

**Margaret Blackwood
Housing Association Limited**

Report and Accounts

31st March 2010

*(Financial Services Authority Company number
1728R(S))*

(Scottish Housing Regulator No. HEP158)

(Charity No. SCO07658)

REPORT OF THE BOARD

REFERENCE AND ADMINISTRATIVE DETAILS

The Association was formed in 1972. It is registered with the Financial Services Authority under the Industrial and Provident Societies Act 1965, (No 1728R(S)), and with the Scottish Housing Regulator (No HEP158). It is recognised by HM Revenue & Customs as a Scottish charity for tax purposes (No SCO07658).

The following were Board members during the year,

Mrs Helen Armour	Resigned January 2010
Mrs Lesley Beddie, BSc., CEng	
Ms Lizanne Burton	
Mr Grant Carson, BSc (Hons) MSc	Chairman
Mr Ron Carthy, MA (Hons), MSc, MIPD	
Mr Alex Duncan	Appointed May 2009
Mr Andrew Drane, LLB (Hons), LLM, Dip LP, NP	
Mr Stephen Gallagher, MA	Vice-Chairman
Mr David Gallant	
Mr Ian Gerono, MA, MBA	
Mr Bill Grant, MCIBS	
Mrs Marian Jacobs, BA (Econ), Dip TP	
Ms Margaret Lightbody, MCIH, MBA	Resigned August 2009
Mr Bob Millar, CA	
Dr Sam Wamuziri, MBA	

Chief Executive

Peter Mountford-Smith (Resigned June 10)

Pam Russell – Acting Chief Executive from June 10

Registered Office and Head Office

Craigievar House

77 Craigmount Brae

Edinburgh EH12 8XF

REPORT OF THE BOARD

Auditors

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

Internal Auditors

TIAA Ltd
Business Support Centre
54-56 Gosport Business Centre
Aerodrome Road
Gosport PO13 0FQ

Bankers

Clydesdale Bank PLC
50 Lothian Road
Edinburgh EH3 9BY

and

Lloyds TSB Scotland PLC
Corporate Banking
Henry Duncan House
120 George Street
Edinburgh EH2 4LH

Solicitors

TC Young
7 West George Street
Glasgow G2 1BA

REPORT OF THE BOARD

STRUCTURE, GOVERNANCE AND MANAGEMENT

Organisational structure and how decisions are made

The Association is governed by its Rules, based on the Scottish Federation of Housing Association's Model Rules (Scotland) 2003, updated to reflect the amended version of Model Rules. The amended Rules were approved by the membership in March 2009. The amendments focussed mainly on membership arrangements. The Association is managed by an elected Board representing its members. The suite of terms of reference from the Board, its Committees and the Senior Management Team and the Financial Standing Orders of the Association lay out the decision making authorities. The Financial Standing Orders detail the authorisation levels that are delegated to the Chief Executive and officers of the Association in relation to incurring expenditure.

Group structure

The Association has two wholly owned subsidiaries, Blackwood Foundation which is a company limited by guarantee and not having a share capital and with charitable status, and Margaret Blackwood Technical Consultants Limited which is a company limited by shares and without charitable status.

Primary Objects of the group organisations

Margaret Blackwood Housing Association's primary objectives are to provide relief for those in need by reason of age, ill health, disability, financial hardship or other disadvantage through the provision, construction, improvement and management of land and accommodation and for the provision of care.

Blackwood Foundation's primary objectives are to relieve the needs of and to advance education amongst people who are disabled and other community care service users and to promote, establish and operate other schemes of a charitable nature for the benefits of the community.

Margaret Blackwood Technical Consultants' primary objectives are the carrying out of any business for profit. Currently this encompasses the provision of consultancy and direct labour services.

The Association and its subsidiaries operate under the terms of independence agreements. Due to immateriality the results of the two subsidiaries are not consolidated with those of the Association.

REPORT OF THE BOARD

Our objects are:

- To provide for the relief of those in need by reason of age, ill-health, disability, financial hardship or other disadvantage through the provision, construction, improvement and management of land and accommodation and the provision of care; and
- To undertake any activity allowed under Section 58 of the Housing (Scotland) Act 2001 (as amended by the Housing (Scotland) Act 2006 and SSI 2006/211 (Registered Social Landlords (Purposes or Objects) (Scotland) Order)) which is charitable in terms of section 7 of the Charities and Trustees Investment (Scotland) Act 2005.

Recruitment, learning and development of Board members

The Association has adopted rigorous recruitment criteria which ensure that the process of Board recruitment focuses on the mix of skills and experience which are needed to manage a diverse organisation effectively. The approach uses pre-determined criteria against which candidates are asked to demonstrate their abilities in respect of the key functions of Board responsibility. A short listing panel assesses written application information prior to panel based competency interviews which are led by the Chair and the Chief Executive.

The Association ensures the continuous learning and development of members in a number of ways. One to one sessions with members help address individual knowledge and understanding gaps, short relevant briefings and discussion sessions are held both as part of Board and Committee meetings and otherwise. We also continue to develop the Board extranet which provides member access to current and past Board papers and minutes and a suite of information documents on relevant topics.

OBJECTIVES AND ACTIVITIES

We believe in diverse communities in which people can expand their opportunities, exercise choice and maximise their potential.

Our mission is that we aim to provide the best accessible housing in mixed communities, and the best personal care and support services for disabled people, in partnership with our staff.

REPORT OF THE BOARD

The Association's strategic aims are:

- To provide more high quality, innovative, accessible housing for both disabled people and others in inclusive, mixed communities, in a way which exceeds and challenges accepted standards of provision;
- To provide well-managed and maintained housing, working in partnership with tenants to offer choice and value for money; and
- To provide the best personal care and support services, working with disabled people to make their own life choices.

Summary of activities in the year

During the year we contributed to the achievement of our strategic aims by:

- Completing the transfer of engagements from Minerva Housing Association adding 17 tenanted flats and net assets of £661k to our business;
- Continuing our programme of demolishing old and unsuitable sheltered accommodation, replacing it with modern, well-designed accessible housing and in doing so, working to meet the needs of neighbouring communities as part of the redevelopment programme;
- Building and bringing into management 41 new homes. 24 new flats have been built as part of the remodelling of our sheltered development in Glasgow and 17 flats were brought into management following the transfer of engagements from Minerva Housing Association;
- Participating in several sustainability initiatives, including replacing expensive electric heating with gas, improved insulation of homes, energy advice for both tenants and staff, and installation of high efficiency boilers in older stock;
- Continuing our investment in planned maintenance, spending £1.9 million on improvements to 253 homes, including 96 sets of window replacements, 130 kitchen replacements, and 128 heating replacements;
- Undertaking a substantial programme of reactive maintenance, completing over 8,700 repairs at a total cost of £1.29million;
- Continuing to work through, and substantially completing an improvement plan agreed with the Scottish Housing Regulator, and more widely continuing to pursue improvements across the whole range of our services;
- Continuing to receive high level gradings for care and support services by the Scottish Commission for the Regulation of Care;
- Further developing our tenant participation activities, working both with registered tenants organisations and with groups which have not chosen to become formally constituted;
- Developing our approach to person-centred care and housing support, including training and awareness-raising among a large group of staff; and
- Preparing for an increased level of activity in formal tendering for care and support contracts.

REPORT OF THE BOARD

Post Balance Sheet Events

- In June 2010 the Chief Executive, Peter Mountford-Smith resigned. Pam Russell, the Deputy Chief Executive, is acting as Chief Executive until a suitable replacement is recruited.
- In June 2010 the Board approved the transfer of the small direct labour team from its subsidiary, Margaret Blackwood Technical Consultants to the Association. It is expected this transfer will complete by September 2010. Margaret Blackwood Housing Association will review the position after one year and consider the future of the direct labour team and Margaret Blackwood Technical Consultants. During that period Margaret Blackwood Technical Consultants will effectively become a dormant company.

ACHIEVEMENTS AND PERFORMANCE

We are a long established and well respected housing association with a strong reputation for providing high quality care, supported by a robust financial base. Our aim is to consolidate this while implementing a programme of initiatives to build up the Association's capacity to make continuous improvements throughout the business. We have comprehensively reviewed the key factors which affect our work, and these are addressed within our business plan. Some of the main challenges that lie ahead for us are:

- The high expectations of regulators, funders and service users, but with constraints on funding;
- Increased demand resulting from demographic change and a sharper focus on area regeneration;
- Changes to the labour market and to related recruitment issues;
- Rising standards driving the need for further improvements in building quality and stock condition; and
- Growing prominence of person-centred services.

Working in partnership with the relevant local authorities and the Scottish Government, we have succeeded in developing plans for new housing, and in particular, successfully rebuilding some older sheltered housing. We have restructured and adapted our housing support service to align it closely with national standards.

We have drawn down a further tranche of £1m from the £10m credit facility, arranged in previous years. This makes £7m drawn down in total, with the remaining £3m being drawn down in 2010/11. This will support both new build developments and a programme of repairs and renewals to improve our existing housing stock.

We have maintained a strong focus on health and safety. Given the nature of our work, this will always be an area of potential concern for us, and we have in place good systems for assessing and reducing risk.

REPORT OF THE BOARD

We commissioned a comprehensive financial model which reviews our financial projections for the next 30 years, and we have identified actions and targets which will allow us to maintain a healthy positive cash flow each year over the full period covered by this model.

We continue to place emphasis on staff development and training, and we have continued to employ several apprentices and trainees and supported many staff in their pursuit of vocational and professional qualifications. We held several sessions with staff on strategic development and implementation. We have started on a process of organisational development.

Our focus on performance improvement has continued. We have achieved steady and sustained progress against a range of performance indicators, showing improvement over the last five years, for example

Performance indicators	2005/06	2006/07	2007/08	2008/09	2009/10
Average Re-let Time (all types of provision)	57	37	32	31	37
Rent Loss Due to Voids	1.37	1.09	0.89	0.58	1.07
Total non-tech arrears %	5.25	4.22	2.82	2.83	3.43
% Repairs Comp within Target	79%	82%	85%	89%	91%

Whilst there are significant improvements across all of the areas of performance detailed above in the 5 year period, performance has worsened in 2009/10 from the previous year for Average re-let times, Rent Loss due to Voids and Non Technical arrears. This is primarily as a result of a restructuring of the Operations Team with new staff and new roles being developed. These teams are now staffed and trained and we expect the consequential impact to be a return to our previous performance levels.

We continue to build on this through our programme of rapid improvement events and the ongoing review and improvement of our ICT systems.

REPORT OF THE BOARD

Major risks to which the Association is exposed

The Association identified the following to be the key risks:

- Our ability to compete with others in a tightening financial market could be threatened if our costs' base remains relatively high;
- Possible failure to embrace telecare technology quickly enough to gain a competitive advantage or to keep pace with the rest of the market;
- We fail, or are perceived to fail, to undertake the appropriate type and levels of planned maintenance and asset management to achieve an adequate level of quality in the asset base, thus impacting on our tenants' satisfaction levels or possibly failing to achieve the standards required by the regulator;
- We fail to convince commissioners of care and services to support the changes we aspire to make, and are unable to change the focus of our service delivery quickly enough;
- Changes and uncertainty in the funding framework for housing may mean that development becomes difficult or impossible; and
- Our business continuity plans prove not fit for purpose.

For all of these risks the Association has plans of action to reduce and, where possible, eliminate them. The reviews of risk exposure and the resulting agreed actions to manage risks are reported regularly to the Audit Committee, which in turn reports annually on these to the Board.

REPORT OF THE BOARD

FINANCIAL REVIEW

There is an operating surplus for the year of £863k. After a gain on sale of properties at Campbeltown and Tarbert transferred to Fyne Homes of £178k and interest earned and payable of £218k net the surplus for the year was £823k. This was prior to making net transfers to the designated reserves of £1,000k and after applying interest of £12k to these reserves. Revenue Reserves have decreased by £100k. There was a decrease in turnover of £60k reflecting some reductions in services with corresponding reductions in income, gaining some new care and support contracts, and a general inflation increase. Housing property assets increased by £7.9m, with Grant funding of £4.1m meeting a proportion of the costs. This includes additional properties brought into management in Glasgow and following a transfer of engagements of Minerva Housing Association in Prestwick. Creditors falling due after more than one year have increased by £1,104k primarily as a result of the draw down £1m loan from Lloyds TSB. The principal revenue funding sources for the Association's activities are rents and service charges, and grant income from local authorities for care and housing support. The principal capital funding source to enable the Association to carry out its development programme is social housing grants from the Scottish Government or, where funding control has been transferred, local authorities.

The following are our key financial policies:

Treasury Management

There is a comprehensive Treasury Management Policy in place. The main aim of the strategy is to control the associated risks to the Association of borrowing and investing activities, thus giving priority to minimising risk before maximising return.

Rental Income

The Association's Rent Policy is a points system based on the size, type and facilities of the accommodation. The policy ensures that the rent structure is easier to administer and covers the wide variations within the Association's properties. The points value system is reviewed annually to ensure that the rents cover the required costs. The policy has been comprehensively reviewed during the year focussing particularly on viability, affordability and comparability. This follows the generally accepted practice and principles of the housing movement.

Credit Payment Policy

The Association's policy concerning the payment of its trade creditors complies with the Confederation of British Industry guidelines. We aim to pay creditors within their terms, which is generally 28 days [2009: 28 days].

REPORT OF THE BOARD

Maintenance Policy

The Association's properties are its principal assets. Our Maintenance Policy aims to ensure these properties continue to be in demand by our tenants and potential tenants, meet our regulatory and statutory responsibilities, and to maintain their value. To this end we carry out works on a reactive basis for any ad hoc repairs as they occur and have programmes of cyclical or preventative repairs carried out in the medium term to slow down the gradual and predictable deterioration of building components. The cost of all these repairs would be charged to the Income and Expenditure Account.

We also have a long term programme of planned maintenance which will cover the replacement of building components that reach the inevitable end of their useful life. This also includes any additional works required by subsequent legislative changes. We plan the requirements, taking account of the Scottish Housing Quality Standards and our assessment of how our properties can be improved to meet these using stock condition surveys. The cost of these repairs would be charged to the Income and Expenditure Account, unless it was agreed they could be capitalised within the terms outlined in the Statement of Recommended Practice.

Reserves Policies

Our Reserves are important for several reasons. We need to have funds to carry out cyclical and planned repairs to our properties. We also need free reserves to allow us to react to any unexpected or unplanned costs. Our policy on designated reserves is laid out in Note 1, Accounting Policies. Interest is added to these designated reserves annually. Interest is calculated by applying the rate of interest we earn on our bank balances, to the opening balance of the reserves, reflecting the extent to which we are self funding. We are currently in the process of finalising the results of our stock condition work, after which we will be able to establish the timing of the expected spending drawn on these reserves.

Our policy on Revenue Reserves is to aim to achieve a surplus annually, after transfer to designated reserves of varying amounts depending on the income stream but which equates overall to between 2% and 4% of our turnover. Included in this we more specifically aim to build up the equivalent of three months turnover on our Care and Support activities. This will allow us to cover unplanned expenditure without affecting the viability of the Association.

Our performance during the year against our designated Reserves Policy was affected by the sums spent on planned maintenance both as part of the planned replacement programme of our three key components of kitchens, boilers and window replacements and also the ongoing replacement and repair of large value items on an as required basis.

REPORT OF THE BOARD

PLANS FOR FUTURE PERIODS

We intend to build on the success of previous years by investing in our properties and our services. Key activities over the next five years include:

- Continuing with the planned maintenance programme in order to meet and where possible exceed the required Scottish Housing Quality Standards by 2015.
- Continuing to remodel or replace our older sheltered housing, in close consultation with tenants.
- Developing new housing, primarily as part of the remodelling programme of sheltered housing and care homes and, where other opportunities arise that fit our strategic aims.
- Raising additional loan finance to facilitate our capital programmes.
- Finalising the development of several key strategies.
- Achieving the planned outcomes from the renewed and extended information and communications technology systems in order to deliver a set of systems that are fit for purpose.
- Keeping the funding for our care and housing support services under review to ensure we manage the financial risks that we expect will become increasingly key to the deliver of these services.
- Continuing the process of supporting staff to gain vocational qualifications to ensure not only that we meet the statutory requirements for a qualified workforce but also to continue the desired improvements we wish to achieve in the provision of our care and support services in a way which is more person-centred.

Our Business Plan lays out our plans for the future. The annual budget and key performance indicators have also been prepared for the following year.

The key performance indicators set for 2010/11, and those for 2009/10, are:

Performance area	2010/11 Target	2009/10 Target
Rent loss due to voids	0.6%	0.5%
Property Re-let time (days)	20	20
Non technical rent arrears	1.8%	1.8%
Reactive repairs completed on target	95%	95%

These have been determined with consideration for the conditions contained in the existing banks' facilities and we have confirmation from the banks that overdrafts and loans will continue to be available. We have also reviewed our strategic aims and we will set out some clear action plans to help us achieve our aims.

REPORT OF THE BOARD

GOING CONCERN

The Board asserts the following statements in respect of its assessment of the Association as a going concern:

- There are no significant doubts about the Association's ability to continue as a going concern;
- Full disclosure has been made of any material uncertainties, of which it is aware in making its assessment; and
- This assessment covered a one year period from approving the annual accounts.

On this basis the Board consider the going concern assumption underlying the preparation of the Association's Financial Statements to be appropriate.

DISABLED EMPLOYEES

Applications for employment by disabled people are given full and fair consideration for all vacancies in accordance with their particular aptitudes and abilities. In the event of existing employees becoming disabled, every effort is made to make adjustments to their working conditions and/ or to retrain them in order that their employment with the Association may continue.

It is the policy of the Association that training and career development should be available to all employees.

EMPLOYEE INVOLVEMENT AND HEALTH & SAFETY

The Association takes seriously its responsibilities to employees and as a policy, provides employees with information on matters of concern to them. Through the Joint Consultative Group and the Joint Negotiating Committee the Association consults employees or their representatives on a range of issues related to their terms and conditions of employment, including health and safety, so that their views may be taken into account in making decisions likely to affect their interests.

STATEMENT OF BOARD MEMBERS' RESPONSIBILITIES IN RESPECT OF THE ACCOUNTS

Industrial and Provident Society and Registered Housing Association law requires Board members to prepare accounts for each financial year which give a true and fair view of the state of affairs of the Association and of the surplus or deficit of the Association for that period. In preparing those accounts, the Board members are required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgements and estimates that are reasonable and prudent; and
- Prepare the accounts on the going concern basis unless it is inappropriate to presume that the Association will continue in business.

REPORT OF THE BOARD

The Board members are responsible for ensuring that proper accounting records are maintained which disclose with reasonable accuracy at any time the financial position of the Association and to enable them to ensure that the accounts comply with the Industrial and Provident Societies Acts, the Housing (Scotland) Act 2001 and the Registered Social Landlords (Accounting Requirements) (Scotland) Order 2007.

They are also responsible for safeguarding the assets of the Association and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The maintenance and integrity of the web site in relation to the contents of the financial statements are the responsibilities of the Board. The work carried out by the auditors does not involve consideration of these matters and, accordingly, they accept no responsibility for any changes that may have occurred in the financial statements since they were initially presented on the web site. Legislation in the United Kingdom governing the preparation and dissemination of the financial statements and other information included in annual reports may differ from legislation in other jurisdictions.

STATEMENT ON INTERNAL FINANCIAL CONTROLS

The Board acknowledges its responsibilities for ensuring the Association has in place an adequate system of financial control. It further acknowledges that such a system can only provide reasonable and not absolute assurance against material financial mis-statement or loss.

The following key procedures have been established to provide effective financial control:

- i) Detailed Financial Standing Instructions which set out the levels of authority that have been delegated by the Board, together with clear and concise financial policies and procedures;
- ii) Management information systems which provide accurate and timeous information on all aspects of the business. As part of the management information systems, there are prepared regular reports on actual performance compared with agreed budgets, and upon identification of any significant variations, what remedial action needs to be taken;
- iii) The Board, through its Audit Committee, considers regular reports from management, external auditors and internal auditors, and ensures that appropriate action is taken to address any reported weaknesses. Particular areas of focus during the year were rent arrears arrangements, reactive maintenance and planned and cyclical maintenance. The required actions arising from the reviews have been agreed and substantially completed in the year;
- iv) Recruitment and training of suitably qualified and experienced staff who take responsibility for all the Association's main business functions. An annual

REPORT OF THE BOARD

appraisal process is in place which ensures that the required performance standards are maintained;

STATEMENT ON INTERNAL FINANCIAL CONTROLS (continued)

- v) Assessment of major business risks, including new initiatives, major financial commitments and treasury management using laid down criteria;
- vi) The Audit Committee reviews reports from management, external auditors and internal auditors to provide reasonable assurance that controls are in place and are being followed. This Committee makes regular reports to the Board; and
- vii) A practice of segregation of duties in appropriate areas.

The Association has been working through an agreed Improvement Plan following a Regulatory Inspection in 2008. Progress against the Plan has been significant to the extent that the Scottish Housing Regulator has asked the Association to consider formal sign off of the plan earlier than the required deadline.

The Board has reviewed the effectiveness of the system of internal financial controls which have been in operation during the year to 31st March 2010. No weaknesses have been found which resulted in material losses, contingencies or uncertainties that require disclosure.

These arrangements comply with the requirements contained in the Scottish Housing Regulator's guidance and the Scottish Federation of Housing Association's publication "Raising Standards in Housing".

STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

The Board members who were in office on the date of approval of these financial statements have confirmed that as far as they are aware, there is no relevant audit information of which the auditors are unaware. Each of the Board members has confirmed that he or she has taken all the steps that ought to have been taken in order to become aware of any relevant audit information and to establish that it has been communicated to the auditor.

AUDITORS

Baker Tilly UK Audit LLP has indicated its willingness to continue in office. A resolution proposing its re-appointment will be submitted to the annual general meeting.

By order of the Board

Pam Russell

Secretary

23 August 2010

INDEPENDENT AUDITORS' REPORT

To the members of Margaret Blackwood Housing Association Limited

We have audited the financial statements which comprise the Income and Expenditure Account, the Balance Sheet, the Cash Flow Statement and the related notes.

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 Board Report and consider whether it is consistent with the audited financial statements. 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.

INDEPENDENT AUDITORS' REPORT

Group Accounts Section 14 (2) of the Friendly and Provident Societies Act 1968

We agree with the opinion of the Board of Management of the Association that it would be of no real value to the members of the Association to consolidate or include the accounts of the Association's subsidiaries, in the Group accounts required to be prepared under Section 13 of the Friendly and Industrial and Provident Societies Act 1968 for the year ended 31 March 2010, because of the insignificant amounts involved.

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
Registered Auditor
Chartered Accountants
First Floor, Quay 2
139 Fountainbridge
Edinburgh
EH3 9QG
24 August 2010

AUDITORS' REPORT ON CORPORATE GOVERNANCE MATTERS

Corporate Governance

In addition to the audit of the financial statements, we have reviewed the Board's statement on page 14 on the Association's compliance with the section on Internal Financial Control within SFHA's publication "Raising Standards in Housing". The objective of our review is to draw attention to non-compliance with those paragraphs of the publication not otherwise disclosed.

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 control on page 14 has provided the disclosures required by the Section on Internal Financial Controls within SFHA's document "Raising Standards in Housing" and is consistent with the information which came to our attention as a result of our audit work on the financial statements.

BAKER TILLY UK AUDIT LLP
Registered Auditor
Chartered Accountants
First Floor, Quay 2
139 Fountainbridge
Edinburgh
EH3 9QG
24 August 2010

INCOME AND EXPENDITURE ACCOUNT
for the year ended 31 March 2010

	<i>Notes</i>	<i>2010</i> <i>£000</i>	<i>2009</i> <i>£000</i>
TURNOVER	3	11,917	11,977
Less: operating costs	3	(11,054)	(12,035)
OPERATING SURPLUS/(DEFICIT)	6	<u>863</u>	<u>(58)</u>
Gain on sale of fixed assets		178	16
Interest receivable and other income	8	3	53
Interest payable and similar charges	9	(221)	(141)
SURPLUS/(DEFICIT) FOR YEAR	7, 16	<u>823</u>	<u>(130)</u>

The Association had no recognised gains and losses, other than those included in the surplus/ (deficit) above.
Results for the year relate wholly to continuing activities.

The accompanying notes 1 to 22 form an integral part of these accounts.

BALANCE SHEET
as at 31 March 2010

	Notes	2010 £000	2009 £000
FIXED ASSETS			
Tangible			
Housing properties - gross cost less depreciation		106,953	99,041
Less: Housing association grant		(81,201)	(77,063)
Other capital grants		<u>(1,998)</u>	<u>(1,969)</u>
Other	10a	23,754	20,009
Investment in Subsidiary	10b	204	259
	10c	-	-
		<u>23,958</u>	<u>20,268</u>
CURRENT ASSETS			
Current Asset Property for Sale	11	-	132
Debtors	12	872	887
Cash at bank and in hand		<u>1,458</u>	<u>3,013</u>
		2,330	4,032
CREDITORS: amounts falling due within one year	13	(2,111)	(2,698)
NET CURRENT ASSETS		<u>219</u>	<u>1,334</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		24,177	21,602
CREDITORS: amounts falling due after more than one year	14	(7,472)	(6,368)
		<u>16,705</u>	<u>15,234</u>
CAPITAL AND RESERVES			
Share capital	15	-	-
Restricted Funds	7	88	-
Designated reserves	7	13,997	12,997
Capital reserve	7	563	-
Revenue reserve	7	2,057	2,237
	16	<u>16,705</u>	<u>15,234</u>

The financial statements were approved by the Board of Management on 23 August 2010 and are signed on its behalf and authorised for issue by:

Grant Carson _____

Board Chairman

Bill Grant _____

Board Member

Pam Russell _____

Secretary

STATEMENT OF CASH FLOWS
for the year ended 31 March 2010

	<i>Notes</i>	<i>2010</i>	<i>2009</i>
		<i>£000</i>	<i>£000</i>
NET CASH INFLOW ARISING FROM OPERATING ACTIVITIES	21	825	158
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			
Interest received		3	53
Loan interest paid		(221)	(141)
Net cash (outflow) from returns on investments and servicing of finance		(218)	(88)
CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT			
Capital grants received		4,167	3,553
Payments to acquire housing land and buildings		(7,690)	(8,314)
Proceeds of sale of housing land and buildings		310	-
Payments to acquire other tangible fixed assets		(36)	(122)
Proceeds of sale of fixed assets		-	108
Net cash (outflow) from capital expenditure and financial investment		(3,249)	(4,775)
FINANCING			
Housing loans repaid		-	(1)
Loans received		1,000	6,000
Loan repaid		(38)	(11)
Cash received on taking over another organisation		125	-
Net cash inflow from financing		1,087	5,988
(DECREASE)/INCREASE IN CASH	22	(1,555)	1,283

NOTES TO THE ACCOUNTS
as at 31 March 2010

1. ACCOUNTING POLICIES

Accounting basis

These accounts have been prepared in accordance with applicable accounting standards and under the historical cost convention, the Statement of Recommended Practice – Accounting for Registered Social Landlords issued in 1999 (revised in 2008) and in accordance with the Registered Social Landlords (Accounting Requirements) (Scotland) Order 2007. The Association does not prepare consolidated accounts, due to the immateriality of the amounts involved, for Margaret Blackwood Technical Consultants Ltd and the Blackwood Foundation. These financial statements therefore present information about the Association as an individual undertaking and not about its group. A summary of the principal accounting policies is set out below.

Fixed assets - housing land and buildings

Housing properties are stated at cost. The development costs of housing properties include the following:-

- i. cost of acquiring land and buildings
- ii. development expenditure
- iii. interest charged during development on the loans raised to finance the schemes
- iv. amounts equivalent to capital acquisition and development administration costs
- v. amounts equivalent to capital clerk of works costs
- vi. decant costs. Whilst capitalisation of decant costs is not in accordance with FRS 15 it is permitted under the SORP for Registered Social Landlords and the Board are satisfied with this approach.

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

Adaptations

Adaptations to tenant's homes to enhance tenant's lives are capitalised and depreciated over the useful life of the adaptations.

Depreciation

Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost of each asset evenly over its expected useful life, as follows:

Housing Properties and non-housing freehold property	over 60 years
Housing Property Upgrades	over 15 – 25 years
Motor vehicles	over 5 years
Fixtures & fittings	over 5 – 10 years
Computer hardware and software	over 3 – 4 years
Adaptations	over 60 years

NOTES TO THE ACCOUNTS
as at 31 March 2010

1. **ACCOUNTING POLICIES** *(continued)*

Depreciation on housing properties has been calculated after deduction of Housing Association Grant.

In accordance with FRS15, there is a review for impairment at the end of each accounting year. The carrying value is compared to the value in use for impairment. The value in use is defined as the discounted present value of the cash flows expected from continuing use by the Association.

Social Housing Grants

Social Housing Grants (SHG) received from Scottish Government and Local Authorities and other capital grants in respect of capital expenditure of approved schemes are deducted from the costs of acquisition of the assets.

Revenue grants are credited to income in the period to which they relate.

Social Housing Grant and other grants on property disposals

Properties are disposed of under the appropriate legislation and guidance. All costs, first tranche sales, and grants relating to the share of property sold are removed from the financial statements at the date of sale. Any grants received that cannot be repaid from the proceeds of sale are abated and the grants removed from the financial statements.

Development Interest

Interest charged against developments funded by private finance is capitalised in accordance with the Statement of Recommended Practice.

Capitalisation of development overheads

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

Capitalisation of major projects

In accordance with the Statement of Recommended Practice major planned repair costs are capitalised only to the extent that they can be attributable to designing and building activities and can be assumed to have added to the economic benefit of these assets. Capitalised costs of major projects include sums attributable to direct staff and direct overhead costs.

NOTES TO THE ACCOUNTS
as at 31 March 2010

1. **ACCOUNTING POLICIES** (*continued*)

Sale of Housing Properties

The Association has charitable status and therefore is exempt from right to buy legislation. The Association develops properties for sale on a shared ownership basis, which allows prospective home owners to purchase initial tranches of 25%, 50% or 75% at market value. After one year the sharing owner may increase his/her share of ownership. All costs and grants relating to the share of property sold are removed from the financial statements at the date of sale. The sale of initial tranches is accounted for through income and expenditure account, where turnover is represented by the sale proceeds and the associated cost of sale reflecting the appropriate proportion of the cost of the property sold. Sales of subsequent tranches are accounted for as sales of fixed assets. Any grants received that cannot be repaid from the proceeds of sale are abated and the grant removed from the financial statements.

Current Asset Property

If fixed asset properties have been identified as for sale or transfer of engagements in the next 12 months they are treated as current asset property.

Designated reserves

Our designated reserves policy takes account of the condition of our stock and the requirements for repairs not only to meet the Scottish Housing Quality Standards as defined by Scottish Government but also aims to incorporate innovation in design and the requirements of housing for varying needs. Designated reserves are split into four parts, namely:

i) ***Cyclical maintenance***

The reserve is based on estimates of the Association's liabilities for the maintenance of its properties in accordance with a planned programme of works. The Association regularly appraises the anticipated costs of future expenditure and adjusts the level of the reserve as considered necessary by means of a transfer to/from the Income and Expenditure Account.

The cyclical maintenance plans for the next three years estimates a funding requirement of between £1m and £1.5m. Our current reserves for cyclical maintenance are £1.7m and are added to on an annual basis by around £250k.

NOTES TO THE ACCOUNTS
as at 31 March 2010

ACCOUNTING POLICIES *(continued)*

ii) **Major repairs**

This reserve has been established principally to provide for the estimated costs of future major repairs expenditure for schemes. The level of reserve required is reappraised annually and a transfer to/from the Income and Expenditure Account made as appropriate.

Works which result in an enhancement of economic benefit of the asset are deemed to be improvements and are capitalised. Any works which do not result in an enhancement of economic benefits of a property are charged to the Income and Expenditure Account.

The plans for the 3 key components of major planned replacements, which are kitchens, heating and windows, over the next 5 years are estimated to cost £7.5m. In addition to these key components we will also replace others in order to meet the requirements of the Scottish Housing Quality Standards and also to ensure an acceptable living standard for our tenants. Our reserves for major repairs and service equipment replacement currently stand at £12m and these will be required to meet these and other future repair costs.

iii) **Service equipment reserve**

The Association is required to make provision for replacement of services equipment by means of a service charge to tenants. The future plans and costs of repairs are incorporated into ii) above.

iv) **Service charge equalisation account**

Surpluses and deficits arising from the provision of services to the Association's tenants are carried forward and adjusted in the charges levied in future years. The calculation of the surplus or deficit arising each year is made separately for each scheme. Debit and credit balances on this account are included within designated reserves.

v) **Supported Accommodation equalisation account**

Surpluses arising from the provision of services at those Supported Accommodation units which are funded by Local Authorities on a unit costed basis are carried forward and adjusted in the charges levied in future years. The calculation of surpluses arising each year is made separately for each scheme. The credit balances on this account are disclosed under Creditors: amounts falling due within one year. Should deficits arise on those Supported Accommodation units which are funded on a unit costed basis they will be either offset against any credit equalisation account balances or written off in the year in which they occur. The balance on this account is now zero.

NOTES TO THE ACCOUNTS
as at 31 March 2010

1. **ACCOUNTING POLICIES** (*continued*)

VI) ***Restricted Reserve***

The land on which the Minerva Housing Association's Housing Properties stand was gifted to that Association at no cost. The District Valuer placed a value of £88,000 on the land on 19 November 1991. This figure has been included in housing properties held for letting with an equivalent amount shown as a restricted reserve.

Retirement Benefits

Defined Contribution Scheme

The Association operates a defined contribution money purchase pension scheme. Contributions are charged to the Income and Expenditure Account as they become payable. The assets of the scheme are held separately from those of the Association in an independently administered fund.

Defined Benefit Scheme

As at 31 March 2010, one employee of the Association was a member of a Local Government superannuation scheme. Margaret Blackwood Housing Association participated in this scheme in respect of certain employees before the defined contribution scheme described above was established, and participation is continuing for existing members only. This Local Government scheme is a defined benefits final salary scheme, with scheme assets being held separately from those of the Local Authority. The scheme is available to staff of more than one employer therefore it is not possible to identify each employer's share of the underlying assets and liabilities. As such, contributions representing the cost to the Association are charged to the Income and Expenditure Account when they are incurred.

VAT

Most of the Association's income is exempt for VAT purposes. Expenditure is therefore shown inclusive of VAT.

Lease obligations

Rentals paid under operating leases are charged to the Income and Expenditure Account on a straight line basis.

Lease Income

All income received under the terms of agreements we have in respect of properties we lease to others is recognised in the year it relates to.

NOTES TO THE ACCOUNTS
as at 31 March 2010

1. ACCOUNTING POLICIES (*continued*)

Capital Reserve (Negative Goodwill)

Negative goodwill arising on the transfer of interests represents the excess of the fair value of the identifiable net assets acquired over the fair value of the consideration given and is immediately taken to reserves. This is in accordance with the SORP but not in accordance with FRS 10, which requires that negative goodwill is shown as a negative asset on 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 transfer of a business for no consideration rather than a purchase in the conventional manner. As such the Negative Goodwill has been shown as a Capital Reserve. This treatment is in line with treatment recommended by the Registered Social Landlord SORP 2008. If the Capital Reserve had been treated as a negative asset as required by FRS 10, then the Association's net assets would have been reduced by £573k. The Capital Reserve is amortised to the income and expenditure account over the same period as depreciation is charged on the housing property acquired (43 years).

2. TURNOVER

Turnover, which is stated net of Value Added Tax, represents rental and service charge income receivable, revenue grants and other income.

3. PARTICULARS OF TURNOVER, OPERATING COSTS AND OPERATING SURPLUS OR (DEFICIT)

	<i>Turnover</i>	<i>Operating Costs</i>	<i>Operating Surplus or (Deficit)</i>	<i>Operating (Deficit) for Previous Period of Account</i>
	£000	£000	£000	£000
Social Lettings	10,966	(9,632)	1,334	273
Other activities	951	(1,422)	(471)	(331)
Total	11,917	(11,054)	863	(58)
Total for previous period of account	11,977	(12,035)	(58)	

NOTES TO THE ACCOUNTS
as at 31 March 2010

4a. PARTICULARS OF TURNOVER, OPERATING COSTS AND OPERATING SURPLUS OR (DEFICIT) FROM SOCIAL LETTING ACTIVITIES

	General Needs Housing £000	Supported Accommodation Housing £000	Shared Ownership Housing £000	Total £000	Reclassified Total for Previous Period of Account £000
Income from Lettings					
Rent receivable net of service charges	5,512	343	14	5,869	5,626
Service charges	488	28	1	517	509
Gross income for rent and service charges	6,000	371	15	6,386	6,135
Less voids	(157)	(12)	-	(169)	(66)
Net income from rents and service charges	5,843	359	15	6,217	6,069
Grants from the Scottish Ministers	-	4,687	-	4,687	4,696
Other revenue grants	11	51	-	62	44
Total turnover	5,854	5,097	15	10,966	10,809

Operating Costs

Service costs	657	4,740	-	5,397	5,413
Management and maintenance administration costs	1,560	528	5	2,093	1,742
Reactive maintenance	955	93	-	1,048	746
Bad debts – rent and service charges	23	-	-	23	27
Planned and cyclical maintenance including major repairs costs	734	46	-	780	2,351
Depreciation of social housing	291	-	-	291	257

Operating costs for social lettings activities

Operating Surplus or (Deficit) on social lettings	4,220	5,407	5	9,632	10,536
Operating Surplus or (Deficit) for previous period of account	1,634	(310)	10	1,334	273
	489	(226)	10	273	

The amount of service charges receivable on housing accommodation not eligible for Housing Benefit was £500 (2009 - £Nil). The average secure tenancy rent for the year was £3,322 (2009 - £3,315). This represents an increase of 0.19% compared to the previous year.

Previous year income was reclassified. £573k was deducted from Rent receivable net of service charges (£6,199k reduced to £5,626k) and added to Grants from the Scottish Ministers (£4,123k increased to £4,696k). This was done to more accurately reflect the two different funding streams. This allocation method has been continued in the accounting period to 31 March 2010.

NOTES TO THE ACCOUNTS
as at 31 March 2010

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

	Grants from Scottish Ministers £000	Other revenue grants £000	Supporting people income £000	Other income £000	Total turnover £000	Other operating costs £000	Operating surplus or deficit £000	Operating (Deficit) for Previous Period of Account £000
Wider role activities undertaken to support the community, other than the provision, construction, improvement and management of housing	20	-	-	-	20	(57)	(37)	(209)
Development and construction of property activities	-	-	-	-	-	(162)	(162)	(153)
Support activities	-	2	905	-	907	(991)	(84)	182
Agency/management services for registered social landlords	-	-	-	-	-	-	-	12
Other activities	-	-	-	-	-	-	-	-
- Other	-	-	-	5	5	-	5	2
- Business Development activities including land sourcing, funding negotiation and other pre construction activities	19	-	-	-	19	(212)	(193)	(165)
Total from other activities	39	2	905	5	951	(1,422)	(471)	(331)
Total from other activities for the previous period of account	36	4	1,114	14	1,168	(1,499)	(331)	

NOTES TO THE ACCOUNTS
as at 31 March 2010

5. HOUSING STOCK

The number of units of accommodation at the start and end of the accounting period were as follows:-

	<i>General Needs.</i>	<i>Supported</i>	<i>Shared Ownership</i>	<i>Total</i>
At 1 st April 2009	1,528	100	6	1,634
At 31 st March 2010	1,569	100	6	1,675

Housing accommodation includes 15 units managed by the Leonard Cheshire Foundation and 1 unit which is leased to the Disabled Persons Housing Service in Aberdeen. The rent receivable for this property is £4k per annum.

6. OPERATING SURPLUS/(DEFICIT) FOR THE YEAR

	<i>2010 £000</i>	<i>2009 £000</i>
a) This is stated after charging:		
Auditors' remuneration (including VAT):		
audit	18	16
non audit services	7	4
Depreciation		
- Housing properties	327	257
- Other fixed assets	91	102
Staff costs (see 6b)	<u>6,355</u>	<u>6,091</u>
b) Staff costs		
Wages and salaries	5,675	5,445
National insurance	493	472
Pensions - defined contribution scheme	95	91
- defined benefit scheme	4	4
Death-in-service and permanent health insurance	88	79
	<u>6,355</u>	<u>6,091</u>
	No.	No.
The average monthly number of full time equivalents employed by the Association:	<u>242</u>	<u>235</u>

NOTES TO THE ACCOUNTS
as at 31 March 2010

Defined Benefit Scheme

One employee is a member of a defined benefit scheme.

Contributions to the defined benefit pension scheme are determined by an independent qualified actuary. The most recently completed valuation as at 31 March 2008 was prepared using the projected unit funding method, and the scheme was assessed as being 83% funded. Employer's contributions are being increased annually over the three years ending 31 March 2012. The principal assumptions used in the valuation were – investment equity return – 6.0%; salary inflation – 4.25%; price inflation 2.5%.

The total contributions for 2009/10 to the scheme were £4,429 representing a level of 5.5% for the employee and 19.1% for the employer.

The contribution level for next year will be as follows: for the employee – 5.5%, and for the employer – 19.2%

The defined benefit pension scheme is available to staff of more than one employer and it is not possible to identify each employer's share of the underlying assets and liabilities of the scheme. In these circumstances, FRS 17 provides for contributions to schemes to be accounted for as if it were a defined contribution scheme. As such, the cost recognised within the Association's Income and Expenditure account will be equal to the contribution payable to the scheme for the year.

Defined Contribution Scheme

The Association operates a defined contribution pension scheme for the benefit of the employees. The assets of the scheme are administered by Trustees in a fund independent from those of the Association.

c) Directors' emoluments

The Directors are defined as the members of the Board and the Chief Executive. In note 6 (c) below "director" also includes any other person who reports directly to the Chief Executive or directly to the Board and whose total emoluments exceed £60,000 per year. No emoluments were paid to any member of the Board during the year. The Chief Executive, and Corporate Services Director received emoluments greater than £60,000 during the year. The Chief Executive is an ordinary member of the defined contribution scheme with no special terms applied.

NOTES TO THE ACCOUNTS
as at 31 March 2010

c) Directors' emoluments (Continued)

	<i>2010</i>	<i>2009</i>
	<i>£000</i>	<i>£000</i>
Total emoluments	336	322
Pension contributions included	22	20
The emoluments (including pension contributions of £6,172) of the highest paid Director amounted to	86	84
<hr/>		
Total expenses reimbursed in so far as not chargeable to United Kingdom Income Tax	6	6
<hr/>		

The number of Directors, including the highest paid Director, who received emoluments (excluding pension contributions) in the following ranges, was:-

	2010 Number	2009 Number
£60,001 - £65,000	1	1
£65,001 - £70,000	-	-
£70,001 - £75,000	-	-
£75,001 - £80,000	1	1

NOTES TO THE ACCOUNTS
AS AT 31 MARCH 2010

7. RESERVES

	Cyclical Maint. Reserve £000	Planned Maint. Reserve £000	Service Equip. Reserve £000	Local Tenant funds £000	Total Designated Reserves £000	Restricted Reserves £000	Revenue Reserves £000	Capital Reserves £000	Total Reserves £000
At 1 April 2009	1,620	8,235	3,129	13	12,997	-	2,237	-	15,234
Notional Interest	-	8	4	-	12	-	(12)	-	-
Transfer from I&E Account	269	1,323	172	-	1,764	-	(1,764)	-	-
Transfer to I&E Account	(235)	(357)	(171)	-	(763)	-	763	-	-
Local tenant funds	-	-	-	(13)	(13)	-	-	-	(13)
Transfer of engagements from Minerva Housing Association	-	-	-	-	-	88	-	573	661
Release of Capital amortisation in year	-	-	-	-	-	-	10	(10)	-
Surplus in year	-	-	-	-	-	-	823	-	823
Net Movement in year	34	974	5	(13)	1,000	88	(180)	563	1,471
At 31 March 2010	1,654	9,209	3,134	-	13,997	88	2,057	563	16,705

Major Repairs Reserve, Service Equipment Reserve and Cyclical Maintenance Reserve. The Association is satisfied at present that the balance of these reserves is adequate. The outputs of the recent stock condition survey will be used to inform the forthcoming review of the level of future cost liabilities. The expected spend over the next 5 years on the 3 key components of heating, windows and kitchens is £7.5m. There will be several other components replacements required in order to meet the Scottish Housing Quality Standards and the acceptable standards of our tenants which will also be funded from these reserves.

NOTES TO THE ACCOUNTS
as at 31 March 2010

7. **RESERVES** (continued)

Local Tenant Funds

This represents donations and grants held on behalf of specific tenants groups. These funds are disbursed at the request of these tenant groups.

Capital Reserves

This represents the excess of assets value over the acquisition cost of Minerva. This will be amortised over the economic life of the assets, i.e. 43 years. On the 1st April 2009, Minerva Housing Association Limited transferred engagements to Margaret Blackwood Housing Association Limited. Margaret Blackwood Housing Association Limited has used acquisition accounting to account for the business combination. Negative goodwill arising on the acquisition has been transferred to the capital reserve.

	<i>2010</i>
	<i>£000</i>
Fixed Assets at net book value	549
Current Assets	12
Cash	125
Current Liabilities	<u>(25)</u>
Net Assets	661
Transferred to Restricted Reserves	(88)
Amortisation of Capital Reserve	<u>(10)</u>
Capital Reserve	<u>563</u>

8. **INTEREST RECEIVABLE**

Interest received is for cash deposits held with financial institutions in accordance with our Treasury Policy.

9. **INTEREST PAYABLE**

Interest payable is in respect of £7m of loans from Lloyds TSB drawn down over the course of the year, and £597k of existing Housing Loans, from the Scottish Government. Interest payable and similar charges of £221k includes:

- £147k (2009: £67k) Interest charged for the Bank's £10m credit facility; and
- £74k (2009: £74k) Charged interest for Scottish Minister's loans.

NOTES TO THE ACCOUNTS
as at 31 March 2010**10. TANGIBLE FIXED ASSETS****a) Housing properties**

	<i>Housing properties held for letting</i> £000	<i>Shared ownership housing properties</i> £000	<i>Housing properties in course of construction</i> £000	<i>Total</i> £000
Cost				
At 1 April 2009	98,104	427	1,843	100,374
Additions during year	5,439	-	2,800	8,239
Transfers	757	-	(757)	-
At 31 March 2010	<u>104,300</u>	<u>427</u>	<u>3,886</u>	<u>108,613</u>
Depreciation				
At 1 April 2009	1,333	-	-	1,333
Provided during year	327	-	-	327
At 31 March 2010	<u>1,660</u>	<u>-</u>	<u>-</u>	<u>1,660</u>
Housing Association Grant				
At 1 April 2009	75,799	253	1,011	77,063
Additions during year	1,935	-	2,203	4,138
Transfers	798	-	(798)	-
At 31 March 2010	<u>78,532</u>	<u>253</u>	<u>2,416</u>	<u>81,201</u>
Other capital grants				
At 1 April 2009 and Additions during year	1,823	146	-	1,969
At 31 March 2010	<u>1,852</u>	<u>146</u>	<u>-</u>	<u>1,998</u>
Net book value				
At 31 March 2010	<u>22,256</u>	<u>28</u>	<u>1,470</u>	<u>23,754</u>
At 31 March 2009	<u>19,149</u>	<u>28</u>	<u>832</u>	<u>20,009</u>

The costs of Major Repairs capitalised and expensed is as follows

	2010 £000	2009 £000
Development administration costs in the year written off to Income and Expenditure account	161	152
Development administration costs in the year capitalised	193	174
Development finance costs capitalised	56	31
Major repairs expensed	536	2,082
Major repairs capitalised	1,362	1,134

NOTES TO THE ACCOUNTS
as at 31 March 2010

10. TANGIBLE FIXED ASSETS

a) Housing properties (continued)

The Association has assessed the useful economic life of its properties at 60 years. Accordingly, housing properties held for letting are depreciated over 60 years (2009 – 60 years).

The net book value of 22 properties in Tarbert and Campbeltown of £132k had been transferred to current assets in 2009. These properties have now been sold.

The freehold properties shown in the accounts have, in the opinion of the Board Members, an existing use value in excess of the Book value. In calculating existing use value during the year, the Association has used a discount rate of 5.0% and produced detailed cash flows for a period of 60 years. No impairment was required.

b) *Other fixed assets*

	<i>Non- Housing Freehold Property £000</i>	<i>Motor Vehicles £000</i>	<i>Computer Equipment fixtures & fittings £000</i>	<i>Total £000</i>
Cost				
At 1 April 2009	152	52	835	1,039
Transfer from Freehold to F&F	(90)	-	90	-
Additions during year	-	-	36	36
Disposals during year	-	-	(15)	(15)
At 31 March 2010	<u>62</u>	<u>52</u>	<u>946</u>	<u>1,060</u>
Depreciation				
At 1 April 2009	37	23	720	780
Transfer from Freehold to F&F	(35)	-	35	-
Provided during year	1	10	80	91
On disposals during year	-	-	(15)	(15)
At 31 March 2010	<u>3</u>	<u>33</u>	<u>820</u>	<u>856</u>
Net book value				
At 31 March 2010	<u>59</u>	<u>19</u>	<u>126</u>	<u>204</u>
At 31 March 2009	<u>115</u>	<u>29</u>	<u>115</u>	<u>259</u>

The transfer from Freehold to F&F represent fixtures and fittings that were originally capitalised as part of freehold property. They have been transferred to fixtures and fittings to reflect the correct categorisation of the fixed assets.

NOTES TO THE ACCOUNTS

as at 31 March 2010

c) Investment in Subsidiary

	2010	2009
	£	£
Cost	<u>2</u>	<u>2</u>

This relates to Margaret Blackwood Technical Consultants Limited, a wholly owned subsidiary of the Association. The Association holds 2 ordinary £1 shares in its subsidiary.

The objective of this subsidiary includes the services of a small works team to carry out repairs, cyclical works and adaptations and provision of consultancy services to individuals and others to improve housing conditions. In June 2010 the Margaret Blackwood Housing Association Ltd agreed to transfer the activities of the small works team from Margaret Blackwood Technical Consultants to Margaret Blackwood Housing Association and to review the future of Margaret Blackwood Technical Consultants over the coming year. During that period Margaret Blackwood Technical Consultants will effectively become dormant.

The income of the company for the 12 months to 31 March 10 was £367k with costs of £368k resulting in a loss for the year of £1k. The net assets of the company as at 31 March 2010 were £1.3k. The financial year end of Margaret Blackwood Technical Consultants Limited is to be extended for 31 March 2010 to the period up to the transfer of the current activities and the final results for the extended accounting period will be disclosed in the following year.

The other subsidiary, Blackwood Foundation is a company limited by guarantee and a registered charity.

The primary objectives of the Foundation are to relieve the needs of disabled persons and other community care service users, by providing and encouraging the provision of services which will improve their conditions of life and also facilitate their active participation in and integration into society.

The incoming resources of the charity in 2009/10 were £162 with outgoing resources of £61,005 resulting in a deficit of £60,843. The net assets of the charity at 31 March 2010 were £243,376.

The results of subsidiaries have not been consolidated in the accounts of Margaret Blackwood Housing Association for the year ended 31 March 2010, due to the immateriality of the amounts involved.

Margaret Blackwood Housing Association, Margaret Blackwood Technical Consultants Limited, and Blackwood Foundation are all incorporated in Scotland.

NOTES TO THE ACCOUNTS

as at 31 March 2010

11. CURRENT ASSET PROPERTIES FOR SALE

	<i>2010</i>	<i>2009</i>
	<i>£000</i>	<i>£000</i>
Cost	-	1,479
HAG	-	(1,304)
Accumulated depreciation	-	(43)
	<u>-</u>	<u>132</u>

The transfers to and from current assets are detailed in note 10(a).

12. DEBTORS

	<i>2010</i>	<i>2009</i>
	<i>£000</i>	<i>£000</i>
Amounts falling due within one year:		
Due from Margaret Blackwood Technical Consultants	10	-
Rental debtors	311	230
Less: provision for doubtful debts	(93)	(82)
Development funding receivable	97	171
Other debtors	469	417
Less: provision for tenant liability debts	(73)	(31)
Prepayments and accrued income	151	182
	<u>872</u>	<u>887</u>

13. CREDITORS: due within one year

	<i>2010</i>	<i>2009</i>
	<i>£000</i>	<i>£000</i>
Loans (note 14)	75	217
Trade creditors	969	850
Other taxation and social security	133	168
Local Authority grants - deferred	200	230
Accruals and deferred income	637	1,143
Rent in advance	97	84
Amounts due to Margaret Blackwood Technical Consultants Limited	-	6
	<u>2,111</u>	<u>2,698</u>

NOTES TO THE ACCOUNTS

as at 31 March 2010

14. CREDITORS: due after more than one year

Housing property loans and Lloyds TSB loans are secured by specific charges on the Association's properties and are repayable at varying rates of interest in instalments due as follows:

	2010 £000	2009 £000
Due within one year	75	217
Repayable in more than one year but less than two years	72	288
Repayable in more than two years but less than five years	234	355
Repayable in more than five years	<u>7,166</u>	<u>5,725</u>
	7,547	6,585
Included in creditors: due within one year (note 13)	<u>(75)</u>	<u>(217)</u>
	<u><u>7,472</u></u>	<u><u>6,368</u></u>

Scottish Minister's loans are payable at rates of interest between 9.25% and 13% per annum. The effective average interest rate incurred across all our funding for the year is 3.38%.

For details of Interest payable see Note 9

15. SHARE CAPITAL

	2010 £	2009 £
Shares of £1 each		
At 1 April 2009	68	94
Issued	3	-
Surrendered	-	(26)
At 31 March 2010	<u><u>71</u></u>	<u><u>68</u></u>

Each member of the Association holds one share of £1 in the Association. These 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 a members' meeting.

NOTES TO THE ACCOUNTS
as at 31 March 2010

16. RECONCILIATION OF FUNDS

	<i>2010</i>	<i>2009</i>
	<i>£000</i>	<i>£000</i>
Surplus/(Deficit) for the year	823	(130)
Funds at 1 April 2009	15,234	15,364
Transfer of engagements from Minerva H.A. (note 7)	661	-
Local tenant funds (note 7)	(13)	-
Funds at 31 March 2010	<u>16,705</u>	<u>15,234</u>

17. CAPITAL COMMITMENTS

	<i>2010</i>	<i>2009</i>
	<i>£000</i>	<i>£000</i>
Contracted	<u>662</u>	<u>8,503</u>

The Board expects the expenditure to be fully financed by Scottish Government, Local Authorities, mortgage from private sector lenders and charitable sources.

Capital commitments amounting to £269k will be expensed through the Income and Expenditure Account and £393k of capital commitments will be added to Fixed Assets.

18. LEASING COMMITMENTS

Leasing commitments that expire after five years relate to land and buildings and total £85,000 (2009: £85,000) per annum.

19. CONTINGENT LIABILITIES

There were no contingent liabilities at 31 March 2010 (2009: NIL).

NOTES TO THE ACCOUNTS
as at 31 March 2010

20. RELATED PARTY TRANSACTIONS

2 members of the Association's Board are also tenants of the Association on the same standard terms as all tenants.

3 members of the Association's Board have disclosed their interest in related public bodies. At 31 March 2010 no debtors or creditors were in existence in respect of said disclosed related parties. Namely, these are Greater Glasgow Health Board, Clackmannanshire Council and the Health Delivery Directorate, Scottish Government. There were no related party transactions during the year.

Margaret Blackwood Technical Consultants Limited is a wholly owned subsidiary of the Association. At 31 March 2010 debtors of £10k (2009: £6k) are shown in these accounts in relation to this subsidiary.

The subsidiary charges the Association for work carried out by the Small Works Team. Salaries and central costs are recharged to the subsidiary. Administrative expenses of £264k (2009: £216k) were recharged by the Association to Margaret Blackwood Technical Consultants Limited during the year.

Blackwood Foundation is a wholly owned subsidiary of the Association. During the year to 31 March 2010, inter company transactions amounted to £41,457 (2009: NIL). These transactions consist of the salary of the Blackwood Foundation director. The director's salary is paid by MBHA which is then reimbursed by Blackwood Foundation. At 31 March 2010 the balance on this account was zero.

21. RECONCILIATION OF OPERATING SURPLUS/(DEFICIT) TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	<i>2010</i>	<i>2009</i>
	<i>£000</i>	<i>£000</i>
Operating surplus/(deficit) for year	863	(58)
Depreciation charge	403	359
(Increase)/Decrease in debtors	15	92
(Decrease) in creditors	<u>(456)</u>	<u>(235)</u>
Net cash inflow from operating activities	<u>825</u>	<u>158</u>

NOTES TO THE ACCOUNTS
as at 31 March 2010

22. ANALYSIS OF MOVEMENT IN NET DEBT AND RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

	At 1 April 2009 £000	Cash Flow £000	At 31 March 2010 £000
Loans due within 1 year	(217)	142	(75)
Loans due in more than 1 year	(6,368)	(1,104)	(7,472)
Cash at bank in hand	<u>3,013</u>	<u>(1,555)</u>	<u>1,458</u>
Total net debt	<u>(3,572)</u>	<u>(2,517)</u>	<u>(6,089)</u>