



ACCOUNTS

For the year ended 31 March 2009



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Board of Management and Directors as at 31 March 2009

Chair: D F Blair FRICS

Vice-Chair: P Russell FCCA

Board Members:

K Barton MA FICSA

R Nisbet (*resigned May 2008*)

Dr R Coles MBBS, MRCPsych (*resigned July 2008*)

W R Palmer MCInstM MIIM MiMgt FFB

W M Renton HNC (Business Studies) (*resigned September 2008*)

P Harper WS

J C Howie CPFA

P Kinloch AMRSH

W R Clarkson ACMI

J Dick OBE, BA, DMS

T Holsgrove (*resigned October 2008*)

J Sillars

Isle of Arran Homes Sub Committee Members:

Chair: J Sillars

M Dee

Vice-Chair: W R Palmer MCInstM MIIM MiMgt FFB

G Fulton

S Alison

J C Howie CPFA

T Barr

J Hunter

D F Blair FRICS

E McMaster

I Blair (*resigned September 2008*)

M McManus (*resigned April 2008*)

B Cameron

J Nichols

N Thom (*appointed from April 2008*)

G Wallbank (*appointed September 2008, resigned December 2008*)

Directors

R McDougall FCIH

Chief Executive and Company Secretary

G Veryan MCIH

Depute Chief Executive and Director of Customer Services

D A McIndoe MRICS

Director of Property and Development

J Marshall FMAAT, CPFA

Director of Financial Services

K Nicholson MA (Hons), FCIPD

Director of Corporate Services

Company Secretary

R McDougall FCIH

Statutory Registrations

Trust Housing Association is a Registered Scottish Charity No. SC009086.

Registered by The Scottish Housing Regulator HEP143.

Registered under the Industrial and Provident Societies Acts 1965 to 2002 No. 1778R(S).

Auditors

Mazars, Chartered Accountants and Registered Auditors, Donaldson House, 97 Haymarket Terrace, Edinburgh, EH12 5HD (External Auditor) (appointed March 2009)

Baker Tilly, Chartered Accountants and Registered Auditors, 1st Floor, Quay 2, 139 Fountainbridge, Edinburgh EH3 9QG (Internal Auditor)

Bankers

The Royal Bank of Scotland plc, 36 St Andrew Square, Edinburgh EH2 2YB

Solicitors

Maclay Murray & Spens, 3 Glenfinlas Street, Edinburgh EH3 6AQ

T C Young, 7 West George Street, Glasgow G2 1BA

Board of Management Report

1. The Association

1.1 Background

Trust Housing Association (the Association, Trust Housing or Trust) was formed as a separate legal entity in 1973 out of a desire of members of the then Committee on Social Service of the Church of Scotland to provide sheltered housing for older people in Scotland.

Tenancy of the Association's properties is open to all regardless of creed and allocation is on the basis of housing, social, medical and other needs.

The Association is registered with the Financial Services Authority as a non-profit making company, is a registered charity under the Charity and Trustee Investment (Scotland) Act 2005 and is recognised by HM Revenue and Customs as having charitable status.

The Association is registered under Section 3 of the Housing Associations Act 1985 by The Scottish Housing Regulator.

1.2 Charitable Objects

The Association's mission is to provide quality homes and services that promote independent living. The future demographic increase forecast for the elderly population has created a situation in which housing services for older people have naturally and necessarily responded. These changes are both in terms of the physical provision and more importantly, in its management and related care services. The increasingly specialist nature of developing and managing housing and related services for older people calls for particular and special skills, expertise and experience.

The forms of provision required to meet today's needs can be grouped broadly into six categories:

- (i) **Amenity Housing**, for the more active older person, is specially designed or adapted for ease of access and use and incorporates whole house heating and prescribed features such as grab rails and bathroom fixtures. It does not necessarily contain emergency alarm equipment although the Association now makes such provision and links the houses into a centralised alarm system.
- (ii) **General Needs Housing**, is mainly available on the Isle of Arran. As the name implies, general needs housing is family housing of varying designs and sizes.
- (iii) **Sheltered Housing**, for the less active, more dependent and vulnerable older person meets the same basic design requirement as amenity housing but includes a call system and co-ordinator service. The majority of sheltered housing provided by the Association contains a communal lounge, laundry and guestrooms. Increasingly, common lounges in developments are being used for the benefit of the older people within the wider local community.
- (iv) **Very Sheltered Housing** for frailer older people is designed to barrier free standards, and offers enhanced housing management support and meals provision. Very Sheltered Housing provides all the communal facilities as Sheltered Housing, with the addition of an 'assisted' bathroom and a dining room. Staff cover is 24 hours a day, seven days a week. The units can either be 'standalone' or incorporated within a Sheltered Housing Development.
- (v) **Care Housing** is designed for those who are physically frail and who have been assessed by the local Social Work Department as requiring residential care. All Care Housing is registered under the Social Work (Scotland) Act 1968. Supportive social and personal care, which is provided 24 hours a day, seven days a week, by Care Staff meets the care needs of its residents in a domestic setting within the community. Care Housing can either be 'standalone' or incorporated within a larger development.

(vi) **Dementia Care Housing** provides services for older people who have been diagnosed as suffering from Dementia and for whom non-specialised residential care is inappropriate. All Dementia Care Housing is registered under the Social Work (Scotland) Act 1968. Continuous care and support is provided by a team of specially trained staff. Like Care Housing, it can either be 'standalone' or incorporated within a larger development in the Community.

The Association's remit also includes providing for those in other areas of need and Trust has completed projects for the elderly deaf, the severely disabled and for recovering alcoholics.

As part of our governance review completed during 2007/8, we held a Special General Meeting in September 2007, when the Board approved revised Model Rules for the Association based on the Scottish Federation of Housing Associations Model Rules (Scotland) 2003. This ensures our operating rules remain current and relevant for the times.

A major piece of work that was developed in the last financial year was the production of our new Corporate Strategy covering the period 2008-2013. The enormous changes that have occurred within the Association since 2005, have allowed us to reshape services and to plan and focus on the challenges and demands likely to face us in the future. The Corporate Strategy will be reviewed and updated annually for each new financial year ahead.

1.3 Achievements in 2008/09

Some of the things achieved in 2008/09 include:

- The award of Committed to Excellence status from Quality Scotland;
- Completion of our Governance review;
- The development of a training programme for staff and Board members;
- Holding both a Staff and Tenants' Conference;
- Improvements to the budgeting processes;

- Developing our ongoing work on the Stock Condition Survey;
- Increasing the number of Registered Tenant Organisations;
- Introduced an enhanced complaints service;
- Moving to our new Glasgow Office at Watermark Business Park.

1.4 Plans for 2009/10

With the current economic uncertainties likely to remain for the foreseeable future we are planning to address several financial and funding areas that will allow Trust to secure its position in the market and maintain its financial stability for the years ahead. Areas to be reviewed during the next financial year will include:

- Reviewing income streams to ensure income maximisation;
- Reviewing the allocation and overall costs of our overheads;
- Reviewing our service charges and processes;
- We have taken the difficult but necessary decision of giving formal notice to Glasgow and Clackmannan Councils to close our care homes at Pollok and Kilncraigs respectively, with the aim now to ensure as little disruption to our residents as possible;
- Again in the current economic climate we need to review our pensions' position for the longer term and make decisions on what is sustainable in the longer term;
- The increasing deficits being faced by all providers on Housing Support contracts will need to be addressed.

Quality services and continuous improvement continues to be a major focus in 2009/10. We are aiming to have improved processes and practices in place by developing our systems of performance management and improvement, rather than merely performance reporting. We will introduce a system for document management to increase work efficiency and reduce costs.

The establishment of our subsidiary Trust Enterprises Limited is designed to allow us to develop new trading services, with any profits made being gift-aided back to Trust Housing Association.

The development of our staff through on-going training and support will continue, aided by the introduction of a new appraisal scheme and staff suggestion scheme.

1.5 Results

Trust Housing Association is pleased to report the results for the year ended 31 March 2009. The Association has delivered a strong performance in the year with growth in revenue and with financial stability, in difficult trading conditions, remaining sound, the Income and Expenditure Account shows a surplus for the year of £53,000.

During 2008/09 turnover increased from £15.836 million at 31 March 2008 to £17.178 million at 31 March 2009, an increase of 8.5%. The growth in turnover is due to an increase in Rental income and Landlord Services income. Part of this is due to increased income from the opening of 4 new cottages at Pollok and with the purchase of 6 new build properties on the Isle of Arran. In addition Trust was awarded two Care at Home contracts; in West Lothian and Inverclyde respectively. Operating costs have also increased during the year from £15.015 million at 31 March 2008 to £16.721 million at 31 March 2009, an increase of 11.4%; this is mainly as a result of increased spending on property expenditure of 5% and on landlord services of 30% and care of 21%.

The Association's financial stability is further reflected in the Balance Sheet at 31 March 2009. Our property stock value increased by £2.545 million during the year to £112.569 million with the completion of 4 cottages at Pollok and 6 houses on the Isle of Arran as noted above. This represents a net investment (after grants and depreciation) in housing properties of £17.816 million. Other Fixed Assets increased by £1.232 million mainly due to the purchase of our new Glasgow Office at the Watermark Business Park.

In 2008/09 the Association increased its borrowing with a loan from the Dunfermline Building Society of £2.00 million whilst cash balances decreased by £1.762 million during the year to £0.532 million at 31 March 2009. The decrease in cash is mainly due to the purchase of the new Glasgow office at Watermark Business Park.

Capital and reserves increased by £44,000 from £12.859 million to £12.903 million at 31 March 2009.

1.6 Membership

Membership of the Association is open to all who are interested in the work of Trust Housing Association Limited. Every member, on payment of £1.00 is entitled to one share in the Association. Trust Housing Association Limited has a membership which now stands at 676 members (2008 - 664).

1.7 Relations with our Membership

All Association members are invited to attend our Annual General Meeting, held in September each year; this is the formal method of reporting to our membership on an annual basis. The meeting is attended by Board Members and the Senior Management Team representing the Association. Association members are invited to ask questions during the meeting and to meet with Board Members and the Staff over refreshments after the meeting. In addition, Board members will continue their scheduled visits to several different developments each year, seeking their views on the work of Trust and any specific issues and queries they may have.

1.8 Staff

The key to our success is a high quality and dedicated work force. The Association recognises that staff need to understand and share the objectives of the Association and seeks to foster good relations with our employees via regular communications and consultation. All our staff continue to significantly contribute to developing our new values and goals as part of the production of our Corporate Strategy. Selection for employment and promotion is based on the

objective assessment of ability and experience and Trust is committed to ensuring that its workplaces are free from unlawful discrimination of any sort and comply with any current legislation with regard to equality.

The employment policies of Trust do not discriminate between employees, or potential employees, on the grounds of sex, sexual orientation, age, colour, creed, ethnic origin or religious belief. It is Trust policy to give full and fair consideration to the employment needs of disabled persons (and persons who become disabled whilst employed by Trust) where requirements may be adequately covered by these persons and to comply with any current legislation with regard to disabled persons. In addition, the Association will provide equal opportunities for training and career development to all employees.

2. Governance

2.1 Board of Management

Regrettably, for various personal reasons, four Board members resigned during the year but we have been successful in co-opting three new Board members. Our new co-optees will seek formal election to the Board at the AGM in September 2009. Other than one co-opted member there are no members of the Board that are tenants of the Association, although on Arran, three members of the Isle of Arran Homes Sub Committee are tenants of the Association. The Association is seeking to increase the level of tenant involvement at board level. No Board member has received any payment in respect of services to the Association other than by way of expenses incurred.

The Board has overall authority and accountability for the operation of the business. As part of the governance review, the terms of reference for the Board, including those matters specifically reserved to the Board, were reviewed

and updated in line with best practice. The Board receives timely, clear and comprehensive board papers at least one week in advance of each meeting and other information appropriate to enable to discharge its duties. Meetings are conducted in a way which allows open discussion and enables Board members to challenge and test the strategy, policy and proposals put forward by the Senior Management Team and staff.

The Board's responsibilities include:

- Responsibility for the overall leadership of Trust
- Approval of strategy, annual budget and plans to achieve the Association's objectives
- Determining policy and the overall direction of the Association
- Approving the Annual Report and Accounts
- Establishing effective systems of delegation and internal control and the annual review of their effectiveness
- Authorising material acquisitions, disposals, investments, capital projects and other significant transactions
- Monitoring the Association's overall performance in relation to its strategies, plans, budgets and decisions.

The Board met eight times during the year.

2.2 Statement of Responsibilities of the Board of Management

The Industrial and Provident Societies Acts 1965 to 2002 require the Board of Management to prepare accounts for each financial year which give a true and fair view of the Association's state of affairs and of the surplus or deficit of the Association for that period. In preparing those accounts, the Board of Management are required to:

- (i) Select suitable Accounting Policies and apply them consistently;
- (ii) Make judgements and estimates that are reasonable and prudent;

- (iii) Follow applicable Accounting Standards; and
- (iv) Prepare the accounts on the going concern basis unless it is inappropriate to presume that the Association will continue in business.

The Board of Management are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Association and to enable them to ensure that the accounts comply with the Industrial and Provident Societies Acts 1965 to 2002, the Housing (Scotland) Act 2001, the Registered Social Landlords Accounting Requirements (Scotland) Order 2007 and the Statement of Recommended Practice (SORP) 2008. 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.

2.3 Related Parties

During the year there were 1 (2008 – 3) members of the Management Committee (including former members) who were also tenants of the Association. All tenancies are on normal secure tenancy terms and their position as a committee member cannot be used to their advantage.

During the year North Ayrshire Council continued to maintain nominees who sat on the Isle of Arran Sub Committee and made a valuable contribution to the work of the Sub Committee. Once again, all transactions with North Ayrshire Council are made on normal terms, and the Council representatives are unable to use their position to any advantage.

3. Statement of Internal Financial Controls

The Board of Management acknowledge their ultimate responsibility for ensuring that the Association has in place a system of controls that is appropriate to the various business environments in which it operates.

The systems of internal financial controls are designed to manage risks that may impede the achievement of the business objectives rather than

to eliminate those risks entirely. The systems of internal financial control therefore provide reasonable, but not absolute, assurance against material misstatement or loss.

The Board of Management has established the following key procedures to provide effective internal financial control.

- (i) A comprehensive budget is prepared annually and is approved by the Board.
- (ii) The Strategy Sub-Committee meet regularly to review actual results and investigate any significant variance from the Association's budget.
- (iii) A Corporate Strategy that forecasts 5 years ahead is updated annually, and is approved by the Board.
- (iv) Written standing orders including details of any delegated authority and a new Financial Control Framework.
- (v) The Association's external auditors attend at least one meeting each year of the Audit Committee, as well as attending the AGM.
- (vi) The Audit Committee reviews the system of internal controls and reports to the Board thereon. It receives reports from the internal and external auditors and Senior Management Team which assess the efficiency of internal control and make recommendations for any improvements. The Convenor of the Audit Committee reports the outcome of committee meetings to the Board and provides minutes of the meetings.

The Association tendered for Internal Audit Services for 2006/07 to 2009/10 with Baker Tilly, Chartered Accountants and Registered Auditors being awarded the contract. During 2008/09, Baker Tilly reviewed six key areas of the Association's work which covered; Risk Management, Performance Management, IT Strategy, Tenant Participation, Care and Repair and Arrears. A number of recommendations have been accepted and if not

already done so, will be implemented during 2009/10. Equally we are pleased to report that the audits highlighted only low to medium risks, there were no high risk recommendations.

The Board of Management has reviewed the effectiveness of the system of internal financial controls for the years ended 31 March 2009, and are satisfied that the existing controls and the resources in place to improve these controls are sufficient to safeguard the assets and prevent material loss. If weaknesses are found in the system of internal financial control, appropriate action is put in place.

4. Going Concern

After making enquiries, the Senior Management Team have a reasonable expectation that the Association has adequate resources to continue in operational existence for the foreseeable future. For this reason they continue to adopt the going concern basis in preparing the accounts.

5. Auditors and audit information

Each person who is a Board Member at the date of approval of this report confirms that;

- so far as the Board Member is aware, there is no relevant audit information of the which the Association's auditor are unaware; and
- each Board Member has taken all the steps that he ought to have taken as a Board Member to make himself aware of any relevant audit information and to establish that the Association's auditors are aware of that information.

The External Auditors Mazars LLP wish to offer themselves for re-election, resolutions concerning their re-appointment will be placed before the Annual General Meeting.



By order of the Board of Management
David Blair Chair
30 July 2009

Independent auditors' report to the members of Trust Housing Association Limited

We have audited the financial statements of Trust Housing Association Limited for the year ended 31 March 2009 which comprise the Income and Expenditure Account, the Balance Sheet, the Cash Flow Statement and the notes thereto as set out on pages 14 to 30. These financial statements have been prepared under the accounting policies set out therein.

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

Respective responsibilities of the committee of management and auditors

The Board of Management's responsibilities for the preparation of financial statements in accordance with applicable law and United Kingdom Auditing Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of the Board of Management's responsibilities on page 1.

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, Registered Social Landlords Accounting Requirements

(Scotland) Order 2007, The Charities and Trustee Investment (Scotland) Act 2005 and Regulation 14 of the Charities Accountancy Requirement (Scotland) Regulations 2006.

We also report to you if, in our opinion, a satisfactory system of control over transactions has not been maintained, if the Board of Management's Report is not consistent with the financial statements, the Association has not kept proper accounting records, if we have not received all the information and explanations we require for the audit, or if information specified by law regarding the Association's Board of Management's remuneration and transactions with the Association is not disclosed.

We read other information contained in the Annual Report of the Board and consider whether it is consistent with the audited financial statements. The other information comprises only the Statement of the Chair, the Statement by the Chief Executive and Report of the Board of Management.

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 audit 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 Association's Board of Management in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Association's circumstances, consistently applied and adequately disclosed.

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

Opinion

In our opinion the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Association's affairs as at 31 March 2009 and of its *surplus* for the year then ended and the financial statements

have been properly prepared in accordance with the Industrial and Provident Societies Acts 1965 to 2002, the Housing (Scotland) Act 2001, Registered Social Landlords Accounting Requirements (Scotland) Order 2007, The Charities and Trustee Investment (Scotland) Act 2005 and Regulation 14 of the Charities Accountancy Requirement (Scotland) Regulations 2006.

Mazars LLP

Mazars LLP

Chartered Accountants, Registered Auditors,
Donaldson House, 97 Haymarket Terrace,
Edinburgh EH12 5HD

03 August 2009

Independent Auditors' Report to the Members of Trust Housing Association Limited on Corporate Governance Matters

In addition to our audit of the financial statements, we have reviewed the Board's statement on internal controls set out on pages 5 and 6. The object of our review is to draw attention to any non-compliance with reference to the SFHA "Raising Standards".

We carried out our review in accordance with guidance issued by the Auditing Practices Board. The guidance does not require us to perform the additional work necessary to, and we do not express any opinion on the effectiveness of either the Association's system of internal financial control or its corporate governance procedures.

With respect to the Board's statements on internal control on pages 5 and 6, in our opinion the Board has provided the disclosures required under the SFHA "Raising Standards" referred to above and

such statements are not inconsistent with the information of which we are aware from our audit work on the financial statements.

Based on enquiry of certain Board members and officers of the Association and examination of relevant documents, in our opinion the Board's statement on pages 5 and 6 appropriately reflects the Association's compliance with the SFHA "Raising Standards" specified for our review.

Mazars LLP

Mazars LLP

Chartered Accountants, Registered Auditors
Donaldson House, 97 Haymarket Terrace
Edinburgh EH12 5HD

03 August 2009

Income and Expenditure Account for the year ended 31 March 2009

		2009	2008
	<i>Notes</i>	£'000	£'000
Turnover	2	17,178	15,836
Less: operating costs	2	(16,721)	(15,015)
Operating surplus/(deficit)	7	457	821
Profit on sale of fixed assets		20	23
Interest receivable and other income		58	131
Interest payable and other charges	8	(482)	(476)
Surplus for the year		53	499

The Association has no recognised gains and losses other than those included in the surpluses for the years ended 31 March 2008 and 31 March 2009. All operations are continuing.

The notes on pages 14 to 30 form part of these Financial Statements.

Balance Sheet as at 31 March 2009

		2009		2008	
	Notes	£'000	£'000	£'000	£'000
Tangible fixed assets					
Housing properties	9		112,569		110,024
Less: HAG	9		(92,024)		(89,973)
Less: Other Public Grants	9		(2,729)		(2,729)
			17,816		17,322
Other	9		4,919		3,687
<i>Total fixed assets</i>			22,735		21,009
Current Assets					
Debtors	10	654		539	
Cash at bank and in hand		532		2,293	
		1,186		2,832	
Creditors: amounts falling due					
Within one year	11	2,850		3,355	
Net current assets/(liabilities)			(1,664)		(523)
<i>Total assets less current liabilities</i>			21,071		20,486
Creditors: amounts falling due after more than one year					
	12		8,168		7,627
Net assets			12,903		12,859
Capital and reserves					
Share capital	14		1		1
Restricted reserves	15	141		150	
Designated reserves	16	8,518		8,518	
			8,659		8,668
Revenue reserve	17		4,243		4,190
			12,903		12,859

The Financial Statements on pages 10 to 30 were approved by the Board of Management on 30 July 2009 and were signed on its behalf:



D F Blair, Chair



P Russell, Vice Chair



R McDougall, Secretary

30 July 2009

The notes on pages 14 to 30 form part of these Financial Statements.

Cash Flow Statement for the year ended 31 March 2009

		2009		2008	
	Notes	£'000	£'000	£'000	£'000
Reconciliation of operating surplus/(deficit) to net cash inflow from operating activities					
Operating surplus/(deficit)			457		821
Depreciation charges			309		383
Expenditure to Special Reserves			(9)		-
Increase in debtors			(114)		692
Decrease in creditors			(1,530)		(142)
Net cash inflow/(outflow) from operating activities			(887)		1,754
Returns on investments and Servicing of finance					
Capital expenditure	(i)		(424)		(345)
	(i)		(2,183)		(959)
			(3,494)		450
Financing	(i)		(267)		(300)
Increase/(Decrease) in cash			(3,761)		150
(Cash is defined as cash in hand and deposits repayable on demand)					
Reconciliation of net cash flow to Movement in net debt					
	(ii)				
Increase/(Decrease) in cash in the period			(3,761)		150
Cash to repay housing loans			267		300
Cash acquired as housing loan			-		-
Change in net debt			(3,494)		450
Net debt at 1 April 2008			(4,597)		(5,047)
Net debt at 31 March 2009			(8,091)		(4,597)

Notes to the Cash Flow Statement for the year ended 31 March 2009

(i) Gross cash flows	2009		2008	
	£'000	£'000	£'000	£'000
Returns on investments and servicing of finance				
Interest received	58		131	
Interest paid	<u>(482)</u>		<u>(476)</u>	
		<u>(424)</u>		<u>(345)</u>
Capital expenditure				
Payments to acquire tangible fixed assets	(4,301)		(2,422)	
Receipt of HAG and other grants	2,051		1,365	
Receipts from sales of shared ownership properties	-		-	
Receipts from sale of development	-		(2)	
Receipts from sale of right to buy	-		-	
Repayment of HAG on sale of shared ownership properties	-		-	
Repayment of HAG on sales of development	-		-	
Receipts from sales of other fixed assets	<u>67</u>		<u>100</u>	
		<u>(2,183)</u>		<u>(959)</u>
Financing				
Loans acquired	2,000		-	
Loans repaid	<u>(267)</u>		<u>(300)</u>	
		<u>(1,733)</u>		<u>(300)</u>

(ii) Analysis of changes in net debt	2009		2008	
	£'000	£'000	£'000	£'000
	At			At
	1 April	Cash	Other	31 March
	2008	Flows	Changes	2009
	£'000	£'000	£'000	£'000
Bank and short term deposits	2,293	(1,761)	-	532
Debt due within 1 year	(299)	(156)	-	(455)
Debt due after 1 year	(6,591)	(1,577)	-	(8,168)
Total	<u>(4,597)</u>	<u>(3,494)</u>	<u>-</u>	<u>(8,091)</u>

Notes to the Accounts

1. Accounting Policies

1.1 Basis of Accounting

The accounts have been prepared under the historical cost convention in accordance with applicable accounting standards. They comply with the Registered Social Landlords Accounting Requirements (Scotland) Order 2007 and with the Statement of Recommended Practice 2008: Accounting by Registered Social Landlords.

1.2 Turnover

Turnover represents rental and service charge income receivable from tenants and owner occupiers, fees and revenue based grants receivable from local authorities and The Scottish Housing Regulator.

1.3 Housing Properties

Housing properties are stated at cost and include the cost of acquiring the land, site clearance costs and construction.

1.4 Housing Association Grant

For developments under the 1988 Housing Act, Housing Association Grant is paid directly to the Association as required to meet liabilities during the development process. Housing Association Grant is repayable under certain circumstances, primarily following the sale of property, but will normally be restricted to net proceeds of sale.

1.5 Depreciation

(i) Housing Properties

Depreciation is charged on the original cost of properties (after deducting land costs, Housing Association Grant and Other Grants) on a straight line basis over the expected useful life of the property. All housing and office properties are assumed to have a useful economic life of 100 years.

Periodic reviews are undertaken to confirm that no financial impairment has arisen to reduce the value of any class of property to

an amount less than historical cost (less Housing Association Grant and Other Grants).

(ii) Other Fixed Assets

Other Fixed Assets include office properties, office equipment and computer hardware and software. From this financial year we have changed the way depreciation is charged from charging a full year's depreciation in the year the assets are first purchased and no depreciation is charged in the year of disposal to charge depreciation from the date of purchase to the date of disposal. The rates are as follows:

Office Properties 1% per annum

Office equipment & computer hardware & software 20% per annum

Motor vehicles 25% per annum. These Other Fixed Assets are depreciated on a straight line basis over the expected useful life of the asset.

1.6 Contribution to Pension funds

The Association participates in a multi-employer defined benefit pension scheme. Pension costs are recognised on a systematic basis so that the costs of providing retirement benefits to employees are evenly matched, so far as possible, to the service lives of the employees concerned.

Actuarial valuations are carried out on a triennial basis, any surplus or deficiency in valuation which may arise from time to time is corrected by adjusting the rate of contributions over the average remaining service lives of current employees.

1.7 Restricted Reserves

Special

The Special Reserve has been created mainly from charitable donations and bequests and is

used for development specific projects as agreed by tenants at the respective developments.

1.8 Designated Reserves

Planned Maintenance

The Association maintains its properties in an acceptable state of repair. The designated reserve is maintained on a planned basis to ensure that adequate resources will be available to meet future major repairs expenditure by setting aside amounts in years of low expenditure and drawing down amounts from the reserves in years of high expenditure. Cyclical repairs are met from revenue in the year in which they are incurred.

Replacement of Equipment

The Association has established a Replacement of Equipment Reserve to replace items of scheme equipment based on current replacement cost and estimated life, by transfer from the service charge.

1.9 Service Equalisation Account

Charges for landlord services are charged to tenants at a level that is expected to recover expenditure on services for the year. Any over or under charge is taken into account when the landlord service charge is calculated for the following year.

1.10 Interest Payable

All interest payable in the year in connection with the development, construction or acquisition of housing properties is charged to the income and expenditure account in the period in which it falls due for payment. The basis of the interest payable is the Schedule of Interest Charges agreed with the financing institution during the establishment of the loans.

1.11 Shared Ownership Properties

All properties are split between fixed and current assets in line with the expectation relating to the first tranche sale percentage. The expected first tranche proportion is classified as a current asset until the point of the first tranche sale. The current asset is then transferred to cost of sales and matched against sales proceeds within the operating surplus in the Income and Expenditure Account. Any operating surplus is restricted to the overall surplus which takes account of the Existing Use Value – Social Housing (EUV-SH) of the remaining fixed asset element.

The remaining element of the asset is classified as a fixed asset and included in housing properties at cost less any provision for depreciation or impairment.

2. Particulars of turnover, operating costs and operating surplus or deficit

	Turnover	Operating Costs	Operating Surplus or Deficit	Operating surplus or Deficit for Previous Period of Account
	£'000	£'000	£'000	£'000
Social letting	14,051	13,141	910	1,504
Other activities	3,127	3,580	(453)	(683)
Total	<u>17,178</u>	<u>16,721</u>	<u>457</u>	<u>821</u>
Total for previous period of account	<u>15,836</u>	<u>15,015</u>	<u>821</u>	

3. Lettings and Other Related Information

Particulars of turnover, operating costs and surplus before taxation.

	Grants from Scottish Ministers	Other revenue grants	Supporting people income	Other income	Total Turnover	Operating costs – bad debts	Other operating costs	Operating surplus or deficit	Operating surplus or deficit for previous period of account
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Wider role activities undertaken to support the community, other than the provision, construction, improvement and management of housing									
Care and repair of property									
Factoring									
Development and construction of property activities									
Support activities			2,784		2,784		2,734	50	(304)
Care activities									
Agency/management services for registered social landlords				48	48		45	3	
Other agency/management services									
Development for sale to registered social landlords									
Developments and improvements for sale to non registered social landlords									
Other activities									
Other activities: Equal Opportunities		257			257		262	(5)	110
Other activities: Overhead charges on supporting people and floating support							443	(443)	(419)
Other activities: Non-recoverable VAT							9	(9)	(14)
Other activities: Arran Care and Repair		38			38		37	1	(28)
Other activities: Overhead charges on Development							50	(50)	(28)
Total from other activities	-	295	2,784	48	3,127	-	3,580	(453)	(683)
Total from other activities for the previous period of account	-	125	2,730	2	2,857	-	3,540	(683)	

4. Income from Lettings

	General Needs Housing £'000	Supported Housing Accommodation £'000	Shared Ownership £'000	2009 Total £'000	2008 Total £'000
Rent receivable net of identifiable Services charges	640	5,646	35	6,321	6,050
Service charges receivable (eligible for housing benefit)	10	4,433	–	4,443	3,979
Service charges receivable (not eligible for housing benefit)	3	3,499	–	3,502	3,182
Gross rents receivable	653	13,578	35	14,266	13,211
Less: Rent losses from voids	(6)	(292)	–	(298)	(289)
Net rents receivable	647	13,286	35	13,968	12,922
Revenue grants from local authorities & other agencies	–	83	–	83	57
Total turnover from social letting activities	647	13,369	35	14,051	12,979
Expenditure on letting activities					
Service costs	7	7,014	–	7,021	6,273
Planned and cyclical maintenance including major repairs costs	41	433	–	474	409
Management	302	3,104	21	3,427	2,699
Reactive maintenance	39	1,037	–	1,076	975
Bad debts – rents and service charges	2	5	–	7	16
Depreciation of social housing	–	196	–	196	199
Impairment of social housing	–	–	–		
Major repairs expenditure	18	875	–	893	838
Stock condition surveys	–	35	–	35	43
Miscellaneous costs	–	9	3	12	23
Operating costs for social letting activities	409	12,708	24	13,141	11,475
Operating surplus for social lettings	238	661	11	910	1,504
Operating surplus for 2008	320	1,167	17	1,504	

5. Officers' Emoluments

	2009 £'000	2008 £'000
Aggregate emoluments payable to Officers (excluding pension contributions and benefits in kind).		
Total emoluments (including pension contributions and benefits in kind)	574	534
Payments as compensation for loss of office	17	–
	591	534
	2009 £'000	2008 £'000
Emoluments (excluding pension contribution) of the Chief Executive Officer amounted to:	73	71
Pension Contributions of the highest paid Officer amounted to:	11	9
	No. of Officers	No. of Officers
The number of Officers, including the highest paid Officer, who received emoluments (excluding pension contributions) in the following ranges were:		
£60,001 to £70,000	0	0
£70,001 to £80,000	2	1
<p>The Officers are ordinary members of the pension scheme described in Note 22. No enhanced or special terms apply to membership and they have no other pension arrangements to which the Association contributes. The Association's pension contributions for the Officers in the year amounted to £72,722 (2008 £62,891).</p> <p>No emoluments were paid to the Board of Management during the year.</p>		
	£'000	£'000
Total expenses reimbursed in so far as not chargeable to United Kingdom income tax	4	7

6. Employee Information

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

	2009	2008
	Number	Number
Office Staff	83	82
Development Staff	289	285
	372	367

The average number of staff employed during the year was:

	Number	Number
Office Staff	94	90
Development Staff	351	419
	445	509

The 2008 figures have been re-stated due to improvements in the HR software making the reporting of this information easier and more accurate.

	£'000	£'000
Staff costs (including directors emoluments);		
Wages and salaries	7,430	6,545
Social Security costs	463	430
Pension costs	516	442
	8,409	7,417

2008 has been re-stated to include the costs of temporary and agency staff, which were previously excluded from this note.

7. Operating Surplus

Operating surplus is stated after charging:

	2009	2008
	£'000	£'000
Depreciation	309	375
Repairs: cyclical, planned and day to day	2,303	2,170
Auditors' remuneration – audit services	12	13
Auditors' remuneration – non-audit services	–	2

8. Interest Payable and Other Charges

On loans payable wholly or partly in more than 5 years:

	2009	2008
	£'000	£'000
Amounts payable to Banks and Building Societies	482	476

9. Tangible Fixed Assets

	Housing Properties held for letting £'000	Shared Ownership Housing Properties £'000	Housing properties in the course of construction £'000	Total Housing Properties £'000	Office Properties £'000	Motor Vehicles £'000	Office Equipment £'000	Total Other Assets £'000	2009 Total £'000	2008 Total £'000
Cost										
At beginning of year	109,513	511	1,331	111,355	3,530	194	910	4,634	115,989	113,918
Additions during year	770	1	2,007	2,778	1,093	27	234	1,354	4,132	2,283
Disposals during year	(43)	-	-	(43)	-	(71)	-	(71)	(114)	(212)
Transfers	1,897	-	(1,897)	-	-	-	-	-	-	-
At end of year	112,137	512	1,441	114,090	4,623	150	1,144	5,917	120,007	115,989
Depreciation										
At beginning of year	1,327	4	-	1,331	139	134	674	947	2,278	2,030
Charge for year	196	-	-	196	18	23	72	113	309	383
Disposals during year	(6)	-	-	(6)	-	(62)	-	(62)	(68)	(135)
At end of year	1,517	4	-	1,521	157	95	746	998	2,519	2,278
Net Book Value										
At beginning of year	108,186	507	1,331	110,024	3,391	60	236	3,687	113,711	111,888
At end of year	110,620	508	1,441	112,569	4,466	55	398	4,919	117,488	113,711
Housing Association										
Grants & other grants										
At beginning of year	91,313	469	920	92,702	-	-	-	-	92,702	91,355
Additions during year	627	-	1,424	2,051	-	-	-	-	2,051	1,349
Disposals during year	-	-	-	-	-	-	-	-	(0)	(2)
Transfers	1,391	-	(1,391)	-	-	-	-	-	-	-
At end of year	93,331	469	953	94,753	-	-	-	-	94,753	92,702

Development allowances received in the year amounted to £12,778 (2008: £19,298)

The depreciation charge for the year on other assets would have been £218,235 had the new depreciation policy not been implemented. The impact on the results for the year, is to increase the surplus by £105,901.

10. Debtors

	2009	2008
	£'000	£'000
Amounts falling due within one year:		
Rental debtors	203	197
Development funding receivable	9	8
Other debtors	424	276
Prepayments and accrued income	18	58
	654	539

11. Creditors due within one year

Rent in advance	159	239
Housing loans	455	299
Other taxation and social security	162	136
Development costs	114	281
Creditors and accruals	1,750	2,279
Service Equalisation Account	210	121
	2,850	3,355

12. Creditors due outwith one year

Housing loans	8,168	6,591
Other Creditors	–	1,036
	8,168	7,627

Housing loans:

In one year or less	455	299
Between one and two years	455	299
Between two and five years	1,366	897
In five years or more	6,347	5,427
	8,623	6,922

Housing loans:

Housing loans are secured by legal charges against certain housing properties. The loan debt at 31 March 2009 comprised a 20 part loan with Dunfermline Building Society, with repayments concluding from 2019 to 2035.

The majority of this being at variable interest, based on LIBOR plus 0.45%. The balance of the

loans are at a fixed interest rate of 5.15% for 67% of the fixed loan and 6.14% for the remaining 33%.

In addition we have a loan with The Royal Bank of Scotland, with repayments concluding in 2019, at a variable rate based on LIBOR plus 0.766%.

13. Rent Arrears and Rent

	2009	2008
Rent arrears	£237,334	£182,126
Average monthly rent	£222	£213
Average rental increase	3.9%	3.6%

14. Called Up Share Capital

	£	£
Shares of £1 each issued and fully paid:		
At beginning of year	664	781
Movement during year	12	(117)
At end of year	<u>676</u>	<u>664</u>

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

15. Restricted Reserves

	Opening Balance £'000	Income in Year £'000	Expended in Year £'000	Closing Balance £'000
Special reserves	<u>150</u>	<u>9</u>	<u>(18)</u>	<u>141</u>
	<u>150</u>	<u>9</u>	<u>(18)</u>	<u>141</u>

16. Designated Reserves

	Opening Balance £'000	Transfer from Revenue Reserve £'000	Expended in Year £'000	Closing Balance £'000
Replacement of equipment	1,300	–	–	1,300
Planned maintenance	<u>7,218</u>	<u>–</u>	<u>–</u>	<u>7,218</u>
	<u>8,518</u>	<u>–</u>	<u>–</u>	<u>8,518</u>

17. Reconciliation of Movement in Accumulated Surplus

	£'000	£'000
Revenue reserve brought forward		4,190
Surplus		<u>53</u>
		4,243
Transfer from restricted reserves	–	
Expenditure	–	
Transfer from restricted reserves	<u>–</u>	–
Transfer to designated reserves	–	
Expenditure	–	
Transfer to designated reserves	<u>–</u>	–
Revenue reserve carried forward		<u><u>4,243</u></u>

18. Units in Management

	2009	2008
	No. of units	No. of units
Housing accommodation	271	264
Supported accommodation	2,165	2,159
Shared ownership	13	13
Total number of units	<u><u>2,449</u></u>	<u><u>2,436</u></u>

The 2008 figures have been re-stated due to the 29 units that are included in Note 19 being incorrectly included along with 18 managed units which were taken over by another RSL in 2006/07.

19. Accommodation Managed by Others

Name of Managing Body

Leonard Cheshire Foundation	16	16
The Richmond Fellowship	8	8
North Lanarkshire Council	5	5
Total number of units	<u><u>29</u></u>	<u><u>29</u></u>

20. Investments in Subsidiary

Trust Housing Association Limited has set up a wholly-owned trading subsidiary named Trust Enterprises Limited; the subsidiary will be used to separate our core charitable activities from those likely to generate commercial trading income and incur related expenditure. Any surpluses generated through the subsidiary will be gift-aided back to Trust Housing Association Limited.

On 13 June 2008, Trust Housing Association Limited purchased 1 Ordinary Share of £1 at par.

Consolidated accounts have not been prepared on this occasion as the subsidiary will not start trading until 2009/10.

21. Capital and Other Commitments

	2009	2008
	£'000	£'000
Capital Expenditure that has been contracted for but has not been provided for in the accounts	<u>2,906</u>	<u>435</u>

22. Pensions - SFHA

Trust participates in the Scottish Federation of Housing Associations (SFHA) Pension Scheme through the Pensions Trust. The SFHA Pension Scheme is a multi-employer defined benefit scheme. The Scheme is funded and is contracted out of the state scheme.

The Scheme offers three benefit structures to employers, namely:

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

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

Trust has elected to operate the final salary with a 1/60th accrual rate benefit structure for active

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

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

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

As at the balance sheet date there were 186 active members of the Scheme employed by Trust.

Trust continues to offer membership of the Scheme to its employees.

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

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

The Scheme Actuary has prepared an Actuarial Report that provides an approximate update on the funding position of the Scheme as at 30 September 2008. Such a report is required by legislation for years in which a full actuarial valuation is not carried out. The funding update revealed a decrease in the assets of the Scheme to £265 million and indicated an increase in the shortfall of assets compared to liabilities to approximately £149 million, equivalent to a past service funding level of 63.9%. 4 Annual funding updates of the SFHA Pension Scheme are carried out using approximate actuarial techniques rather than member by member calculations, and will therefore not produce the same results as a full actuarial valuation. However they will provide a good indication of the financial progress of the scheme since the last full valuation.

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

23. Pensions - Financial Assumptions

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

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

The long-term joint contribution rates required from employers and members to meet the cost of *future* benefit accrual were assessed as:

Benefit structure	Long-term joint contribution rate (% of pensionable salaries per annum)
Final salary 60ths	17.8
Career average 60ths	14.6
Career average 70ths	12.6

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

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

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

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

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

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

The next full actuarial valuation will be carried out as at 30 September 2009.

Following a change in legislation in September 2005 there is a potential debt on the employer that could be levied by the Trustee of the Scheme. The debt is due in the event of the employer ceasing to participate in the Scheme or the Scheme winding up.

The debt for the Scheme as a whole is calculated by comparing the liabilities for the Scheme (calculated on a buyout basis i.e. the cost of securing benefits by purchasing annuity policies from an insurer, plus an allowance for expenses) with the assets of the Scheme. If the liabilities exceed assets there is a buy-out debt.

The leaving employer's share of the buy-out debt is the proportion of the Scheme's liability attributable to employment with the leaving employer compared to the total amount of the Scheme's liabilities (relating to employment with all the employers). The leaving employer's debt therefore includes a share of any 'orphan' liabilities in respect of previously participating employers. The amount of the debt therefore depends on many factors including total Scheme liabilities, Scheme investment performance, the liabilities in respect of current and former employees of the employer, financial conditions at the time of the cessation event and the insurance buy-out market. The amounts of debt can therefore be volatile over time.

24. Pensions – Growth Plan

Trust participates in the Pensions Trust's Growth Plan (the Plan). The Plan is funded and is not contracted out of the state scheme. The Growth Plan is a multi-employer pension plan.

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 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 purpose of the actuarial valuation is to determine the funding position of the Plan by comparing the assets with the past service liabilities as at the valuation date. Asset values are calculated by reference to market levels. Accrued past service liabilities are valued by discounting expected future benefit payments using a discount rate calculated by reference to the expected future investment returns.

The rules of the Growth Plan give the Trustee the power to require employers to pay additional contributions in order to ensure that the statutory funding objective under the Pensions Act 2004 is met. The statutory funding objective is that a pension scheme should have sufficient assets to meet its past service liabilities, known as Technical Provisions.

If the actuarial valuation reveals a deficit, the Trustee will agree a recovery plan to eliminate the deficit over a specified period of time either by

way of additional contributions from employers, investment returns or a combination of these.

The rules of the Growth Plan state that the proportion of obligatory contributions to be borne by the Member and the Member's Employer shall be determined by agreement between them. Such agreement shall require the Employer to pay part of such contributions and may provide that the Employer shall pay the whole of them.

Trust paid contributions at the rate of 15.4% during the accounting period. Members paid contributions at the rate of 7.7% during the accounting period.

As at the balance sheet date there were 186 active members of the Plan employed by Trust. Trust continues to offer membership of the Plan to its employees.

It is not possible in the normal course of events to identify on a reasonable and consistent basis the share of underlying assets and liabilities belonging to individual participating employers. Growth Plan is a multi-employer scheme where the scheme assets are co-mingled for investment purposes, and benefits are paid from the total scheme assets. Accordingly, due to the nature of the Plan, the accounting charge for the period under FRS17 represents the employer contribution payable.

The valuation results at 30 September 2008 have now been completed and will be formalised shortly. The valuation of the Scheme was performed by a professionally qualified actuary using the Projected Unit Method. The market value of the Scheme'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 as at 30 September 2008 were as follows:

	% per annum
- Investment return pre retirement	7.6
- Investment return post retirement	
Actives/Deferred	5.1
Pensioners	5.6
- Bonuses on accrued benefits	0.0
- Rate of price inflation	3.2

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.

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, 5.1% per annum post retirement (actives and deferred) 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 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). A copy of the recovery plan in respect of the September 2008 valuation will be forwarded to the Pensions Regulator in due course.

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 i.e. 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.

Trust 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 2008. As of this date the estimated employer debt for Trust was £52,276.

25. Contingent Liabilities

Trust has been notified by The Pensions Trust of the estimated employer debt on withdrawal from the SFHA Pension Scheme based on the financial position of the Scheme as at 30 September 2006. As of this date the estimated employer debt for Trust was £10.5m for the

main scheme as at 30 September 2007 and £0.052m for the Growth Plan as at 30 September 2008. At this time there is no valuation for leaving the scheme and the Board have no plans to do so.

26. Post Balance Sheet Events

Glasgow Office – A contract of sale that was concluded prior to the year end has recently fallen through. The intention is to re-market the property at Park Circus and surveyors have been instructed to advise on the options available to the Association.

Kilncraigs House - the Association has decided to withdraw from the direct provision of residential care. Consideration is presently being given to the future use of our property at Kilncraigs House.

This information is available in Braille, tape,
large print and community languages.
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