

ACCOUNTS

FOR THE YEAR ENDED
31 MARCH 2007

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Board of Management and Directors as at 31 March 2007

Chair: D F Blair FRICS

Vice-Chair: W M Renton

Board Members

P Kinloch AMRSH

I Luke (*resigned January 2007*)

W R Palmer MCIInstM, MIIM, MiMgt, FFB

Rev. A M Millar MA, BD, MBA

W R Clarkson ACMI

P Russell FCCA

J Dick, OBE, BA, DMS

J Sillars

D Sutherland CSS

J C Howie CPFA

S Rahman (*resigned May 2006*)

P Harper (*co-opted March 2007*)

K Barton FICSA

Dr Richard Coles FRCS(ENG), FRCS(PLAST), FRCS(ED), MBChB (*appointed from September 2006*)

Isle of Arran Homes Board Members

Chair: J Sillars

M McManus

Vice-Chair: W R Palmer

J Murchie (*resigned September 2006*)

D F Blair

B Cameron

H Price (*resigned September 2006*)

M Dee (*appointed September 2006*)

G Fulton

D O'Neill

J C Howie

I Blair

J Nichols

R Wilkinson

E McMaster

S Alison (*co-opted October 2006*)

J Faulkner (*appointed September 2006 resigned February 2007*)

Directors

R McDougall FCIH – Chief Executive and Company Secretary

G Veryan MCIH – Depute Chief Executive and Director of Customer Services

J Marshall FMAAT, CPFA – Director of Financial Services (*appointed April 2007*)

A F Massie BA (Econ), DipAcc, MBA - Director of Finance & IT Services (*resigned November 2006*)

K Nicholson MA (Hons), DipPM – Director of Corporate Services

D McIndoe MRICS – Director of Property Services (*appointed June 2006*)

Company Secretary

R McDougall FCIH

Auditors

Findlay & Company, Chartered Accountants and Registered Auditors, 11 Dudhope Terrace, Dundee DD3 6TS (External Auditor)

Chiene & Tait, Chartered Accountants and Registered Auditors, 61 Dublin Street, Edinburgh EH3 6NL (*resigned July 2006*) (Internal Auditor)

Baker Tilly, Chartered Accountants and Registered Auditors, 23 Queen Street, Edinburgh, EH2 1JX (*appointed August 2006*) (Internal Auditor)

Bankers

The Royal Bank of Scotland plc, 100 West George Street, Glasgow G2 1PP

Solicitors

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

TC Young, 7 West George Street, Glasgow, G2 1BA

Registered under the Industrial and Provident Societies Act 1965 No. 1778R(S)

Registered by Communities Scotland HEP 143

Registered Charity Number SC009086

Registered Office: 12 New Mart Road, Edinburgh EH14 1RL

Board of Management Report

1. The Association

1.1 Background

Trust Housing 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.

The Association, in 1990, extended its rules to enable it, without infringing its charitable status, to meet the wider housing needs of Rural and Island Communities.

Tenancy of the Association's properties is open to regardless of creed and allocation is on the basis of housing, social medical need, and others in need.

The Association is registered with the Financial Services Authority as a non-profit making company and is recognised by the Inland Revenue as having charitable status.

The Association is registered under Section 3 of the Housing Associations Act 1985 by Communities Scotland.

1.2 Objects

The Association's mission is to provide quality housing and related services for older people and others in need. The demographic changes in the elderly population have created a situation to which housing for older people has naturally and necessarily responded. The change is 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 houses 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) Sheltered Housing, for the less active, more dependent and vulnerable older person meets the same basic design requirement as amenity housing but having also a call system and warden service. The majority of sheltered housing provided by the Association contains a communal lounge, laundry and guestrooms. Increasingly, common lounges are being used for the benefit of older people within the wider community.
- (iii) Very Sheltered Housing for frail older people, designed to barrier free and registerable standards, and offering enhanced housing management support and meals provision. Provides all the same 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.

- (iv) Care Housing for those who are physically frail and who have been assessed by Social Work Departments 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.
- (v) Dementia Care Housing 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.
- (vi) General Needs Housing, mainly available on the Isle of Arran.

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.

1.3 Results

Trust Housing Association is pleased to report the results for the year ended 31 March 2007. The Association's financial stability is sound, the Income and Expenditure Account shows a surplus for the year of £0.710 million.

During 2006/07 the Association increased turnover from £13.526 million at 31 March 2006 to £14.326 million at 31 March 2007, an increase of 5.9%. The growth in turnover is due to increases in rental income of 4.3% and Landlord Services of 6.5%. Part of the increases within the Rental and Landlord Services are due to Trust generating higher rental and landlord service income from the opening of new developments at Mission Place, Motherwell and Pirnmill on the Isle of Arran. Operating costs have increased during the year from £12.442 million at 31 March 2006 to £13,573 million at 31 March 2007, an increase of 9.0%, this is mainly as a result of increased spending on property expenditure of 25% and on Supporting People costs at 16%.

The Association's financial stability is further reflected in the Balance Sheet at 31 March 2007. Housing properties increased by £3.142 million during the year to £108 million with the completion of 22 flats at Mission Place, Motherwell and 8 cottages at Pirnmill on the Isle of Arran. This represents a net investment (after grants and depreciation) in housing properties of £16.7 million. Other Fixed Assets decreased by £0.07 million due a temporary suspension on the purchase of company cars pending consideration of a leasing scheme.

Again in 2006/07 the Association did not increase its borrowing whilst cash balances increased by £0.233 million during the year to £2.143 million at 31 March 2007. The increase in cash is mainly due to an underspend on property costs, which will be carried forward and allocated in 2007.

Capital and reserves increased by £0.710

million from £11.650 million to £12.360 million at 31 March 2007 an increase of 6%.

1.4 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 shall hold one share only in the Association. Trust Housing Association Limited has a larger membership than most Associations and it now stands at 781 (2006 761).

1.5 Relations with Members

The Annual General Meeting, held in September each year is the formal platform for communication with Members. The meeting is attended by Board Members and the Senior Management Team. Members are invited to ask questions during the meeting and to meet with both the Board and Senior Management Team. In addition, Board members will arrange to visit several developments each year, with Housing and Property Officers calling in on tenants as part of their visits and seeking their views on the work of Trust and any specific issues and queries they may have.

1.6 Staff

The Association is committed to the principle of equal opportunities for all its staff and will act to ensure that measures are taken to ensure no one is excluded from access to its services or employment on the grounds of sexual orientation, marital status, disability, race (including colour, nationality, ethnic or national origin), religious belief, political belief, age, trade union activity or responsibility for dependants.

As part of this commitment, it is the policy of the Association to give full and fair consideration to all applicants for employment, including those from black and minority ethnic communities and those with a disability. In addition, the Association will provide equal opportunities for training and career development to all employees and continue wherever possible the employment of staff who become disabled.

2. Board of Management

During the year two Board members resigned and one new member was appointed and one co-opted making the total membership thirteen. Two members of the Board and three members of the Isle of Arran Homes Board are tenants of the Association. Their tenancies are on Trust's normal tenancy terms and they cannot use their position to their advantage. No Board member has received any payment in respect of services to the Association other than by way of expenses incurred.

3. 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 Housing Associations (Accounting Requirements) (Scotland) Order 1999 and the Statement of Recommended Practice (SORP) as updated 2005. 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.

4. 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 control are designed to 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) An Internal Management Plan that forecasts 3 years ahead is prepared annually and updated quarterly, and is approved by the Board.
- (iv) Written standing orders including details of any delegated authority.
- (v) The Association's external auditors attend at least one meeting each year of the Audit Committee, as well as attending the AGM.

Chiene & Tait, Chartered Accountants and Registered Auditors were appointed for three years as Internal Auditors from 1 April 2002 and have after a one year extension completed their programme of Internal Audit work, which was part of the Internal Audit Plan detailed in the Internal Audit Needs Assessment. During 2006/07 the Association tendered for Internal Audit Services for 2006/07 to 2008/09 with Baker Tilly, Chartered Accountants and Registered Auditors being awarded the contract.

The Board of Management has reviewed the effectiveness of the system of internal financial controls for the year ended 31 March 2007, and up to the date of this report, and are confident that the existing controls and the resources in place to improve these controls are sufficient to safeguard the assets of the association and prevent material loss. If weaknesses are found in the system of internal financial controls, appropriate action is put in place to address these.

In so far as the board are aware:

There is no relevant audit information (information needed by the association's auditors in connection with preparing their report) of which the association's auditors are unaware.

The board have taken all the steps that they ought to have taken to make themselves aware of that information.

5. Auditors

The External Auditors Findlay & Company wish to offer themselves for re-election.

By order of the Board of Management



David Blair
Chair

19 July 2007

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 2007 on pages 9 to 27. These financial statements have been prepared under the historical cost convention and 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 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 Board of Management and Auditors

As described on page 3 the Association's Board of Management is responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards.

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

Housing Associations (Accounting Requirements) (Scotland) Order 1999 and Statement of Recommended Practice: Accounting by Registered Social Landlords. We also report to you if, in our opinion, the Board of Management report is not consistent with the financial statements, if the Association has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

We read the Board of Management report and considered whether it is consistent with the audited financial statements. If we became aware of any apparent misstatements within the financial statements, we considered the implications for our report. Our responsibilities in this respect do not extend to a consideration of any other information.

Basis of Audit Opinion

We conducted our audit in accordance with International Standards on Auditing (UK & 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 directors 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 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.



Findlay & Company
Chartered Accountants and Registered
Auditors
11 Dudhope Terrace
Dundee
DD3 6TS
19 July 2007

Report of the Auditors 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 4 and 5. The object of our review is to draw attention to any non-compliance with Communities Scotland Guidance Note 2001/10.

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 4 and 5, in our opinion the Board has provided the disclosures required under Communities Scotland Guidance Note 2001/10 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 4 and 5 appropriately reflects the Association's compliance with the Communities Scotland Guidance Note 2001/10 specified for our review.



Findlay & Company
Chartered Accountants and
Registered Auditors
11 Dudhope Terrace
Dundee
DD3 6TS

19 July 2007

Income and Expenditure Account for the year ended 31 March 2007

	Notes	2007 £'000	2006 £'000
Turnover	2	14,326	13,526
Less: operating costs	2	(13,573)	(12,442)
Operating surplus/(deficit)	6	753	1,084
Profit on sale of fixed assets		234	1,356
Interest receivable and other income		99	66
Interest payable and other charges	7	(376)	(445)
Surplus for the year		710	2,061

The Association has no recognised gains and losses other than those included in the surplus for the two years ended 31 March 2007. All operations are continuing.

The notes on pages 14 to 27 form part of these Financial Statements.

Balance Sheet as at 31 March 2007

	Notes	2007		2006	
		£'000	£'000	£'000	£'000
Tangible fixed assets					
Housing properties	8	108,037		104,895	
Less: HAG	8	(88,626)		(86,866)	
Less: Other Public Grants	8	(2,727)		(2,729)	
		16,684		15,300	
Other	8	3,849		3,922	
<i>Total fixed assets</i>		20,533		19,222	
Current Assets					
Debtors	9	1,247		1,619	
Cash at bank and in hand		2,143		1,914	
		3,390		3,533	
Creditors: amounts falling due within one year	10	3,652		3,456	
Net current assets/(liabilities)		(262)		77	
<i>Total assets less current liabilities</i>		20,271		19,299	
Creditors: amounts falling due after more than one year	11	7,911		7,649	
Net assets		12,360		11,650	
Capital and reserves					
Share capital	13		1		1
Restricted reserves	14	1,639		1,416	
Designated reserves	15	6,917		6,741	
			8,556		8,157
Revenue reserve	16	3,803		3,492	
		12,360		11,650	

The Financial Statements on pages 9 to 27 were approved by the Board of Management on 19 July 2007 and were signed on its behalf:



D F Blair, Chair

19 July 2007



W M Renton, Vice Chair



R McDougall, Secretary

The notes on pages 14 to 27 form part of these Financial Statements.

Cash Flow Statement for the year ended 31 March 2007

	Notes	2007 £'000	2006 £'000
Reconciliation of operating surplus/(deficit) to net cash inflow from operating activities			
Operating surplus		753	1,084
Depreciation charges		402	371
(Increase) in debtors		(149)	(40)
Increase in creditors		727	400
Net cash inflow from operating activities		1,733	1,815
Returns on investments and Servicing of finance	(i)	(250)	(379)
Capital expenditure	(i)	(869)	(441)
		614	995
Financing	(i)	(385)	(458)
Increase in cash		229	537
(Cash is defined as cash in hand and deposits repayable on demand)			
Reconciliation of net cash flow to Movement in net debt	(ii)		
Increase in cash in the period		229	537
Cash to repay housing loans		385	458
Cash acquired as housing loan		-	-
Change in net debt		614	995
Net debt at 1 April 2006		(5,661)	(6,656)
Net debt at 31 March 2007		(5,047)	(5,661)

Notes to the Cash Flow Statement for the year ended 31 March 2007

	2007		2006	
(i) Gross cash flows	£'000	£'000	£'000	£'000
Returns on investments and servicing of finance				
Interest received	99		66	
Interest paid	(349)		(445)	
	<u> </u>	<u>(250)</u>	<u> </u>	<u>(379)</u>
Capital expenditure				
Payments to acquire tangible fixed assets	(4,060)		(6,396)	
Receipt of HAG and other grants	2,832		3,160	
Receipts from sales of shared ownership properties	16		29	
Receipts from sale of development	217		1,235	
Receipts from sale of right to buy	203		204	
Repayment of HAG on sale of shared ownership properties			(20)	
Repayment of HAG on sales of development	(215)		(596)	
Receipts from sales of other fixed assets	138		1,943	
	<u> </u>	<u>(869)</u>	<u> </u>	<u>(441)</u>
Financing				
Loans acquired	-		-	
Loans repaid	(385)		(458)	
	<u> </u>	<u>(385)</u>	<u> </u>	<u>(458)</u>
(ii) Analysis of changes in net debt				
	At 1 April 2006 £'000	Cash Flows £'000	Other Changes £'000	At 31 March 2007 £'000
Bank and short term deposits	1,914	229	-	2,143
Debt due within 1 year	(313)	-	-	(313)
Debt due after 1 year	(7,262)	-	385	(6,877)
Total	<u>(5,661)</u>	<u>229</u>	<u>385</u>	<u>(5,047)</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 Housing Associations (Accounting Requirements) (Scotland) Order 1999 and with the Statement of Recommended Practice: 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 Communities Scotland.

1.3 Housing Properties

Housing properties are stated at cost and include the cost of acquiring the land, development expenditure and interest charged on loans raised to finance the development.

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. A full year's depreciation is charged in the year the assets are first purchased and no depreciation is charged in the year 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 property

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 variations 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.

Notes to the Accounts (*Continued*)

1.7 Restricted Reserves

(i) General and Special

The General and Special Reserves have been created from charitable donations.

(ii) Development

The Association has established a Development Reserve the purpose of which is to be the source of funds for enhancements to developments with the approval of tenants.

(iii) Development Risk

The Association has established a Development Risk Reserve to contribute to unforeseen development risk.

(iv) 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.

1.8 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.

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.

2. Lettings and Other Related Information

Particulars of turnover, operating costs and surplus before taxation.

	Notes	Turnover £'000	Operating Costs £'000	2007 Operating Surplus £'000	2006 Operating Surplus/ (Deficit) £'000
Income and expenditure from lettings	3	11,479	10,452	1,027	1,029
<i>Other income and expenditure</i>					
Supporting People		2,687	2,635	52	408
Donation		2	-	2	3
Other		158	486	(328)	(356)
Total		14,326	13,573	753	1,084

Notes to the Accounts (*Continued*)

3. Income from Lettings

	Housing Accommodation £'000	Supported Accommodation £'000	Shared Ownership £'000	2007 Total £'000	2006 Total £'000
Rent receivable net of identifiable					
Services charges	593	5,115	28	5,736	5,437
Service charges receivable (eligible for housing benefit)	8	3,779	-	3,787	3,535
Service charges receivable (not eligible for housing benefit)	4	2,103	-	2,107	1,856
Gross rents receivable	605	10,997	28	11,630	10,828
Less: Rent losses from voids	(6)	(247)	-	(253)	(246)
Net rents receivable	599	10,750	28	11,377	10,582
Revenue grants from local authorities & other agencies	-	102	-	102	100
Total income from lettings	599	10,852	28	11,479	10,682
Expenditure on letting activities					
Services	-	5,445	-	5,445	5,434
Management	246	2,608	17	2,871	1,820
Routine maintenance	80	797	2	879	842
Rent losses from bad debts	-	16	-	16	2
Major repairs expenditure	15	277	-	292	427
Other costs	36	910	3	949	1,128
Total expenditure on lettings	377	10,053	22	10,452	9,653
Operating surplus on letting activities	222	799	6	1,027	1,029

Notes to the Accounts (*Continued*)

4. Directors' Emoluments

The remuneration paid to the directors (defined as Board Members, the Chief Executive and any other person reporting directly to the Chief Executive or directly to the board) of Trust Housing Association Limited

Aggregate emoluments payable to Directors (including pension contributions and benefits in kind). No emoluments were paid to the Board of Management during the year.

	2007 £'000	2006 £'000
Total emoluments (including pension contributions and benefits in kind)	247	277
Payments as compensation for loss of office	33	-
	<u>280</u>	<u>277</u>
	2007 £'000	2006 £'000
The emoluments (excluding pension contribution) of the highest paid director amounted to:	67	65

The emoluments of the directors (excluding pension contributions) were within the following ranges:

	No. of Directors	No. of Directors
£40,001 to £45,000	-	1
£45,001 to £50,000	1	1
£50,001 to £55,000	2	1
£55,001 to £60,000	-	-
£60,001 to £65,000	1	1
£65,001 to £70,000	1	-
£70,001 to £75,000	-	-

The Chief Executive is an ordinary member of the pension scheme. No enhanced or special terms apply. The value of the Association's contributions during the year was £9,485 (2006 £9,550).

	£'000	£'000
Total expenses reimbursed in so far as not chargeable to United Kingdom income tax	<u>14</u>	<u>19</u>

Notes to the Accounts (*Continued*)

5. Employee Information

The average number of full-time equivalent persons employed during the year was:	2007 Number	2006 Number
Office Staff	76	70
Development Staff	<u>223</u>	<u>249</u>
	<u>299</u>	<u>319</u>

The average number of Staff employed during the year was:	Number	Number
Office Staff	86	79
Development Staff	<u>373</u>	<u>417</u>
	<u>459</u>	<u>496</u>

	£'000	£'000
Staff costs (including directors emoluments); Wages and salaries	5,816	5,575
Social Security costs	396	391
Pension costs	<u>395</u>	<u>373</u>
	<u>6,607</u>	<u>6,339</u>

6. Operating Surplus

Operating surplus is stated after charging:		
Depreciation	403	381
Repairs: cyclical, planned and day to day	1,492	1,553
Auditors' remuneration - audit services	<u>11</u>	<u>10</u>

7. Interest Payable and Other Charges

On loans payable wholly or partly in more than 5 years: Amounts payable to Banks and Building Societies	<u>376</u>	<u>445</u>
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8. 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	Total Office Properties £'000	Motor Vehicles £'000	Office Equipment £'000	Total Other Assets £'000	2007 Total £'000	2006 Total £'000
At beginning of year	102,081	561	3,196	105,838	3,625	372	717	4,714	110,552	106,428
Additions during year	1,381	-	2,545	3,926	4	76	142	222	4,148	6,360
Disposals during year	(545)	(50)	-	(595)	(59)	(104)	(24)	(187)	(782)	(2,236)
Transfers	3,476	-	(3,476)	-	-	-	-	-	-	-
At end of year	<u>106,393</u>	<u>511</u>	<u>2,265</u>	<u>109,169</u>	<u>3,570</u>	<u>344</u>	<u>835</u>	<u>4,749</u>	<u>113,918</u>	<u>110,552</u>
<i>Housing Association Grants and other grants</i>										
At beginning of year	85,930	469	3,196	89,595	-	-	5	5	89,600	87,152
Additions during year	905	-	1,408	2,313	-	-	-	-	2,313	3,124
Disposals during year	(462)	-	(93)	(555)	-	-	(3)	(3)	(558)	(676)
Transfers	<u>2,748</u>	<u>-</u>	<u>(2,748)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
At end of year	<u>89,121</u>	<u>469</u>	<u>1,763</u>	<u>91,353</u>	<u>-</u>	<u>-</u>	<u>2</u>	<u>2</u>	<u>91,355</u>	<u>89,600</u>
<i>Depreciation</i>										
At beginning of year	939	4	-	943	80	201	506	787	1,730	1,556
Charge for year	189	-	-	189	31	86	96	213	402	371
Disposals during year	-	-	-	-	(4)	(75)	(23)	(102)	(102)	(197)
At end of year	<u>1,128</u>	<u>4</u>	<u>-</u>	<u>1,132</u>	<u>107</u>	<u>212</u>	<u>579</u>	<u>898</u>	<u>2,030</u>	<u>1,730</u>
<i>Net Book Value</i>										
At beginning of year	<u>15,212</u>	<u>88</u>	<u>-</u>	<u>15,300</u>	<u>3,545</u>	<u>171</u>	<u>206</u>	<u>3,922</u>	<u>19,222</u>	<u>17,720</u>
At end of year	<u>16,144</u>	<u>38</u>	<u>502</u>	<u>16,684</u>	<u>3,463</u>	<u>132</u>	<u>254</u>	<u>3,849</u>	<u>20,533</u>	<u>19,222</u>

Development allowances received in the year amounted to £120,472 (2006 £94,959).

Notes to the Accounts (Continued)

9. Debtors

	2007 £'000	2006 £'000
Amounts falling due within one year:		
Rental debtors	322	308
Development funding receivable	24	545
Other debtors	838	701
Prepayments and accrued income	63	65
	<u>1,247</u>	<u>1,619</u>

10. Creditors due within one year

Rent in advance	209	186
Housing loans	313	313
Other taxation and social security	135	122
Development costs	422	240
Creditors and accruals	2,297	1,948
Service Equalisation Account	276	647
	<u>3,652</u>	<u>3,456</u>

11. Creditors due outwith one year

Housing Loans	6,876	7,262
Other Creditors	1,035	387
	<u>7,911</u>	<u>7,649</u>
In one year or less	313	313
Between one and two years	324	324
Between two and five years	1,038	1,038
In five years or more	5,516	5,900
	<u>7,191</u>	<u>7,575</u>

Housing loans are secured by legal charges against certain housing properties.

12. Rent Arrears and Rent

	2007	2006
Rent arrears	£314,963	£308,425
Average monthly rent	£210	£202
Average rental increase	4%	4%

13. Called Up Share Capital

	£	£
Shares of £1 each issued and fully paid:		
At beginning of year	761	772
Movement during year	20	(11)
At end of year	<u>781</u>	<u>761</u>

Notes to the Accounts (Continued)

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.

14. Restricted Reserves

	Opening Balance £'000	Transfer from Revenue Reserve £'000	Expended in Year £'000	Closing Balance £'000
Special reserves	135	-	(2)	133
Development reserve	77	3	(12)	68
Development risk reserve	76	-	-	76
Replacement of equipment reserve	815	629	(395)	1,049
General reserve	313	-	-	313
	<u>1,416</u>	<u>632</u>	<u>(409)</u>	<u>1,639</u>

15. Designated Reserves

	Opening Balance £'000	Transfer from Revenue Reserve £'000	Expended In Year £'000	Closing Balance £'000
Planned Maintenance	<u>6,741</u>	<u>609</u>	<u>(433)</u>	<u>6,917</u>

16. Reconciliation of Movement in Accumulated Surplus

	£,000	£,000
Revenue reserve brought forward		3,492
Surplus		<u>710</u>
		4,202
Transfer to restricted reserves	(632)	
Expenditure	<u>409</u>	
Transfer to restricted reserves		(223)
Transfer to designated reserves	(609)	
Expenditure	<u>433</u>	
Transfer from designated reserves		<u>(176)</u>
Revenue reserve carried forward		<u>3,803</u>

Notes to the Accounts (*Continued*)

17. Units in Management

	2007 No. of Units	2006 No. of Units
Housing accommodation	261	217
Supported accommodation	2,198	2,170
Shared ownership	13	15
Total number of units	<u>2,472</u>	<u>2,402</u>

18. Accommodation Managed by Others

Name of Managing Body

Leonard Cheshire Foundation	16	16
Church of Scotland	-	15
The Richmond Fellowship	8	8
North Lanarkshire Council	5	5
Total number of units	<u>29</u>	<u>44</u>

19. Capital and Other Commitments

Capital Expenditure that has been contracted for but has not been provided for in the accounts	£'000	£'000
	<u>648</u>	<u>1,999</u>

20. Pensions General

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

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 14.0% of pensionable salaries. Member contributions were 7.0%.

As at the balance sheet date there were 164 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. 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 2003 by a professionally qualified actuary using the "projected unit credit" method. The market value of the Scheme's assets at the valuation date was £143 million. The valuation revealed a shortfall of assets compared to liabilities of £37 million, equivalent to a past service funding level of 80%.

Trust has subsequently been notified of the provisional results of the triennial valuation carried out as at 30 September 2006. This indicates an increase in the assets of the Scheme to £268 million and an increase in the shortfall of assets compared with liabilities to £54 million, equivalent to a past service funding level of 83%. It is expected that the September 2006 actuarial valuation will be finalised in July 2007. The following notes therefore relate to the actuarial valuation as at 30 September 2003.

20.1 Financial Assumptions

The financial assumptions underlying the valuation as at 30 September 2003 were as follows:

	%pa
• Investment return pre retirement	7.80
• Investment return post retirement	5.20
• Rate of salary increases	4.00
• Rate of pension increases (for leavers before 1 October 1993 pension increases are 5.0% pa)	2.50
• Rate of price inflation	2.50

The valuation revealed a shortfall of assets compared with the value of liabilities of £37 million (equivalent to a past service funding level of 80%).

The employers' ongoing future service contribution rate, after allowing for changes in benefits, was assessed as 9.3% of pensionable salaries.

Following consideration of the results of the actuarial valuation it was agreed that, with effect from 1 April 2005:

- The standard employer contribution rate would be increased from 12.2% to 14.0% of pensionable salaries.

Member contributions would be increased from 6.0% to 7.0% of pensionable salaries.

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 30 September 2015.

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 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 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.

Trust has been notified by the Pensions Trust of the estimated employer debt on withdrawal from the SFHA 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.

21. Pensions – Growth Plan

Trust participates in the Pensions Trust's Growth 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 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.

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.

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 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 14% during the accounting period. Members paid contributions at the rate of 7% during the accounting period.

As at the balance sheet date there were 160 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 the share of underlying assets and liabilities belonging to individual participating employers. Accordingly, due to the nature of the Plan, the accounting charge for the period under FRS17 represents the employer contribution payable.

The last formal valuation of the Scheme was performed as at 30 September 2005 by a professionally qualified actuary using the Projected Unit Method. The market value of the Scheme's assets at the valuation date was £675 million and the Plan's Technical Provisions (i.e. past service liabilities) were £704 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 Scheme Actuary has prepared an Actuarial Report that provides an approximate update on the funding position of the Plan as at 30 September 2006. Such a report is required by legislation for years in which a full actuarial valuation is not carried out. The funding update revealed an increase in the assets of the Scheme to £747 million and indicated a surplus of assets compared to liabilities of approximately £2 million, equivalent to a funding level of 100.2%. Annual funding updates of the Growth Plan 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 Plan since the last full valuation.

Since the contribution rates payable to the Plan have been determined by reference to the last full actuarial valuation the following notes relate to the formal actuarial valuation as at 30 September 2005.

21.1 Financial assumptions

The financial assumptions underlying the valuation were as follows:

	%pa
• Investment return pre retirement	6.6
• Investment return post retirement	4.5
• Bonuses on accrued benefits	0.0
• Rate of price inflation	2.5

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 will be cleared within 5 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 7.6% per annum pre retirement and 4.8% per annum post retirement.

A copy of the recovery plan must be sent to the Pensions Regulator. The Regulator has the power under Part 3 of the Pensions Act 2004 to issue scheme funding directions where it believes that the actuarial valuation assumptions and / or recovery plan are inappropriate. For example the Regulator could require that the Trustee strengthens the actuarial assumptions (which would increase the scheme liabilities and hence impact on the recovery plan) or impose a schedule of contributions on the Scheme (which would effectively amend the terms of the recovery plan).

The Regulator has reviewed the recovery plan for the Growth Plan and confirmed that, in respect of the September 2005 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 2008. An Actuarial Report will be prepared as at 30 September 2007 in line with statutory regulations.

Following a change in legislation in September 2005 there is a potential debt on the employer that could be levied by the Trustee of the Plan. The Trustee's current policy is that it only applies to 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 2005. As of this date the estimated employer debt for Trust was £52,235.

22. Contingent Liabilities

The Association participates in a multi employer pension scheme. Should the Association decide to leave the scheme, the amount of employer debt has been calculated at £10.5m for the main scheme

and £0.05m for the Growth Plan as at 30 September 2006. At this time there is no valuation for leaving the scheme and the Board have no plans to do so.

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