,602)</b> | <b>(5,256,272)</b> |
| <b>Net Assets</b>   |       | <u>11,688,677</u>   | <u>11,714,196</u>  |
| <b>Capital and Reserves</b>                                     |       |                     |                    |
| Share Capital   | 16    | 263                 | 245                |
| Designated Reserves   | 6     | 6,511,590           | 6,080,044          |
| Restricted Reserves   | 7     | 113,219             | 113,162            |
| Negative Goodwill   | 8     | 121,143             | 153,911            |
| Revenue reserves  | 9     | 4,942,462           | 5,366,834          |
| <b>Total capital and reserves</b>                               |       | <u>11,688,677</u>   | <u>11,714,196</u>  |

Approved and authorised for issue by the Board of Management and signed on its behalf:

R Smith  
Chairman

I Calder  
Board Member

D McLaughlin  
Secretary

Date:

24th August 2010

Viewpoint Housing Association Limited  
Cash Flow Statement  
For the Year Ended 31 March 2010

|  | Notes | 2010<br>£        | 2009<br>£          |
|--|-------|------------------|--------------------|
| <b>Net cash inflow from operating activities</b>                                 | 23a   | <u>909,729</u>   | <u>307,521</u>     |
| <b>Returns on investments and servicing of finance</b>                           |       |                  |                    |
| Interest received  |       | 45,155           | 181,537            |
| Interest paid  |       | <u>(369,719)</u> | <u>(373,024)</u>   |
| <b>Net cash outflow from returns on investments and servicing of finance</b>     |       | <u>(324,563)</u> | <u>(191,487)</u>   |
| <b>Investment</b>  |       |                  |                    |
| Additions to housing properties  |       | (1,338,875)      | (1,576,514)        |
| Housing Association Grant received   |       | 872,129          | 260,430            |
| Capital grants received  |       | (324,300)        | 570,631            |
| Payments to acquire other assets   |       | 26,083           | (346,869)          |
| Receipt from sale of assets  |       | <u>10,420</u>    | <u>30,498</u>      |
| <b>Net cash (outflow) from capital expenditure and financial investment</b>      |       | <u>(754,543)</u> | <u>(1,061,824)</u> |
| <b>Management of Liquid Resources</b>  |       |                  |                    |
| Cash transferred from/(to) fixed term deposits                                   |       | <u>3,533,534</u> | <u>(1,533,634)</u> |
| <b>Cash inflow/(outflow) before management of liquid resources and financing</b> |       | <u>3,364,156</u> | <u>(2,479,424)</u> |
| <b>Financing</b>   |       |                  |                    |
| Loans repaid   |       | (742,313)        | (643,770)          |
| Loans received   |       | <u>337,156</u>   | <u>294,728</u>     |
| <b>Net cash (outflow) from financing</b>   |       | <u>(405,157)</u> | <u>(349,042)</u>   |
| <b>Increase/(Decrease) in cash</b>   | 23b   | <u>2,958,999</u> | <u>(2,828,466)</u> |

**Viewpoint Housing Association Limited**  
**Notes to the Financial Statements**  
**For the Year Ended 31 March 2010**

**1. Principal Accounting Policies**

**(a) Introduction and accounting basis**

The principal accounting policies of the Association are set out in the paragraphs (b) to (v) below. The Association is incorporated under the Industrial and Provident Societies Act 1965 and is registered with the Financial Services Authority. The accounts have been prepared under the historical cost convention, and in compliance with The Registered Social Landlords Accounting Requirements (Scotland) Order 2007 and The Statement of Recommended Practice (SORP), "Accounting by Registered Social Landlords – Update 2008" and applicable accounting standards. The Association has formal authority from the Financial Services Authority to exclude its subsidiary from inclusion or consolidation into its group accounts, due to the immateriality of the amounts involved in Benview Trading Limited. These financial statements therefore present information about the Association as an individual undertaking and not about its group.

**(b) Going concern**

The Association made a surplus of £7,230 for the year which was a considerable improvement on the previous year's deficit of £1,062,147. The Association reported a net current asset position of £1,503,415 at 31<sup>st</sup> March 2010, compared with a net current liability position of £4,236,302 at 31<sup>st</sup> March 2009. This improvement was primarily as a result of the Association reporting the major part of its bank loans as long term creditors on the basis of full compliance with bank covenants during in the year.

The Association is progressing with an extensive programme to improve its financial efficiency and has updated its financial projections which indicate it will have sufficient financial resources to meet its short, medium and long term commitments. The Board has reviewed the projections and cash flow for the next 12 months which appear satisfactory and therefore has a reasonable expectation that the Association has adequate resources to continue operating for the foreseeable future.

For the above reasons, these accounts have been prepared on a going concern basis.

**(c) Turnover**

Turnover represents rental and service charge income, income from nursing and care homes, income from fees and other revenue based grants receivable from local authorities and from the Housing and Regeneration Division of the Scottish Government (formerly Communities Scotland).

**(d) Finance**

The financial statements have been prepared on the basis that the capital expenditure referred to in note 10 will be grant aided, funded by loans or met out of reserves, or from proceeds of sales.

**(e) Mortgages**

Mortgage loans are advanced by private lenders under the terms of the individual mortgage deeds in respect of each property or housing scheme.

**(f) Housing Association Grants and Capital Donations**

Housing Association Grants (HAG) are made by Housing and Regeneration Division of the Scottish Government and are utilised to reduce the amount of mortgage loan in respect of an approved scheme to the amount, which it is estimated can be serviced by the net annual income of the scheme. The amount of HAG is calculated on the qualifying cost (note 1(h)) of the scheme in accordance with instructions issued from time to time by Housing and Regeneration Division of the Scottish Government.

HAG and other grants are repayable under certain circumstances, primarily following sale of property, but will normally be restricted to net proceeds of sale.

**(g) Housing Association Grant - Acquisition and Development Allowances receivable**

Acquisition and Development Allowances are determined by the Housing and Regeneration Division of the Scottish Government and are advanced as grants. They are intended to finance certain internal administrative cost relating to the acquisition and development of housing land and buildings for approved schemes. Development Allowances become available in instalments according to the progress of work on the scheme. These allowances are credited to the development account when they are receivable



Viewpoint Housing Association Limited  
Notes to the Financial Statements  
For the Year Ended 31 March 2010

**1. Principal Accounting Policies (continued)**

**(h) Fixed assets - Housing land and buildings (note 10)**

Properties included in housing properties are stated at cost. The cost of such properties includes:

- (i) cost of acquiring land and buildings;
- (ii) development expenditure including applicable overheads.

These costs are either termed "qualifying costs" by the Housing and Regeneration Division of the Scottish Government for approved HAG schemes and are considered for mortgage loans by the relevant lending authorities or they are met out of the Association's reserves.

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

Development costs are capitalised to the extent that they are attributable to specific schemes and where such costs are not felt to be excessive.

If expenditure does not qualify for HAG, it is nevertheless capitalised.

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

Right to Buy legislation does not apply to the Association's housing properties on account of the Association's charitable status.

**(i) Improvements Capitalised**

Improvements are capitalised where these result in an enhancement of the economic benefits of the property. Such enhancement can occur if the improvements result in:

- An increase in rental income, or;
- A material reduction in future maintenance costs, or;
- A significant extension of the life of the property.

Works to existing properties that fail to meet the above criteria are charged to the Income and Expenditure account.

**(j) Depreciation**

**(i) Housing Properties and Care Homes**

These assets are depreciated over the remaining useful life of the assets by dividing the depreciable book value by the estimated remaining useful economic life in years.

The depreciable book value is calculated by taking total cost less land cost, HAG received, Capital Donations received and accumulated depreciation.

|                    |                   |
|--------------------|-------------------|
| Care Homes         | between 2% and 7% |
| Housing Properties | between 2% and 4% |

No depreciation is charged on the cost of land.

**Viewpoint Housing Association Limited**  
**Notes to the Financial Statements**  
**For the Year Ended 31 March 2010**

**1. Principal Accounting Policies (continued)**

**(ii) Other fixed assets**

The Association's assets are written off on a straight -line basis over their useful lives as follows:

|                                      |                   |
|--------------------------------------|-------------------|
| Heritable office property            | 2%                |
| Fixtures & fittings                  | 20%               |
| Office equipment & computer software | between 20% - 33% |
| Motor vehicles                       | 25%               |
| Garden equipment                     | 16.66%            |
| Kitchen equipment                    | 20%               |

A full year's depreciation is charged on these assets in the year of purchase, but no charge is made in the year of disposal.

**(k) Impairment of fixed assets**

Impairment is calculated as the difference between the carrying value of income generating units and the estimated value in use at the date an impairment loss is recognised. Value in use represents the net present value of expected future cash flows from these units.

Impairment of assets is recognised in the Income and Expenditure account.

**(l) Stock**

Stock has been valued at the lower of cost and net realisable value.

**(m) Reserves**

**Designated reserve - Reserves for future cyclical repairs and maintenance (note 6)**

Cyclical maintenance, being the Association's commitment to maintain its properties in accordance the planned programme of works, is set aside in a designated reserve, to the extent that it will not be met from revenue in the year in which it is incurred.

**Designated reserve - Major repairs fund (note 6)**

Major repair expenditure, being the Association's commitment to undertake major repairs to its properties, is set-aside in a designated reserve to the extent that it is not met from HAG.

**Designated reserve - Sinking fund (note 6)**

Sinking fund items include recurring items which do not fall within either the cyclical or planned maintenance programmes and have funding requirements extending over more than one year.

**Designated reserve - Capital Reserve (note 6)**

Capital reserve is based on the Association's liability to maintain those properties, which were not provided either in part or whole through receipt of HAG funding.

An amount equal to the relevant cyclical and major repairs cost is transferred to revenue reserves each year and an estimate of expected future requirements is calculated to set the required annual transfer from revenue reserve.

The balance on the Association's Designated Reserves at 31 March 2010 is sufficient to cover forecast expenditure under the planned maintenance programme for the three-year period through to 2012/2013.

**Viewpoint Housing Association Limited**  
**Notes to the Financial Statements**  
**For the Year Ended 31 March 2010**

**1. Principal Accounting Policies (continued)**

**Designated reserve - New Care Home Reserve (note 6)**

This reserve was established as a result of the sale proceeds of the former care home at Inverleith Terrace in the year to 31 March 2008. The Board have designated the proceeds for the future construction or acquisition of a new care home.

Restricted reserves (note 7) - These relate to donations and legacies whose use is limited to the provisions of amenities at specific housing complexes and care homes.

**(n) Negative goodwill (note 8)**

Negative goodwill arising on any transfer of engagements represents the excess of the fair value of the assets and liabilities acquired over the consideration paid. The accounting treatment of such negative goodwill depends on the proportion attributable to monetary assets.

Where either the value relates to the acquisition of monetary assets or the proportion relating to non-monetary assets has a value not material in relation to the financial position of the Association, the full amount is released to the Income and Expenditure Account.

Where the acquisition relates either to non-monetary assets or the proportion relating to non-monetary assets has a value, which is material in relation to the financial position of the Association, the full amount of negative goodwill is included within reserves as a separate reserve. This is in accordance with the SORP "Accounting by Registered Social Landlords" updated in 2008. However, this is not in accordance with FRS 10 "Goodwill and Intangible Assets", which requires that negative goodwill is shown as a negative asset in the balance sheet.

The Board is of the opinion that the treatment required by FRS 10 would not present a true and fair view of the Association's net assets because the substance of the transaction is a gifting of a business for no consideration rather than a purchase in the conventional manner.

If negative goodwill had been treated as a negative asset as required by FRS 10 then the Association's net assets would be reduced by £121,143 (2009: £153,911).

In accordance with the SORP and FRS 10, the negative goodwill is being amortised to the Income and Expenditure Account over 20 years representing the Board's estimate of the economic life of the assets required. The annual effect on the Income and Expenditure Account of the amortisation of negative goodwill is £32,768.

**(o) Apportionment of management expenses**

Direct employee administration and operating costs have been apportioned to the Income and Expenditure account on the basis of costs of the staff to the extent that they are directly engaged in each of the operations dealt with in those accounts.

**(p) Lease obligations**

Rentals paid under operating leases are expensed to the Income and Expenditure account on a straight line basis over the term of the relevant lease.

**Viewpoint Housing Association Limited**  
**Notes to the Financial Statements**  
**For the Year Ended 31 March 2010**

**1. Principal Accounting Policies (continued)**

**(q) Pensions**

The Association participates in the centralised SFHA Defined Benefit Pension Scheme and retirement benefits to employees of the Association are funded by contributions from all participating employers and employees in the Scheme. Payments are made in accordance with periodic calculations by consulting actuaries and are based on pension costs applicable across the various participating Associations taken as a whole. As it is not possible in the normal course of events to identify the Association's share of underlying assets and liabilities, it is accounted for on the basis of the contributions for the year.

The Association also contributes to the personal pension schemes of employees not eligible to participate in the above scheme on a defined contribution basis.

The expected cost to the Association of pensions is charged to the Income and Expenditure Account so as to spread the cost of pensions over the service lives of the employees in the scheme taken as a whole.

During the year Viewpoint Housing Association operated a non-contributory pension scheme for all staff who were not members of the SFHA Pension scheme. Employer's contributions are 6% of contracted salaries. Contributions are charged in the Income & Expenditure Account as they become payable in accordance with the rules of the scheme.

**(r) Value Added Tax (VAT)**

The Association is not VAT registered; as a result all expenditure is stated inclusive of Value Added Tax.

**(s) Prepayment of Loan Set-Up Costs**

The loan set-up costs have been treated as prepaid and will be charged to the Income and Expenditure account over the life of the loan. This treatment is consistent with Financial Reporting Standard 4 'Capital Instruments'. The capital element of the future payments is treated as a liability.

**(t) Liquid resources**

Liquid resources are defined as cash and cash equivalents being assets readily convertible into cash without curtailing or disrupting the business of the Association.

**(u) Loan stock**

Loan stock, being unsecured loans from tenants as per the terms of a number of the Association's tenancy agreements, is shown as long term creditors, with the exception of an estimated £668k which is included in housing loans within current liabilities. The current liability reflects the amounts the Association estimates will be repaid within one year.

Viewpoint Housing Association Limited  
Notes to the Financial Statements  
For the Year Ended 31 March 2010

**2. Turnover, Operating Costs and Operating Surplus**

|                   |      | Turnover                 | 2010<br>Operating<br>Costs | Operating<br>Surplus /<br>(Deficit) | 2009<br>Operating<br>Surplus /<br>(Deficit) |
|-------------------|------|--------------------------|----------------------------|-------------------------------------|---|
|                   | Note | £                        | £                          | £                                   | £   |
| Social Lettings   | 3a   | 6,383,430                | (5,238,533)                | 1,144,897                           | (212,825)                                   |
| Other activities  | 3b   | <u>4,721,586</u>         | <u>(5,533,972)</u>         | <u>(812,386)</u>                    | <u>(669,641)</u>                            |
| <b>Total 2010</b> |      | <u><u>11,105,016</u></u> | <u><u>(10,772,505)</u></u> | <u><u>332,511</u></u>               | <u><u>(882,466)</u></u>                     |
| <b>Total 2009</b> |      | <u><u>10,347,930</u></u> | <u><u>(11,229,856)</u></u> | <u><u>(882,466)</u></u>             |   |

Viewpoint Housing Association Limited  
Notes to the Financial Statements  
For the year Ended 31 March 2010

**3a. Income and Expenditure from Social Housing Lettings**

|   | General<br>Needs<br>Housing<br>£ | 2010<br>Supported<br>Housing<br>£ | Total<br>£              | 2009<br>Total<br>£        |
|---|----------------------------------|-----------------------------------|-------------------------|---------------------------|
| Rent receivable net of service charges                        | 926,888                          | 3,322,287                         | 4,249,175               | 4,007,780                 |
| Service charges receivable – eligible for Housing Benefit     | 194,668                          | 2,097,110                         | 2,291,778               | 1,868,913                 |
| Service charges receivable – not eligible for Housing Benefit | -                                | 113,818                           | 113,818                 | 113,993                   |
| Gross Income from rents and service charges                   | <u>1,121,556</u>                 | <u>5,533,215</u>                  | <u>6,654,771</u>        | <u>5,990,686</u>          |
| Less: voids   | <u>(35,121)</u>                  | <u>(236,220)</u>                  | <u>(271,341)</u>        | <u>(235,923)</u>          |
| Net Income from rents & service charges                       | 1,086,435                        | 5,296,995                         | 6,383,430               | 5,754,763                 |
| Grants from Scottish Ministers                                | -                                | -                                 | -                       | -                         |
| Other revenue grants  | -                                | -                                 | -                       | -                         |
| <b>Total Turnover from social letting activities</b>          | <u><b>1,086,435</b></u>          | <u><b>5,296,995</b></u>           | <u><b>6,383,430</b></u> | <u><b>5,754,763</b></u>   |
| Service costs   | 166,276                          | 1,861,935                         | 2,028,211               | (2,038,792)               |
| Management & maintenance administration costs                 | 251,254                          | 886,225                           | 1,137,479               | (1,164,830)               |
| Reactive maintenance costs                                    | 146,383                          | 463,868                           | 610,251                 | (687,591)                 |
| Bad debts - rents & service charges                           | 13,738                           | 22,080                            | 35,818                  | (6,664)                   |
| Planned & cyclical maintenance including major repairs        | 185,976                          | 832,153                           | 1,018,129               | (1,674,485)               |
| Depreciation on social housing                                | 50,379                           | 358,266                           | 408,645                 | (395,226)                 |
| Impairment on social housing                                  | -                                | -                                 | -                       | -                         |
| <b>Operating costs for social housing activities</b>          | <u><b>814,006</b></u>            | <u><b>4,424,527</b></u>           | <u><b>5,238,533</b></u> | <u><b>(5,967,588)</b></u> |
| <b>Operating Surplus/(Deficit)</b>                            | <u><b>272,429</b></u>            | <u><b>872,468</b></u>             | <u><b>1,144,897</b></u> | <u><b>(212,825)</b></u>   |
| Operating Deficit for social housing 2009                     | <u><b>(78,194)</b></u>           | <u><b>(134,632)</b></u>           | <u><b>(212,825)</b></u> |                           |

During the year £nil (2009: £nil) of major repairs work was capitalised and £88,498 (2009: £296,683) was expensed.

Viewpoint Housing Association Limited  
Notes to the Financial Statements  
For the year Ended 31 March 2010

**3b. Particulars of Turnover, Operating Costs and Operating Surplus or Deficit from Other Activities**

|   | 2010                                      |                                     |                      |                        | Operating Costs<br>£ | Operating Surplus/<br>(Deficit)<br>£ | 2009<br>Re-stated<br>Operating<br>Surplus/<br>(Deficit)<br>£ |
|---|---|-------------------------------------|----------------------|------------------------|----------------------|--------------------------------------|--|
|   | Grants from<br>Scottish<br>Ministers<br>£ | Supporting<br>People<br>Income<br>£ | Other<br>Income<br>£ | Total<br>Turnover<br>£ |                      |                                      |  |
| Development activities and construction of<br>property activities | -   | -                                   | -                    | -                      | (131,575)            | (131,575)                            | (117,402)  |
| Support Activities  | -   | 280,631                             | -                    | 280,631                | (297,950)            | (17,319)                             | (20,197)   |
| Care Activities   | 1,477,876                                 | -                                   | 2,910,615            | 4,388,491              | (5,089,026)          | (700,535)                            | (577,995)  |
| Agency and Managed Services for<br>Registered Social Landlords    | -   | -                                   | 36,292               | 36,292                 | (42,274)             | (5,982)                              | (977)  |
| Wider Role Activities   | -   | -                                   | -                    | -                      | -                    | -                                    | -  |
| Factoring   | -   | -                                   | -                    | -                      | -                    | -                                    | -  |
| Developments for sale to RSLs                                     | -   | -                                   | -                    | -                      | -                    | -                                    | -  |
| Developments for sale to Non RSLs                                 | -   | -                                   | -                    | -                      | -                    | -                                    | -  |
| Other   | -   | -                                   | 16,172               | 16,172                 | 26,853               | 43,025                               | 46,930   |
| <b>Total from Other Activities for 2010</b>                       | <b>1,477,876</b>                          | <b>280,631</b>                      | <b>2,963,079</b>     | <b>4,721,586</b>       | <b>(5,533,972)</b>   | <b>(812,386)</b>                     | <b>(669,641)</b>   |
| <b>Total from Other Activities for 2009</b>                       | <b>1,269,565</b>                          | <b>300,091</b>                      | <b>3,022,971</b>     | <b>4,592,627</b>       | <b>(5,262,268)</b>   | <b>(669,641)</b>                     |  |

Care Activities include restricted legacy income of £12,462 (2009: £19,576) intended specifically for care purposes and a grant of £230,000 received from the Viewpoint Trust (2009: £Nil).

2009 is re-stated to reflect the transfer of £19,576 of restricted legacy income from Other to Care Activities.

Other includes Garage Rents and Parking Space Lease Income £10,842 (2009: £9,665) and the release against operating costs of Negative Goodwill £32,768 (2009: £32,768).

Viewpoint Housing Association Limited  
Notes to the Financial Statements  
For the year Ended 31 March 2010

|  |               |                |
|--|---------------|----------------|
| <b>4. Interest Receivable and Similar Income</b> | <b>2010</b>   | <b>2009</b>    |
|  | £             | £              |
| Interest receivable on cash deposits             | 29,855        | 169,331        |
| Interest charged to subsidiaries                 | 17,584        | 18,091         |
|  | <u>47,439</u> | <u>187,422</u> |

|  |                |                |
|--|----------------|----------------|
| <b>5. Interest Payable and Similar Charges</b> | <b>2010</b>    | <b>2009</b>    |
|  | £              | £              |
| Interest on bank loans and overdrafts          | 376,797        | 370,191        |
|  | <u>376,797</u> | <u>370,191</u> |

|                                |                  |                   |                  |                  |
|--------------------------------|------------------|-------------------|------------------|------------------|
| <b>6. Designated Reserves</b>  | <b>At</b>        | <b>Transfers</b>  | <b>Transfers</b> | <b>At</b>        |
|                                | <b>April</b>     | <b>to Revenue</b> | <b>from</b>      | <b>31 March</b>  |
|                                | <b>2009</b>      | <b>Reserves</b>   | <b>Revenue</b>   | <b>2010</b>      |
|                                | £                | £                 | Reserves         | £                |
|                                |                  |                   | £                |                  |
| Cyclical maintenance reserves: |                  |                   |                  |                  |
| Maintenance                    | 263,738          | (487,227)         | 813,314          | 589,825          |
| Major repairs                  | 3,470,293        | (104,379)         | 122,451          | 3,488,365        |
| Sinking Fund                   | 12,752           | (320,120)         | 407,507          | 100,139          |
| Capital Reserve                | 232,807          | -                 | -                | 232,807          |
| New Care Home Reserve          | 2,100,454        | -                 | -                | 2,100,454        |
|                                | <u>6,080,044</u> | <u>(911,726)</u>  | <u>1,343,272</u> | <u>6,511,590</u> |

No restrictions are placed on these reserves, but the Board has designated their use for specific purposes. Allocations to these reserves and the basis of designation are currently under review. The balance on the Association's cyclical maintenance reserves at 31 March 2010 is sufficient to cover forecast expenditure under the planned maintenance programme for the years 2010/11 through to 2012/13.

The New Care Home Reserve was established from the sale proceeds of the former care home property at Inverleith Terrace which the Board have designated for the future construction or acquisition of a new care home.

|   |                |                |
|---|----------------|----------------|
| <b>7. Restricted Reserves</b>                               | <b>2010</b>    | <b>2009</b>    |
|   | £              | £              |
| As stated at 1 April  | 113,162        | 105,665        |
| Legacy Income received during the year (including Interest) | 12,519         | 24,073         |
| Transfer to revenue reserve for expenditure                 | (12,462)       | (16,576)       |
| At 31 March   | <u>113,219</u> | <u>113,162</u> |

The balance of the restricted reserves at 31st March 2010 is limited to the provision of amenities at specific housing complexes and care homes. These balances are likely to be fully expended within the next five years.

|                             |                |                |
|-----------------------------|----------------|----------------|
| <b>8. Negative Goodwill</b> | <b>2010</b>    | <b>2009</b>    |
|                             | £              | £              |
| As stated at 1 April        | 153,911        | 186,679        |
| Amortisation for year       | (32,768)       | (32,768)       |
| At 31 March                 | <u>121,143</u> | <u>153,911</u> |



**Viewpoint Housing Association Limited**  
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|   |  |  |                           |                            |
|---|--|--|---------------------------|----------------------------|
| <b>9. Revenue Reserves</b>  |  |  | <b>2010</b>               | <b>2009</b>                |
|   |  |  | <b>£</b>                  | <b>£</b>                   |
| As stated at 1 April  |  |  | <b>5,366,834</b>          | <b>6,113,916</b>           |
| Net Surplus/(Deficit) for the year                                    |  |  | <b>7,230</b>              | <b>(1,062,147)</b>         |
| Transfer to restricted reserves                                       |  |  | <b>(12,519)</b>           | <b>(24,073)</b>            |
| Transfer from restricted reserves for expenditure on restricted items |  |  | <b>12,462</b>             | <b>16,576</b>              |
| Net Transfer (to)/from designated reserves                            |  |  | <b>(431,545)</b>          | <b>322,562</b>             |
| At 31 March   |  |  | <b><u>4,942,462</u></b>   | <b><u>5,366,834</u></b>    |
| <br>  |  |  |                           |                            |
| <b>10a. Housing Properties</b>  |  |  |                           |                            |
|   | <b>Housing Properties held for letting</b> | <b>Housing Properties under construction</b> | <b>Care Homes</b>         | <b>Total</b>               |
|   |  | <b>£</b>                                     | <b>£</b>                  | <b>£</b>                   |
| <b>Cost</b>   |  |  |                           |                            |
| At 1 April  | 51,088,241                                 | 364,491                                      | 7,962,585                 | 59,415,317                 |
| Additions   | 442,578                                    | 700,224                                      | (2,437)                   | 1,140,365                  |
| At 31 March   | <u>51,530,819</u>                          | <u>1,064,715</u>                             | <u>7,960,148</u>          | <u>60,555,682</u>          |
| <b>Depreciation</b>   |  |  |                           |                            |
| At 1 April  | (3,597,504)                                | -  | (1,396,854)               | (4,994,358)                |
| Depreciation charge for year  | (408,645)                                  | -  | (130,040)                 | (538,685)                  |
| At 31 March   | <u>(4,006,149)</u>                         | <u>-</u>                                     | <u>(1,526,894)</u>        | <u>(5,533,043)</u>         |
| <b>Cost less deprecation</b>  | <b>47,524,670</b>                          | <b>1,064,715</b>                             | <b>6,433,254</b>          | <b>55,022,639</b>          |
| <b>Housing Association Grant</b>                                      |  |  |                           |                            |
| At 1 April  | (30,389,472)                               | -  | -                         | (30,389,472)               |
| Additions   | (54,080)                                   | (817,284)                                    | -                         | (871,364)                  |
| At 31 March   | <u>(30,443,552)</u>                        | <u>(817,284)</u>                             | <u>-</u>                  | <u>(31,260,836)</u>        |
| <b>Other Capital Donations</b>  |  |  |                           |                            |
| At 1 April  | (1,656,106)                                | -  | (2,355,082)               | (4,011,188)                |
| Additions   | (9,089)                                    | -  | -                         | (9,089)                    |
| At 31 March   | <u>(1,665,195)</u>                         | <u>-</u>                                     | <u>(2,355,082)</u>        | <u>(4,020,277)</u>         |
| <b>Total Grants as 31 March</b>                                       | <b><u>(32,108,747)</u></b>                 | <b><u>(817,284)</u></b>                      | <b><u>(2,355,082)</u></b> | <b><u>(35,281,113)</u></b> |
| <b>Net Book Value at 31 March 2010</b>                                | <b><u>15,415,923</u></b>                   | <b><u>247,431</u></b>                        | <b><u>4,078,172</u></b>   | <b><u>19,741,526</u></b>   |
| <b>Net Book Value at 31 March 2009</b>                                | <b><u>15,445,159</u></b>                   | <b><u>364,491</u></b>                        | <b><u>4,210,649</u></b>   | <b><u>20,020,299</u></b>   |
| <br>  |  |  |                           |                            |
| <b>10b. Development Administration Costs and Interest Capitalised</b> |  |  | <b>2010</b>               | <b>2009</b>                |
|   |  |  | <b>£</b>                  | <b>£</b>                   |
| Development administration costs capitalised during the year          |  |  | <b>20,416</b>             | <b>41,138</b>              |
| Interest capitalised during the year                                  |  |  | <b>-</b>                  | <b>-</b>                   |
| <br>  |  |  |                           |                            |
| <b>10c. Leased Assets</b>   |  |  |                           |                            |
| None of the Association's land or properties were held under a lease. |  |  |                           |                            |

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**10d. Major Repairs**

During the year major repairs for housing and care homes amounted to £104,379 (2009: £303,945) of which £nil (2009: £nil) was capitalised in the year.

**11. Other Fixed Assets**

|  | Heritable<br>Office<br>Property | Kitchen,<br>Office,<br>Computer<br>Software<br>and Garden<br>Equipment<br>£ | Fixtures<br>and<br>Fittings<br>£ | Motor<br>Vehicles<br>£ | Total              |
|--|---------------------------------|---|----------------------------------|------------------------|--------------------|
| <b>Cost</b>                            |                                 |   |                                  |                        |                    |
| At 1 April                             | 735,151                         | 752,133   | 1,846,568                        | 379,073                | 3,712,925          |
| Additions                              | 2,437                           | 79,046  | 146,166                          | 31,646                 | 259,295            |
| Disposals                              | -                               | (7,681)   | -                                | (30,624)               | (38,305)           |
| At 31 March                            | <u>737,588</u>                  | <u>823,498</u>  | <u>1,992,734</u>                 | <u>380,095</u>         | <u>3,933,915</u>   |
| <b>Depreciation</b>                    |                                 |   |                                  |                        |                    |
| At 1 April                             | (216,059)                       | (534,685)   | (1,531,781)                      | (244,040)              | (2,526,565)        |
| Charged during year                    | (13,159)                        | (107,027)   | (156,450)                        | (67,449)               | (344,085)          |
| Disposals                              | -                               | 4,963   | -                                | 26,999                 | 31,962             |
| At 31 March                            | <u>(229,218)</u>                | <u>(636,749)</u>  | <u>(1,688,231)</u>               | <u>(284,490)</u>       | <u>(2,838,688)</u> |
| <b>Net Book Value at 31 March 2010</b> | <u>508,370</u>                  | <u>186,749</u>  | <u>304,503</u>                   | <u>95,605</u>          | <u>1,095,227</u>   |
| Net Book Value at 31 March 2009        | <u>519,092</u>                  | <u>217,448</u>  | <u>314,787</u>                   | <u>135,033</u>         | <u>1,186,360</u>   |

**12. Investments**

|                              | 2010<br>£  | 2009<br>£  |
|------------------------------|------------|------------|
| Shares in Lomond Park        | 100        | 100        |
| Shares in subsidiary company | 11         | 11         |
|                              | <u>111</u> | <u>111</u> |

The Association holds one hundred unlisted shares in Lomond Park private gardens.

The subsidiary company at 31 March was:

| Name                    | Country of<br>Registration | Nature of Business  | Proportion of<br>Ordinary Shares<br>held |
|-------------------------|----------------------------|---|--|
| Benview Trading Limited | Scotland                   | Management of housing /homes funded by<br>Special Needs Capital Grant | 100%                                     |

The amount subscribed at par for the ordinary shares of £1 each held by Viewpoint Housing Association Limited was £1. The results for the subsidiary company and net asset value at the year end are as follows:

|  | 2010<br>£       | 2009<br>£       |
|--|-----------------|-----------------|
| Loss on ordinary activities after taxation | <u>(4,667)</u>  | <u>(14,291)</u> |
| Net Liabilities                            | <u>(49,582)</u> | <u>(44,915)</u> |

Viewpoint Housing Association Limited  
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|  |                   |                    |
|--|-------------------|--------------------|
| <b>13. Debtors:</b>  | <b>2010</b>       | <b>2009</b>        |
|  | <b>£</b>          | <b>£</b>           |
| <b>Amounts falling due after more than one year:</b>               |                   |                    |
| Amounts due from Group Undertakings                                | 270,632           | 282,399            |
| <b>Amounts falling due within one year:</b>                        |                   |                    |
| Rental Debtors   | 204,903           | 138,028            |
| Less: provision for bad and doubtful debts                         | <u>(69,675)</u>   | <u>(53,054)</u>    |
|  | 135,228           | 84,974             |
| Other Debtors  | 108,984           | 120,669            |
| Grants receivable  | 117,297           | 154,582            |
| Amounts due from Group Undertakings                                | 106,773           | 115,635            |
| Prepayments and accrued income                                     | 130,718           | 118,743            |
| Amounts due from Managed Schemes                                   | 36,117            | 141,425            |
| Trade Debtors  | <u>14,934</u>     | <u>12,578</u>      |
|  | <u>920,683</u>    | <u>1,031,005</u>   |
| <b>14. Creditors: Amounts falling due within one year</b>          | <b>2010</b>       | <b>2009</b>        |
|  | <b>£</b>          | <b>£</b>           |
| Housing loans principal payable within one year (see note 15)      | 789,444           | 6,589,931          |
| Bank Overdraft   | 387,773           | 736,076            |
| Trade Creditors  | 572,063           | 1,148,689          |
| Other Creditors  | 228,338           | 202,294            |
| Other taxes and social security                                    | 96,831            | 100,581            |
| Prepaid rent   | 268,930           | 282,684            |
| Accruals and deferred income                                       | <u>506,802</u>    | <u>565,670</u>     |
|  | <u>2,850,181</u>  | <u>9,625,925</u>   |
| <b>15. Creditors: Amounts falling due after more than one year</b> | <b>2010</b>       | <b>2009</b>        |
|  | <b>£</b>          | <b>£</b>           |
| <b>Debt</b>  |                   |                    |
| Housing Loans  | 5,663,142         | -                  |
| Loan Stock   | 4,552,853         | 5,256,272          |
| Other Loans  | <u>435,607</u>    | <u>-</u>           |
|  | <u>10,651,602</u> | <u>5,256,272</u>   |
| <b>Debt analysis</b>   | <b>2010</b>       | <b>2009</b>        |
|  | <b>£</b>          | <b>£</b>           |
| <b>Debt is repayable as follows:</b>                               |                   |                    |
| In one year or less  | 789,444           | 6,589,931          |
| In more than one year but less than two years                      | 378,062           | 250,000            |
| In more than two years but less than five years                    | 1,240,936         | 750,000            |
| In more than five years  | <u>9,032,604</u>  | <u>4,256,272</u>   |
|  | 11,441,046        | 11,846,203         |
| Less: disclosed in note 14   | <u>(789,444)</u>  | <u>(6,589,931)</u> |
|  | <u>10,651,602</u> | <u>5,256,272</u>   |

Bank loans are secured by specific charges over properties, the interest on bank loans is payable at a rate of interest of 6.22% (2009:5.72%). No interest is payable on loan stock.

During 2009 the Association breached its financial covenant for bank loans and as a result the bank loans were transferred to creditors due within one year. If there had not been a breach £6,208,974 would have been repayable after one year. New covenants were negotiated subsequently during 2010 and as a result bank loans are now reported and aged according to their original 30 year repayment period.

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| 16. Non Equity Share Capital                      | 2010       | 2009       |
|---|------------|------------|
|   | £          | £          |
| Issued, allotted and fully paid shares of £1 each |            |            |
| At 1 April  | 245        | 252        |
| Cancelled during the year                         | -          | (11)       |
| Issued during the year                            | 18         | 4          |
| At 31 March                                       | <u>263</u> | <u>245</u> |

Each member of the Association holds one share of £1 in the Association. Those shares carry no rights to dividend or distribution 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.

| 17. Employees               | 2010             | 2009             |
|-----------------------------|------------------|------------------|
|                             | £                | £                |
| Staff costs during the year |                  |                  |
| Wages and salaries          | 3,882,863        | 3,773,653        |
| Social security costs       | 309,265          | 306,591          |
| Other pension costs         | 338,523          | 293,984          |
| At 31 March                 | <u>4,530,651</u> | <u>4,374,228</u> |

The average number of full-time equivalents employed during the year was:-

|   |            |            |
|---|------------|------------|
| Office staff                              | 44         | 44         |
| Warden, care staff, caterers and cleaners | 141        | 135        |
| Maintenance                               | 9          | 11         |
| <b>Total FTE employees</b>                | <u>194</u> | <u>190</u> |

In addition to the above costs the Association incurred further costs of £1,271,996 (2009:£1,167,247) relating to the use of agency staff, primarily in the care homes.

The Association is controlled by a voluntary Board of Management who received no remuneration during the year to 31 March 2010 (2009 £nil).

The Directors also include the Chief Executive, and any other person reporting directly to the Chief Executive.

|   |               |               |
|---|---------------|---------------|
| Aggregate emoluments payable to Directors whose emoluments are £60,000 or more (excluding pension contributions and benefits in kind) | <u>-</u>      | <u>76,691</u> |
| Aggregate emoluments payable to the highest paid Director (excluding pension contributions)   | <u>56,697</u> | <u>76,691</u> |
| Pension Contributions   | <u>8,087</u>  | <u>10,780</u> |

The emoluments of the Directors whose emoluments excluding pension contributions and benefits in kind were over £60,000 were as follows:

|   |               |               |
|---|---------------|---------------|
| £70,001 to £80,000  | <u>-</u>      | <u>1</u>      |
| The aggregate amount of compensation payable to Officers and staff for loss of office                 | <u>15,026</u> | <u>92,954</u> |
| Expenses not chargeable to United Kingdom income tax reimbursed to members of the Board of Management | <u>989</u>    | <u>35</u>     |

**Viewpoint Housing Association Limited**  
**Notes to the Financial Statements**  
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**18. Pension Obligations Note**

**The pension costs for Viewpoint Housing Association Ltd relate to the following schemes:**

- **The Friends Provident Personal Pension Scheme** of which 149 employees are members (2009: 145). The members do not contribute and the employers' contribution is 6% paid by Viewpoint Housing Association £143,318 (2009: £121,674).
- **The Royal Scottish Insurance Pension Scheme** of which 2 employees are members (2009:2). The members contribute 5% and this is matched by Viewpoint Housing Association, £1,541 (2009: £753).

As only two employees are members of this scheme details of the actuarial assessment and financial assumptions are not disclosed as they are not material to these financial statements.

• **The Scottish Federation of Housing Associations' Pension Scheme**

1. Viewpoint Housing Association participates in the SFHA Pension Scheme.
2. The SFHA Pension Scheme is a multi-employer defined benefit scheme. The Scheme is funded and is contracted out of the state scheme.
3. The Scheme currently operates with a single benefit structure, final salary with a 1/60th accrual rate. From April 2009 are three benefit structures available, namely:
  - 3.1 Final salary with a 1/60th accrual rate.
  - 3.2 Career average revalued earnings with a 1/60th accrual rate.
  - 3.3 Career average revalued earnings with a 1/70th accrual rate.
4. An employer can elect to operate different benefit structures for their active members (as at the first day of April in any given year) and their new entrants. An employer can only operate one open benefit structure at any one time. An open benefit structure is one which new entrants are able to join.
5. Viewpoint Housing Association has elected to operate the final salary with a 1/60th accrual rate, benefit structure for active members as at 31 March 2010.
6. 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.
7. 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.
8. During the accounting period Viewpoint Housing Association paid contributions at the rate of 15.4% of pensionable salaries. Member contributions were 7.7%.
9. As at the balance sheet date there were 50 (2009: 48) active members of the Scheme employed by Viewpoint Housing Association. Viewpoint Housing Association continues to offer membership of the scheme to its employees.
10. 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 reference by individual employer experience. Accordingly, due to the nature of the Plan, the accounting charge for the period under FRS17 represents the employer contribution payable.

**Viewpoint Housing Association Limited**  
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**18. Pension Obligations Note (continued)**

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

12. 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 an increase in the assets of the Scheme to £265 million and indicated a decrease 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.

13. 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.

14. 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  |

15. 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:

|                | <b>Males</b>                                  | <b>Females</b>                                |
|----------------|---|---|
|                | Assumed life expectancy<br>in years at age 65 | Assumed life expectancy<br>in years at age 65 |
| Non-pensioners | 21.6  | 24.4  |
| Pensioners     | 20.7  | 23.6  |

16. 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<br>(% of pensionable salaries per annum) |
|----------------------|--|
| Final salary 60ths   | 17.8   |
| Career average 60ths | 14.6   |
| Career average 70ths | 12.6   |

17. 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.

**Viewpoint Housing Association Limited**  
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**18. Pension Obligations Note (continued)**

18. 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<br>(% of pensionable salaries per annum)                       |
|----------------------|--|
| Final salary 60ths   | 23.1%<br>(comprising employer contributions of 15.4% and member contributions of 7.7%) |
| Career average 60ths | 19.9%<br>(comprising employer contributions of 13.3% and member contributions of 6.6%) |
| Career average 70ths | 17.9%<br>(comprising employer contributions of 11.9% and member contributions of 6.0%) |

19. 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.

20. 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.

21. 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.

22. The last full agreed valuation took place as at 30 September 2009. The full valuation as at 30 September 2009 is now underway.

23. 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. This has been included as a contingent liability in Note 22.

24. 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.

25. 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 the 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 marker. The amount of debt can therefore be volatile over time.

**Viewpoint Housing Association Limited**  
**Notes to the Financial Statements**  
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**18. Pension Obligations Note (continued)**

**Growth Plan**

Viewpoint Housing Association Limited participates in the Pensions Trust's Growth Plan.

The Growth Plan is a multi-employer pension Plan which is in most respects a money purchase arrangement but it has some guarantees. Contributions paid into the Growth Plan up to and including September 2001 were converted to defined amounts of pension payable from Normal Retirement Date. From October 2001 contributions were invested in personal funds which have a capital guarantee and which are converted to pension on retirement, either within the Growth Plan or by the purchase of an annuity.

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

The Trustee commissions an actuarial valuation of the Growth Plan every 3 years. The main purpose of the valuation is to determine the financial position of the Plan and so determine the future prospects for discretionary bonuses and / or investment credits.

The actuarial valuation assesses whether the Plan'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.

Viewpoint Housing Association Limited offers the Growth Plan as an AVC investment option for members of the SFHA Pension Scheme. The members pay contributions at a rate of their choice. Viewpoint Housing Association Limited does not pay any contributions to the Growth Plan.

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 FRS17 represents the employer contribution payable.

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

The financial assumptions underlying the valuation were as follows:

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



**Viewpoint Housing Association Limited**  
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**18. Pension Obligations Note (continued)**

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

The Scheme Actuary has prepared a funding position as at 30 September 2009. The market value of the Plan's assets at that date was £765 million and the Plan's technical Provisions (ie. past service liabilities) were £820 million. The valuation therefore revealed a shortfall of assets compared with the value of liabilities of £55 million, equivalent to a funding level of 93%.

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.

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

A copy of the recovery plan must be sent to the Pensions Regulator. The Regulator has the power 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). A copy of the recovery plan in respect of the September 2008 valuation was forwarded to The Pensions Regulator on 18 December 2009.

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

Following a change in legislation in September 2005 there is a potential debt on the employer that could be levied by the Trustee of the Plan. The Trustee's current policy is that it only applies to employers 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 Plan as a whole is calculated by comparing the liabilities for the Plan (calculated on a buyout basis ie. the cost of securing benefits by purchasing annuity policies from an insurer, plus an allowance for expenses) with the assets of the Plan. If the liabilities exceed assets there is a buy-out debt.

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

**Other Pension Schemes**

During the year to March 2008 Viewpoint Housing Association introduced a non-contributory pension scheme for all staff who were not members of the SFHA Pension scheme, employers contributions are 6% of contracted salaries. Contributions are charged in the Income & Expenditure Account as they become payable in accordance with the rules of the scheme.

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**19. Operating Lease Commitments**

At 31 March 2010 the company was committed to make the following payments during the next year in respect of operating leases:

|                          | 2010<br>£    | 2009<br>£    |
|--------------------------|--------------|--------------|
| Leases which expire:     |              |              |
| Within one year          | 2,510        | -            |
| Within two to five years | 5,899        | 9,262        |
|                          | <u>8,409</u> | <u>9,262</u> |

**20. Taxation**

There was no charge to corporation tax in 2010 or in 2009. The Association has charitable status and is eligible for exemptions from corporation taxation under the provisions of Section 505 of the Income and Corporation Taxes Act 1988.

**21. Capital Commitments**

|  | 2010             | 2009           |
|--|------------------|----------------|
| Capital expenditure that has been contracted for but has not been provided for in the financial statements | <u>3,030,740</u> | <u>438,257</u> |
| Capital expenditure that has been authorised but not contracted for  | <u>172,916</u>   | <u>-</u>       |

The Association has necessary arrangements in place to fund any shortfall between the capital commitments above and HAG received on these projects.

**22. Contingent Liabilities**

**The Scottish Federation of Housing Association's Pension Scheme**

Viewpoint Housing Association has been notified by the Pensions Trust of the estimated employer debt on withdrawal from the SFHA Pension Scheme based on the financial position of the Scheme as at 30 September 2009. As of this date the estimated employer debt for Viewpoint Housing Association was £8,651,661.

**Growth Plan**

Viewpoint Housing Association Limited has been notified by the Pensions Trust of the estimated employer debt on withdrawal from the Plan based on the financial position of the Plan as at 30 September 2009. As of this date the estimated employer debt for Viewpoint Housing Association Limited was £78,336.

**Employment Tribunals**

Viewpoint is defending a claim brought by an ex-employee through an ongoing employment tribunal. It is not possible to quantify the possible financial effect of this claim at present, however, the case is expected to be resolved within the next six months.

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**23. Notes to the Cash Flow Statement**

**a. Reconciliation of Operating Surplus to Net Cash Inflow from Operating Activities**

|  | 2010           | 2009           |
|--|----------------|----------------|
|  | £              | £              |
| Operating (deficit)/surplus on ordinary activities | 332,511        | (882,466)      |
| Depreciation of housing properties                 | 538,685        | 525,266        |
| Depreciation – other                               | 344,085        | 311,886        |
| Decrease in stock and work in progress             | 2,868          | -              |
| Decrease in debtors                                | 91,668         | 103,850        |
| (Decrease)/Increase in creditors                   | (367,320)      | 281,753        |
| Amortisation of negative goodwill                  | (32,768)       | (32,768)       |
| Net cash inflow from operating activities          | <u>909,729</u> | <u>307,521</u> |

**b. Reconciliation of Net Cash Flow to Movement in Net Debt**

|  | 2010               | 2009               |
|--|--------------------|--------------------|
|  | £                  | £                  |
| Increase/ (Decrease) in cash for the year    | 2,958,999          | (2,828,466)        |
| Cash flow (to)/from Liquid Resources         | (3,533,534)        | 1,533,634          |
| Cash outflow from decrease in debt           | 742,313            | 643,770            |
| Cash inflow from increase in debt            | (337,156)          | (294,727)          |
| Change in net debt resulting from cash flows | (169,378)          | (945,789)          |
| Net Debt as at 1 April 2009                  | (8,226,528)        | (7,280,737)        |
| Net Debt as at 31 March 2010                 | <u>(8,395,906)</u> | <u>(8,226,526)</u> |

**c. Analysis of Changes in net debt**

|                          | at 1 April<br>2009 | Cash flow        | Other<br>Changes | At 31<br>March 2010 |
|--------------------------|--------------------|------------------|------------------|---------------------|
|                          | £                  | £                | £                | £                   |
| <b>Net Cash</b>          |                    |                  |                  |                     |
| Cash at bank and in hand | 822,117            | 2,610,696        | -                | 3,432,813           |
| Bank Overdrafts          | (736,076)          | 348,303          | -                | (387,773)           |
|                          | <u>86,041</u>      | <u>2,958,999</u> | -                | <u>3,045,040</u>    |
| <b>Liquid Resources</b>  | 3,533,634          | (3,533,534)      | -                | 100                 |
| <b>Debt</b>              |                    |                  |                  |                     |
| Debt due within one year | (6,589,931)        | 9,512            | 5,790,975        | 789,444             |
| Debt due after one year  | (5,256,272)        | 395,645          | (5,790,975)      | 10,651,602          |
|                          | <u>(8,226,528)</u> | <u>(169,378)</u> | -                | <u>(8,395,906)</u>  |

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Notes to the Financial Statements  
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**24. Housing Stock**

|   | 2010<br>No         | 2009<br>No         |
|---|--------------------|--------------------|
| General needs   | 293                | 291                |
| Supported   | 1,094              | 1,099              |
| Total units   | 1,387              | 1,390              |
| Average non-controlled rent                             |                    |                    |
|   | 2010<br>£<br>3,142 | 2009<br>£<br>2,964 |
| Increase in average non-controlled rent 5.5% (2009: 4%) |                    |                    |
| Housing accommodation managed on behalf of other bodies |                    |                    |
|   | 96                 | 96                 |
| Accommodation managed by other bodies:                  |                    |                    |
| The Action Group  | 5                  | 5                  |
| Garvald Glenesk Limited                                 | 1                  | 1                  |
| Community Integrated Care                               | 7                  | 7                  |
| Carr-Gomm Scotland                                      | 8                  | 8                  |

**25. Operating Surplus/(Deficit) on Ordinary Activities**

|   | 2010   | 2009   |
|---|--------|--------|
| Operating Surplus/(Deficit) on ordinary activities was arrived at after charging: |        |        |
|   | £      | £      |
| External Auditor fees   | 18,506 | 23,565 |
| External Auditor non audit services   | 900    | 1,400  |

**26. Related Party Disclosure**

**Tenant members of the Board**

During the year there were no members of the Board who held an Association tenancy.

**Benview Trading Limited**

Viewpoint Housing Association provides funding assistance and management and development services to Benview Trading Limited, a private company, in relation to the development of capital projects in which the two organisations hold complementary interests. Benview also provides Viewpoint with advisory services in connection with the same projects. All staff employed in Benview are employees of Viewpoint.

During the year, Viewpoint Housing Association received £2,704 (2009: £2,600) in management and development fees from Benview Trading Limited. During the year Viewpoint Housing Association Limited charged interest of £17,584 (2009: £18,091) on a loan to Benview Trading Limited. At 31 March 2010 the balance outstanding on this loan was £282,399 (31 March 2009: £294,165). At the period end the total amount due from this company was £377,405 (2009: £398,033) (Note 13). Interest on the inter-company current account balance of £95,005 was charged to Benview at a rate comparable with that which is received on the Association's bank deposits. Interest of £199 was charged on the short-term debtor balance which included a backdated amount of £104 from April 2008 to March 2009.

**Viewpoint Housing Association Limited**  
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**26. Related Party Disclosure (continued)**

The following members of the Association's Board who served during the year are also directors of Benview Trading Limited:

Mr R D Hamilton (Resigned 31<sup>st</sup> December 2009)

Mr J D Ritchie (Resigned 31<sup>st</sup> December 2009)

Dr R G Smith

Miss E M Morrison

Mr R Stewart (Appointed 18<sup>th</sup> February 2010)

**Viewpoint Trust**

Viewpoint Trust was established in 1987 to raise and allocate funds to provide housing and any associated amenities for the aged and infirm who, in the opinion of the Trustees, would derive benefit therefrom. There are no staff employed by the Trust and financial and secretarial services are provided by Viewpoint Housing Association. Three of the nine trustees are also members of Viewpoint Housing Association.

During the year Viewpoint Housing Association received, from the Viewpoint Trust, a grant of £230,000 towards restructuring costs in the care homes and £4,160 in management fees (2009: £4,000). At the period end the amount due from the Viewpoint Trust was £4,240 (2009: £42,245) excluding a sundry debtor of nil (2009: £580,999).

There were no members of the Association's Board who served during the year as Trustees of Viewpoint Trust.

**Managing Agents**

Housing and accounting records are maintained on behalf of Craiglea Place Proprietors Association and Blackford Grange Proprietors Association with whom we have a management agreement.

**27. Post Balance Sheet Event**

**Development at 7 Lanark Road West, Edinburgh**

In August 2010 the Association entered into an agreement in principle to transfer responsibility for the development of the above site to the Link Group, Edinburgh.

Housing Properties under construction (Note 10a) include pre-contract costs of £817,284 relating to this project and related Housing Association Grant also of £817,284. It is anticipated that the costs incurred to date and Housing Association Grant received to date by the Association will transfer to the Link Group. Included in Note 21, Capital Commitments under capital expenditure that has been contracted for but has not been provided for in the financial statements is £2,856,438 relating to the above development.

Responsibility for the fulfilment of this commitment will transfer to the Link Group under the terms of the agreement the Association has reached with them.

