

LOGGED 28/6/10.  
5

**EAST LoTHIAN HOUSING ASSOCIATION LIMITED**  
**FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2010**

**Registered Scottish Charity No. SC028900**  
**FSA Registration No. 2266R(S)**  
**Registered Housing Association No.103**

# EAST LoTHIAN HOUSING ASSOCIATION LIMITED

## MANAGEMENT COMMITTEE, EXECUTIVE AND ADVISERS

### Management Committee at 31 March 2010

Peter Hayman	Chair
Noel Foy	Vice Chair, Resigned 7 September 2009
John Holcombe	Vice Chair, Elected 15 October 2009
Joyce Bolan	Secretary
Alan Clydesdale	
Jim Curran	
Frank Colston	
Shirley Evans	
Brian Logan	
Derek Logie	Resigned 7 September 2009
Robert McNeil	Appointed 7 September 2009
Andrew Robinson	
Ian Shearer	
Fiona Sheldon	
Suzanne Vestri	
Frances Whaley	Resigned 24 February 2010

### Executive Officer

Martin Pollhammer	Chief Executive
-------------------	-----------------

### Registered Office

18-20 Market Street  
Haddington  
East Lothian  
EH41 3JL

### Bankers

Bank of Scotland  
44 Court Street  
Haddington  
EH41 3NP

Royal Bank of Scotland  
32 Court Street  
Haddington  
EH41 3NP

### Auditors

Alexander Sloan  
Chartered Accountants & Statutory Auditors  
1 Atholl Place  
Edinburgh  
EH3 8HP

### Solicitors

Anderson Strathern W.S.  
Solicitors  
14 Court Street  
Haddington  
EH41 3JA

Blacklocks  
Solicitors  
89 Constitution Street  
Edinburgh  
EH6 7AS

# **EAST LOTHIAN HOUSING ASSOCIATION LIMITED**

## **REPORT OF THE MANAGEMENT COMMITTEE FOR THE YEAR ENDED 31 MARCH 2010**

The Management Committee present their report and the audited financial statements for the year ended 31 March 2010.

### **Legal Status**

The Association is registered as a non-profit making organisation under the Industrial and Provident Societies Act 1965 No. 2266R(S). The Association is constituted under its Rule Book. The Association is a registered Scottish Charity with the charity number SC028900.

### **Principal Activities**

The principal activity of the Association is the provision of rented accommodation and associated services. The Association also administers the East Lothian Care & Repair service which offers advice for house maintenance to elderly or disabled house owners and private tenants. The administration costs of this service are met by grant income from East Lothian Council.

### **Review of Business**

The Association's main activities over the year generated an operating surplus of £764,631 (2009: £1,009,678). Disposal of fixed assets during the year gave rise to a gain of £64,806 (2009: £79,346). Following the deduction of finance costs, the Association's activities generated a surplus of £120,143 (2009: deficit of £168,037) for the year. A sum of £265,905 has been transferred from designated reserves, resulting in the total accumulated surplus increasing by £386,048 to £1,236,028 (2009: £849,980).

During the year the Association spent £9.3 million on the development of new properties and completed 80 homes for rent.

Following an in depth review of its activities, the Association established a group structure during the year and set up a trading subsidiary, R3 Repairs Limited (R3). The purpose of R3 is to maintain and repair the Association's properties, those of other associations and private customers. R3 commenced trading on 15 April 2010.

The Committee is satisfied with the Association's financial performance during the year and with the year end position, it does however recognise the challenges ahead. These challenges include obtaining development funding in the current economic climate, ensuring our properties meet the Scottish Housing Quality Standard by 2015 and accommodating increased contributions to the pension scheme.

### **Changes in Fixed Assets**

During the year the cost of the Association's housing properties has increased as detailed in Note 10. The Association moved to new offices on Market Street, Haddington in March 2010. These new offices were formally acquired by the Association after the year-end, in April 2010.

### **The Management Committee and Executive Officers**

The Management Committee and Executive Officers are listed on Page 2.

Each elected member of the Management Committee holds one fully paid share of £1 in the Association. The Chief Executive of the Association holds no interest in the Association's share capital and although not having the legal status of a Director acts as an Executive within the Authority delegated by the Management Committee.

# EAST LOTHIAN HOUSING ASSOCIATION LIMITED

## REPORT OF THE MANAGEMENT COMMITTEE FOR THE YEAR ENDED 31 MARCH 2010

### The Management Committee and Executive Officers

The members of the Management Committee are also Trustees of the Charity. Members of the Management Committee are appointed by the members at the Association's Annual General Meeting.

### Donations

The Association made donations to other charitable organisations during the year of £1,000 (2009: £1,000).

### Statement of Management Committee's Responsibilities

The Industrial and Provident Societies Acts 1965 to 2002 require the Management Committee to prepare Financial Statements for each financial year which gives a true and fair view of the state of affairs of the Association and of the surplus or deficit of the Association for that period. In preparing those Financial Statements, the Management Committee is required to:-

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

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

The Management Committee must, in determining how amounts are presented within items in the income and expenditure account and balance sheet, have regard to the substance of the reported transaction or arrangement in accordance with generally accepted accounting principles and practice.

In so far as the Management Committee is 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, and
- The Management Committee has taken all steps that they ought to have taken to make itself aware of any relevant audit information and to establish that the Association's auditors are aware of that information.

### Statement on Internal Financial Control

1. The Management Committee acknowledges its ultimate responsibility for ensuring that the Association has in place a system of financial controls that is appropriate for the business environment in which it operates. These financial controls are designed to give reasonable assurance with respect to:
  - 1.1 the reliability of financial information used within the Association, or for publication;
  - 1.2 the maintenance of proper accounting records;
  - 1.3 the safeguarding of assets against unauthorised use or disposition.
2. It is the Management Committee's responsibility to establish and maintain systems of internal financial control. Such systems can only provide reasonable and not absolute assurance against material misstatement or loss. Key elements of the Association's systems include ensuring that:
  - 2.1 formal policies and procedures are in place, including the documentation of key systems and rules relating to the delegation of authority, which allow the monitoring of financial controls and restrict the unauthorised use of the Association's assets;

## EAST LOTHIAN HOUSING ASSOCIATION LIMITED

### REPORT OF THE MANAGEMENT COMMITTEE FOR THE YEAR ENDED 31 MARCH 2010

#### Statement on Internal Financial Control

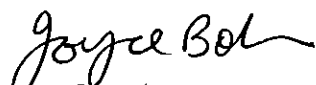
- 2.2 experienced and suitably qualified staff take responsibility for important business functions, and annual appraisal procedures have been established to maintain standards of performance;
  - 2.3 regular financial management reports are prepared promptly, providing relevant, reliable and up to date financial and other information, with significant variances from budget being investigated as appropriate;
  - 2.4 forecasts and budgets are prepared which allow the Management Committee and Management Team to monitor the key business risks, financial objectives and the progress being made towards achieving plans set for the year and for the medium term;
  - 2.5 all significant new initiatives, major commitments and investment projects are subject to formal authorisation procedures, through the Management Committee;
  - 2.6 the Management Committee receive reports from management and from the external and internal auditors, to provide reasonable assurance that control procedures are in place and are being followed and that a general review of the major risks facing the Association is undertaken;
  - 2.7 formal procedures have been established for instituting appropriate action to correct any weaknesses identified through internal or external reports.
3. The Association's internal audit service is provided by The Internal Audit Association, who have carried out a full risk assessment and are undertaking a rolling three year programme of tests, which has been approved by the Management Committee.
  4. During the year ended 31 March 2010, working in conjunction with the Association's Finance and Audit Sub-Committee, The Internal Audit Association have reviewed the Association's systems of internal controls applicable to the following areas:
    - Corporate Governance
    - Performance Monitoring
    - Subsidiary Governance
    - Risk Management

No weaknesses were found in the internal financial controls, which resulted in material losses, contingencies or uncertainties or which require disclosure in the financial statements or in the auditor's report on the financial statements.

#### Auditors

A resolution to re-appoint as auditors, Alexander Sloan, Chartered Accountants will be proposed at the Annual General Meeting.

By order of the Management Committee



J Bolan, Secretary  
24 June 2010

**EAST LOTHIAN HOUSING ASSOCIATION LIMITED**

**REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF EAST LOTHIAN HOUSING ASSOCIATION LIMITED  
FOR THE YEAR ENDED 31 MARCH 2010**

We have audited the financial statements of East Lothian Housing Association Limited for the year ended 31 March 2010 set out on pages 8 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 and Industrial and Provident Societies Act 1968. Our audit work has been undertaken so that we might state to the Association's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Association and the Association's members as a body, for our audit work, for this report, or for the opinions we have formed.

**Respective responsibilities of the Management Committee and auditors**

As described in the Statement of Management Committee's Responsibilities the Management Committee is responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Industrial and Provident Societies Acts 1965 to 2002, the Housing (Scotland) Act 2001 and the Registered Social Landlords Accounting Requirements (Scotland) Order 2007. We also report to you if, in our opinion, the Management Committee's 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 the information specified by law regarding Management Committee's remuneration and transactions with the Association is not disclosed. We read the Management Committee's Report and consider the implications for our report if we become aware of any apparent misstatements within it.

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

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

**Opinion**

In our opinion the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Association's affairs as at 31 March 2010 and of its income and expenditure and cash flow for the year then ended and have been properly prepared in accordance with the Industrial and Provident Societies Acts 1965 to 2002, the Housing (Scotland) Act 2001 and the Registered Social Landlords Accounting Requirements (Scotland) Order 2007.

In our opinion the information given in the Management Committee's Report is consistent with the financial statements.



Alexander Sloan  
Chartered Accountants & Statutory Auditors  
24 June 2010.

**EAST LOTHIAN HOUSING ASSOCIATION LIMITED**

**REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF EAST LOTHIAN HOUSING ASSOCIATION LIMITED  
FOR THE YEAR ENDED 31 MARCH 2010**

**Corporate Governance Matters**

In addition to our audit of the Financial Statements, we have reviewed your statement on Pages 4 and 5 concerning the Association's compliance with the information required by the section on Internal Financial Control within SFHA's publication "Raising Standards in Housing".

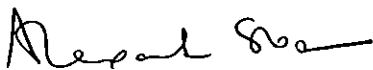
**Basis of Opinion**

We carried out our review having regard to the requirements relating to corporate governance matters within Bulletin 2006/5 issued by the Auditing Practices Board. The Bulletin does not require us to review the effectiveness of the Association's procedures for ensuring compliance with the guidance notes, nor to investigate the appropriateness of the reasons given for non-compliance.

**Opinion**

In our opinion the Statement on Internal Financial Control on pages 4 and 5 has provided the disclosures required by the section on Internal Financial Control within SFHA's publication "Raising Standards in Housing" and is consistent with the information which came to our attention as a result of our audit work on the Financial Statements.

Through enquiry of certain members of the Management Committee and Officers of the Association, and examination of relevant documents, we have satisfied ourselves that the Management Committee's Statement on Internal Financial Control appropriately reflects the Association's compliance with the information required by the section on Internal Financial Control within SFHA's "Raising Standards in Housing".



Alexander Sloan  
Chartered Accountants

24 June 2010

**EAST LOTHIAN HOUSING ASSOCIATION LIMITED****INCOME AND EXPENDITURE ACCOUNT  
FOR THE YEAR ENDED 31 MARCH 2010**

	Note	2010 £	2009 £
<b>TURNOVER</b>	2	4,203,516	3,901,007
Operating Costs	2	<u>(3,438,885)</u>	<u>(2,891,329)</u>
<b>Operating Surplus</b>		764,631	1,009,678
Gain on Sale of Housing Stock	29	64,806	79,346
Exceptional Item	31	-	(646,555)
Interest Receivable		24,142	161,808
Interest Payable and Similar Charges	7	<u>(733,436)</u>	<u>(772,314)</u>
<b>Surplus/(Deficit) for the Year</b>	8	<u><b>120,143</b></u>	<u><b>(168,037)</b></u>

All amounts relate wholly to continuing activities.

All recognised surpluses and deficits have been included in the Income and Expenditure Account. Historical cost surpluses and deficits are identical to those shown in the accounts.

The notes of pages 11 to 27 form part of these financial statements.



**EAST LOTHIAN HOUSING ASSOCIATION LIMITED**

**BALANCE SHEET  
AS AT 31 MARCH 2010**

	Note	2010 £	2009 £
<b>FIXED ASSETS</b>			
Housing Properties - Cost less Depreciation	10	60,247,683	51,098,570
Less: Social Housing Grants	11	(41,977,137)	(35,914,859)
Other Grants	11	(586,507)	(490,331)
		<hr/>	<hr/>
Other Fixed Assets	12	17,684,039 262,383	14,693,380 184,807
		<hr/>	<hr/>
		<u>17,946,422</u>	<u>14,878,187</u>
<b>FIXED ASSET INVESTMENT</b>			
	13	1	-
<b>CURRENT ASSETS</b>			
Development cost of Housing Property	14	16,364	21,618
Debtors	15	475,234	231,926
Cash at Bank and in Hand		3,673,296	2,911,933
		<hr/>	<hr/>
		4,164,894	3,165,477
<b>CREDITORS - Amounts falling due within one year</b>			
	16	(2,042,465)	(1,676,418)
		<hr/>	<hr/>
<b>NET CURRENT ASSETS</b>			
		2,122,429	1,489,059
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			
		20,068,852	16,367,248
<b>CREDITORS - Amounts falling due after more than one year</b>			
	17	(16,052,577)	(12,471,118)
		<hr/>	<hr/>
<b>NET ASSETS</b>			
		<u>4,016,275</u>	<u>3,896,128</u>
<b>CAPITAL AND RESERVES</b>			
Called up Share Capital	18	130	126
Designated Reserves	19	2,780,117	3,046,022
Accumulated Surplus	20	1,236,028	849,980
		<hr/>	<hr/>
		<u>4,016,275</u>	<u>3,896,128</u>

The Financial Statements on pages 8 to 27 were approved by the Management Committee on 24 June 2010 and signed on its behalf by:-

A P Hayman *A.P. Hayman* J Holcombe *Holcombe* J Bolan *Joyce Bolan*  
Chairman Vice Chairman Secretary

The notes on pages 11 to 27 form part of these financial statements.

**EAST LOTHIAN HOUSING ASSOCIATION LIMITED**

**CASH FLOW STATEMENT  
FOR THE YEAR ENDED 31 MARCH 2010**

	Note	£	2010 £	£	2009 £
<b>Net Cash Inflow from Operating Activities</b>	23		1,135,856		565,816
<b>Returns on Investments and Servicing of Finance</b>					
Interest Received		50,894		141,124	
Interest Paid		(728,273)		(771,491)	
<b>Net Cash Outflow from Returns on Investments and Servicing of Finance</b>			(677,379)		(630,367)
<b>Capital Expenditure and Financial Investment</b>					
Acquisition and Construction of Properties		(9,357,337)		(3,863,851)	
Purchase of Other Fixed Assets		(100,936)		(9,026)	
Social Housing Grant Received		5,843,800		3,406,462	
Other Capital Grants Received		96,176		10,265	
Social Housing Grant Repaid		-		(19,495)	
Proceeds on Disposal of Properties		96,763		137,184	
<b>Net Cash Outflow from Capital Expenditure</b>			(3,421,534)		(338,461)
<b>Net Cash Outflow before use of Liquid Resources and Financing</b>			(2,963,057)		(403,012)
<b>Financing</b>					
Loan Advances Received			3,923,000		-
Loan Principal Repayments			(198,588)		(143,519)
Loan Redemption Repayments			-		(265,528)
Share Capital Issued			8		8
<b>Increase/(Decrease) in Cash</b>	24		<u>761,363</u>		<u>(812,051)</u>

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2010

1. PRINCIPAL ACCOUNTING POLICIES

**Introduction and Accounting Basis**

These financial statements have been prepared in accordance with applicable Accounting Standards, the Statement of Recommended Practice - Accounting by Registered Social Landlords 2008 and on the historical cost basis. They also comply with the Registered Social Landlords Accounting Requirements (Scotland) Order 2007. A summary of the more important accounting policies is set out below.

**Turnover**

Turnover represents rental and service charge income receivable, fees receivable and revenue grants receivable from Scottish Ministers and the Local Authority.

**Retirement Benefits**

The Association participates in the SFHA Defined Benefits Pension Scheme and retirement benefits to employees of the Association are funded by the contributions from all participating employers and employees in the Scheme. Payments are made in accordance with periodic calculations by consulting Actuaries and are based on pension costs applicable across the various participating Associations taken as a whole.

**Valuation of Housing Properties**

Housing Properties are stated at cost, less social housing and other public grants and less accumulated depreciation. Depreciation is charged on a straight line basis over the expected economic useful lives of the properties at an annual rate of 1% -1.25%. Land is not depreciated. Housing properties are reviewed for impairment if events or circumstances indicate that the carrying value is higher than the recoverable amount.

**Depreciation and Impairment of Other Fixed Assets**

Other Fixed Assets are stated at cost less accumulated depreciation. Depreciation is charged on a straight line basis over the expected economic useful lives of the assets at the following annual rates:-

Office Premises	4%
Alterations to Office Premises	33.33%
Computer Equipment	10%-25%
Office Equipment	15%-20%

The carrying values of tangible fixed assets are reviewed for impairment in periods if events or changes in circumstances indicate the carrying value may not be recoverable.

**Social Housing Grant and Other Grants in Advance/Arrears**

Where developments have been financed wholly or partly by Social Housing Grant or other capital grant, the cost of those developments has been reduced by the amount of the grant receivable. The amount of the grants receivable is shown separately on the Balance Sheet.

Social Housing Grant received in respect of revenue expenditure is credited to the Income and Expenditure Account in the same period as the expenditure to which it relates.

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

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

**1. PRINCIPAL ACCOUNTING POLICIES**

**Sales of Housing Properties**

First tranche Shared Ownership disposals are credited to turnover on completion. Disposals of subsequent tranches are treated as fixed asset disposals with the gain or loss on disposal shown in the income and expenditure account in accordance with the Statement of Recommended Practice.

Disposals of housing property under the Right to Buy scheme are treated as a fixed asset disposal and any gain and loss on disposal accounted for in the Income and Expenditure Account.

**Leases/Leased Assets**

Costs in respect of operating leases are charged to the Income and Expenditure Account on a straight line basis over the lease term. Assets held under finance leases and hire purchase contracts are capitalised in the Balance Sheet and are depreciated over their useful lives.

**Capitalisation of Major Repairs Expenditure**

The Association capitalises major repairs expenditure where these works result in an enhancement of economic benefits by increasing the net rental stream over the life of the property.

**Capitalisation of Development Overheads**

Administration costs which are directly attributable to development activities are capitalised in accordance with the Statement of Recommended Practice.

**Development Interest**

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

**Designated Reserves**

The Association has designated part of its reserves to meet its long term obligations.

The Cyclical Maintenance Reserve has been designated to meet future repair and maintenance obligations which are cyclical in nature. These are carried out in accordance with a planned programme of works.

The Major Repairs Reserve is based on the Association's liability to maintain housing properties in a state of repair which meets the requirements of the Scottish Housing Quality Standard.

The Service Equipment Replacement reserve has been designed to meet future costs of replacing service equipment.

**Property Development Cost**

The proportion of the development cost of shared ownership properties expected to be disposed of as a first tranche sale is held in current assets until it is disposed of. The remaining part of the development cost is treated as a fixed asset. Surpluses made on the disposal of first tranche sales are taken to the Income and Expenditure Account in accordance with the Statement of Recommended Practice.

Property developments that are intended for resale are included in current assets until disposal.

# **EAST LOTHIAN HOUSING ASSOCIATION LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2010**

### **1. PRINCIPAL ACCOUNTING POLICIES**

#### **Housing Property Managed by Agents**

Where a third party manages the Association's housing property the accounting treatment reflects the substance of the transactions. The property is only excluded if the rights and obligations associated with the scheme have been transferred to the third party.

#### **Basis of Consolidation**

The financial statements for East Lothian Housing Association Limited present information about it as an individual undertaking and not about its group.

EAST LOTHIAN HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2010

2. PARTICULARS OF TURNOVER, COST OF SALES, OPERATING COSTS AND OPERATING SURPLUS OR DEFICIT

	Note	2010	2010	2009	2009
		Turnover	Operating	Turnover	Operating
		£	Costs	£	Costs
			£		£
			Operating		Operating
			Surplus		Surplus
			£		£
Social Lettings	3	3,835,599	(3,076,136)	3,575,218	(2,606,279)
Other Activities	4	367,917	(362,749)	377,989	(337,250)
<b>TOTAL</b>		<b>4,203,516</b>	<b>(3,438,885)</b>	<b>3,953,207</b>	<b>(2,943,529)</b>
			<b>764,631</b>		<b>968,939</b>
					<b>40,739</b>
					<b>1,009,678</b>

**EAST LOTHIAN HOUSING ASSOCIATION LIMITED**

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

**3. PARTICULARS OF INCOME AND EXPENDITURE FROM SOCIAL LETTINGS**

	General Needs Housing £	Shared Ownership £	2010 Total £	2009 Total £
<b>Income from Social Lettings</b>				
Rent Receivable net of Service Charges	3,663,602	111,947	3,775,549	3,498,492
Service Charges Receivable	78,108	9,124	87,232	98,438
	<u>3,741,710</u>	<u>121,071</u>	<u>3,862,781</u>	<u>3,596,930</u>
Less: Rent Losses from Voids	(26,990)	(192)	(27,182)	(21,712)
	<u>3,714,720</u>	<u>120,879</u>	<u>3,835,599</u>	<u>3,575,218</u>
<b>Total Income from Social Letting</b>				
<b>Expenditure on Social Letting Activities</b>				
Service Costs	96,906	8,932	105,838	99,551
Management and Maintenance Admin Costs	1,247,263	65,920	1,313,183	1,121,286
Reactive Maintenance	563,950	-	563,950	553,784
Bad Debts – Rents and Service Charges	26,566	-	26,566	6,729
Planned and Cyclical Maintenance (Including Major Repairs)	917,949	-	917,949	698,572
Depreciation of Social Housing	143,855	4,795	148,650	126,357
	<u>2,996,489</u>	<u>79,647</u>	<u>3,076,136</u>	<u>2,606,279</u>
<b>Operating Costs of Social Letting</b>	<u>2,996,489</u>	<u>79,647</u>	<u>3,076,136</u>	<u>2,606,279</u>
<b>Operating Surplus on Social Letting Activities</b>	<u>718,231</u>	<u>41,232</u>	<u>759,463</u>	<u>968,939</u>
2009	<u>925,239</u>	<u>43,700</u>	<u>968,939</u>	<u>-</u>

There is no other accommodation except for General Needs and Shared Ownership.

EAST LOTHIAN HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2010

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

	From Scottish Ministers		Other Revenue Grants		Supporting People Income		Other Income		Total Turnover		Operating Costs		Operating Costs		Surplus / (Deficit)		
	£	£	£	£	£	£	£	£	£	£	Bad Debts	Other	£	£	2010	2009	
Care and Repair of Property	-	301,308	-	-	-	-	-	-	301,308	-	-	301,308	-	-	-	15,714	-
Medical Adaptations	49,471	-	-	-	-	-	-	-	49,471	-	-	50,506	-	-	(1,035)	-	-
Other Activities	-	-	-	17,138	-	-	17,138	-	17,138	-	-	10,935	-	-	6,203	25,025	-
<b>Total From Other Activities</b>	<b>49,471</b>	<b>301,308</b>	<b>-</b>	<b>17,138</b>	<b>-</b>	<b>17,138</b>	<b>-</b>	<b>367,917</b>	<b>-</b>	<b>-</b>	<b>362,749</b>	<b>-</b>	<b>5,168</b>	<b>40,739</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>2009</b>	<b>52,200</b>	<b>291,569</b>	<b>-</b>	<b>34,220</b>	<b>-</b>	<b>377,989</b>	<b>-</b>	<b>337,250</b>	<b>40,739</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>



**EAST LOTHIAN HOUSING ASSOCIATION LIMITED**

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

**5. OFFICERS' EMOLUMENTS**

The Officers are defined in section 74 of the Industrial & Provident Societies Act 1965 as the members of the Management Committee, managers or employees of the Association.

Number of Officers receiving emoluments greater than £60,000 but less than £70,000, excluding pension contributions

	2010 Number	2009 Number
	2	1
	£	£

Aggregate Emoluments payable to Officers with Emoluments greater than £60,000 (excluding pension contributions)

<u>130,820</u>	<u>60,242</u>
----------------	---------------

Emoluments payable to Chief Executive (excluding pension contributions)

<u>63,497</u>	<u>60,242</u>
---------------	---------------

Pension contributions made on behalf of Officers with emoluments greater than £60,000

<u>18,078</u>	<u>8,854</u>
---------------	--------------

**6. EMPLOYEE INFORMATION**

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

	2010 Number	2009 Number
	<u>30</u>	<u>28</u>

Staff Costs were:-

Wages and Salaries	933,297	815,526
Social Security	70,681	61,534
Pension (Note 30)	133,087	119,945
Temporary, Agency and Seconded Staff	10,105	8,245

<u>1,147,170</u>	<u>1,005,250</u>
------------------	------------------

**7. INTEREST PAYABLE AND SIMILAR CHARGES**

On Bank Loans and Overdrafts

	2010 £	2009 £
	<u>733,436</u>	<u>772,314</u>

**EAST LoTHIAN HOUSING ASSOCIATION LIMITED**

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

**8. SURPLUS ON ORDINARY ACTIVITIES BEFORE TAXATION**

	2010 £	2009 £
Surplus on Ordinary Activities before Taxation is stated after charging:-		
Depreciation - Tangible Owned Fixed Assets	171,669	152,663
Auditors' Remuneration - Audit Services	7,976	7,617
- Other Services	411	-
Loss on Disposal of Other Fixed Assets	342	-
Operating Lease Rentals - Plant and Machinery	8,729	7,938

**9. TAXATION**

The Association is a registered Scottish Charity and is not liable to United Kingdom corporation tax on its housing activities.

**10. TANGIBLE FIXED ASSETS**

**Housing Properties Gross Cost**

	LSVT Housing Properties held for Letting £	Non-LSVT Housing Properties held for Letting £	Housing Properties Under Construction £	Shared Ownership Housing Properties £	Total £
<b>Cost</b>					
At 1st April 2009	5,799,568	40,315,912	3,994,863	2,160,600	52,270,973
Schemes Completed in Year	-	9,476,136	(9,476,136)	-	-
Additions	-	18,820	9,277,706	-	9,324,467
Transfer to Development Cost of Housing Property	-	-	-	(16,364)	(16,364)
Disposals	(11,796)	-	-	-	(11,796)
<b>At 31 March 2010</b>	<u>5,787,802</u>	<u>49,810,868</u>	<u>3,796,433</u>	<u>2,172,177</u>	<u>61,567,280</u>
<b>Depreciation</b>					
At 1st April 2009	625,395	502,103	-	44,905	1,172,403
Charge for year	48,303	95,553	-	4,795	148,651
Released on Disposals	(1,351)	-	-	(106)	(1,457)
<b>At 31 March 2010</b>	<u>672,345</u>	<u>597,656</u>	<u>-</u>	<u>49,594</u>	<u>1,319,596</u>
<b>Net Book Values Before Grants</b>					
As at 31 March 2010	<u>5,115,457</u>	<u>49,213,212</u>	<u>3,796,433</u>	<u>2,122,583</u>	<u>60,247,683</u>
As at 31 March 2009	<u>5,174,203</u>	<u>39,813,809</u>	<u>3,994,863</u>	<u>2,115,695</u>	<u>51,098,570</u>

Additions to housing properties during the year includes capitalised administration costs of £177,353 (2009 - £22,797). All housing properties are freehold.

**EAST LoTHIAN HOUSING ASSOCIATION LIMITED**

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

**11. TANGIBLE FIXED ASSETS**

<b>Grants</b>	<b>Non-LSVT Housing Properties held for Letting £</b>	<b>Housing Properties Under Construction £</b>	<b>Shared Ownership Housing Properties £</b>	<b>Total £</b>
<b>Social Housing Grant</b>				
At 1 April 2009	30,369,213	3,958,787	1,586,859	35,914,859
Schemes Completed in Year	6,380,192	(6,380,192)	-	-
Additions	-	6,062,278	-	6,062,278
Disposals	-	-	-	-
	<u>36,749,405</u>	<u>3,640,873</u>	<u>1,586,859</u>	<u>41,977,137</u>
At 31 March 2010				
<b>Other Grants</b>				
As at 1 April 2009	488,534	-	1,797	490,331
Schemes Completed in Year	96,176	(96,176)	-	-
Additions	-	96,176	-	96,176
	<u>584,710</u>	<u>-</u>	<u>1,797</u>	<u>586,507</u>
At 31 March 2010				
<b>Total Grants</b>				
At 31 March 2010	<u>37,334,115</u>	<u>3,640,873</u>	<u>1,588,656</u>	<u>42,563,644</u>
At 31 March 2009	<u>30,857,747</u>	<u>3,958,787</u>	<u>1,588,656</u>	<u>36,405,190</u>

**EAST LoTHIAN HOUSING ASSOCIATION LIMITED**

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

**12. TANGIBLE FIXED ASSETS**

Other Fixed Assets	Office Premises £	Office Equipment £	Computer Equipment £	Total £
<b>Cost</b>				
At 1 April 2009	289,756	51,048	180,162	520,966
Additions	2,616	31,657	66,663	100,936
Disposals	-	(8,173)	(61,792)	(69,965)
	<u>292,372</u>	<u>74,532</u>	<u>185,033</u>	<u>551,937</u>
<b>At 31 March 2010</b>				
<b>Depreciation</b>				
At 1 April 2009	134,107	46,182	155,870	336,159
Charge for the Year	8,804	1,586	12,628	23,018
Released on Disposals	-	(8,173)	(61,450)	(69,623)
	<u>142,911</u>	<u>39,595</u>	<u>107,048</u>	<u>289,554</u>
<b>At 31 March 2010</b>				
<b>Net Book Value</b>				
At 31 March 2010	<u>149,461</u>	<u>34,937</u>	<u>77,985</u>	<u>262,383</u>
At 31 March 2009	<u>155,649</u>	<u>4,866</u>	<u>24,292</u>	<u>184,807</u>

**13. FIXED ASSET INVESTMENT**

	2010 £	2009 £
Investment in Subsidiary	1	-

The Association owns 100% of the ordinary share capital of its subsidiary, R3 Repairs Limited. The subsidiary was incorporated on 15 June 2009. The relationship between the Association and its subsidiary is set out in an independence agreement between both parties.

Accounts for the subsidiary have been prepared for the period to 31 December 2009. It did not trade during the period and had no profit or loss. At 31 December 2009 its share capital and reserves amounted to £1.

**14. PROPERTY DEVELOPMENT COSTS**

	2010 £	2009 £
Completed properties unsold	<u>16,364</u>	<u>21,618</u>

The Association held one completed property for sale at the year end. This property was the owner's share of a shared-ownership property which the Association had bought back for re-sale.

**EAST LoTHIAN HOUSING ASSOCIATION LIMITED**

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

<b>15. DEBTORS</b>	<b>2010</b>	<b>2009</b>
	£	£
Amounts falling due within one year:		
Rental Debtors	150,603	139,226
Less: Provision for Bad and Doubtful Debts	(42,156)	(46,417)
	<u>108,447</u>	<u>92,809</u>
Due from Subsidiary	53,172	-
Social Housing Grants Receivable	218,478	-
Other Debtors	56,116	61,947
Prepayments and Accrued Income	39,021	77,170
	<u>475,234</u>	<u>231,926</u>

<b>16. CREDITORS - AMOUNTS FALLING DUE WITHIN ONE YEAR:-</b>	£	£
Housing Loans (see note 17)	307,710	162,082
Rent in Advance	66,023	62,288
Trade Creditors	183,616	120,951
Other Creditors	21,042	29,307
Other Taxation and Social Security	27,682	19,622
Scottish Ministers RTB Excess	817,202	817,202
Accruals and Deferred Income	619,193	464,966
	<u>2,042,465</u>	<u>1,676,418</u>

The amount due to Scottish Ministers (£817,202) is for the proceeds of Right to Buy (RTB) sales which were in excess of projections. The sum due has been calculated in accordance with a term of the Sale and Purchase Agreement with Scottish Homes. The Association considers that it has a contractual right under a separate term of this Agreement to retain these proceeds and has submitted a claim for their retention to Scottish Ministers.

<b>17. CREDITORS – AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR</b>	<b>2010</b>	<b>2009</b>
	£	£
Housing Loans	16,052,577	12,471,118
	<u>16,052,577</u>	<u>12,471,118</u>

**EAST LoTHIAN HOUSING ASSOCIATION LIMITED**

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

**17. CREDITORS – AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR**

Housing Loans are secured by standard securities over the Association's housing properties and are repayable at varying rates of interest in installments, due as follows:-

	2010 £	2009 £
Within one year	307,710	162,082
Between one and two years	367,522	220,125
Between two and five years	1,204,480	883,624
In five years or more	14,480,575	11,367,369
	<hr/>	<hr/>
	16,360,287	12,633,200
Less: Amount shown in Current Liabilities	307,710	162,082
	<hr/>	<hr/>
	<b><u>16,052,577</u></b>	<b><u>12,471,118</u></b>

Included in these figures are borrowings totaling £6.89 million in connection with the acquisition of Scottish Homes' housing in East Lothian which are subject to financial covenants regarding the Properties involved and the debt relating to them.

**18. CALLED UP SHARE CAPITAL**

	2010 £	2009 £
<b>Shares of £1 each Issued and Fully Paid</b>		
At 1 April 2009	126	147
Issued in year	8	8
Cancelled in year	(4)	(29)
	<hr/>	<hr/>
At 31 March 2010	<b><u>130</u></b>	<b><u>126</u></b>

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.

**19. DESIGNATED RESERVES**

	At 1 April 2009 £	Transfer (To)/ from Revenue Reserves £	At 31 March 2010 £
Cyclical Maintenance Reserve	336,113	(14,222)	321,891
Major Repairs Reserve	2,615,716	(232,414)	2,383,302
Service Equipment Replacement	94,193	(19,269)	74,924
	<hr/>	<hr/>	<hr/>
<b>Total</b>	<b><u>3,046,022</u></b>	<b><u>(265,905)</u></b>	<b><u>2,780,117</u></b>

**EAST LoTHIAN HOUSING ASSOCIATION LIMITED**

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

<b>20. ACCUMULATED SURPLUS</b>	<b>2010</b>	<b>2009</b>
	£	£
Surplus for the year	120,143	(168,037)
Transfer from / (to) Designated Reserves	265,905	(405,624)
Transfer from / (to) General Reserves	-	56,753
	<hr/>	<hr/>
Surplus after Transfers	386,048	(516,908)
Brought forward at 1 April 2009	<u>849,980</u>	<u>1,366,888</u>
Carried forward at 31 March 2010	<u>1,236,028</u>	<u>849,980</u>

**21. RELATED PARTY TRANSACTIONS**

Members of the Management Committee are related parties of the Association as defined by Financial Reporting Standard 8. Three Management Committee members are also tenants of the Association; their tenancies are on the Association's normal tenancy terms.

Management Committee Members cannot use their position to their advantage. Any transaction between the Association and any entity, with which a Management Committee member has a connection, is made at arms length and is under normal commercial terms.

During the year the Association paid £53,172 for start up costs for its subsidiary. All transactions were made at arms length and under normal commercial terms.

<b>22. CAPITAL COMMITMENTS</b>	<b>2010</b>	<b>2009</b>
	£	£
<b>Housing Developments</b>		
Capital expenditure that has been contracted for but has not been provided for in the financial statements	<u>6,249,075</u>	<u>4,650,525</u>
<b>Other Fixed Assets</b>		
Capital expenditure that has been contracted for but has not been provided for in the financial statements	<u>1,058,190</u>	<u>1,000,000</u>
 The Association expects to finance the above commitment by:-		
Capital Grant Receivable	2,828,422	2,147,801
Loan Facilities and Own Funds	4,478,843	3,502,724
	<hr/>	<hr/>
	<u>7,307,265</u>	<u>5,650,525</u>

EAST LOTHIAN HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2010

23. RECONCILIATION OF SURPLUS FOR THE YEAR TO NET  
CASH FLOW FROM OPERATING ACTIVITIES

	2010 £	2009 £
Operating Surplus	764,631	1,009,678
Depreciation	171,669	152,663
Share Capital Written Off	(4)	(29)
(Increase) in Debtors	(51,583)	(23,996)
Exceptional Item	-	(598,255)
Loss on Disposal of Other Fixed Assets	342	-
Increase in Creditors	250,801	25,755
	<hr/>	<hr/>
Net Cash Inflow from Operating Activities	<b><u>1,135,856</u></b>	<b><u>565,816</u></b>

24. RECONCILIATION OF NET CASH FLOW  
TO MOVEMENT IN NET DEBT

	2010 £	2009 £
Increase / (Decrease) in Cash in the period	761,363	(812,051)
(Increase) / Decrease in Housing and Non-Housing Loans	(3,727,085)	406,374
	<hr/>	<hr/>
Change in Net Debt	(2,965,722)	(405,677)
Net Debt at April 2009	(10,538,470)	(10,132,793)
	<hr/>	<hr/>
Net Debt at 31 March 2010	<b><u>(13,504,192)</u></b>	<b><u>(10,538,470)</u></b>

25. ANALYSIS OF CHANGES IN NET DEBT

	At 1 April 2009 £	Cash Flows & Other Changes £	At 31 March 2010 £
Cash in hand, at bank	2,911,933	761,363	3,673,296
Debt due within 1 year	(979,284)	(145,626)	(1,124,910)
Debt due after 1 year	(12,471,119)	(3,581,459)	(16,052,578)
	<hr/>	<hr/>	<hr/>
Net Debt	<b><u>(10,538,470)</u></b>	<b><u>(2,965,722)</u></b>	<b><u>(13,504,192)</u></b>



**EAST LOTHIAN HOUSING ASSOCIATION LIMITED**

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

**26. ACCOMMODATION IN MANAGEMENT**

	At 1 April 2009	Additions	Disposals	At 31 March 2010
General Needs – LSVT & New Build	1,015	80	(1)	1,094
General Needs – Rehabilitation	15	-	-	15
Shared Ownership property	57	-	-	57
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>Total</b>	<b><u>1,087</u></b>	<b><u>80</u></b>	<b><u>(1)</u></b>	<b><u>1,166</u></b>

**27. ACCOMMODATION MANAGED BY OTHERS**

At 1 April 2009	Additions	Transfer to General Needs	Disposals	At 31 March 2010
12	-	-	-	12

Properties are managed on the Association's behalf by East Lothian Council and Blue Triangle Housing Association. No funding is payable to the managers by the Association.

**28. COMMITMENTS UNDER OPERATING LEASES**

	2010 £	2009 £
At the year end, the annual commitments under operating leases were as follows:-		
<b>Other</b>		
Expiring between one and two years	7,270	3,072
Expiring between two and five years	1,930	5,399
Expiring in over five years	1,198	-
	<u>          </u>	<u>          </u>
<b>Total</b>	<b><u>10,398</u></b>	<b><u>8,471</u></b>

**29. GAIN ON DISPOSAL OF FIXED ASSETS**

	2010 £	2009 £
Net proceeds from disposal of housing accommodation	<u>100,270</u>	<u>143,250</u>
Cost of Sales	<u>35,464</u>	<u>63,904</u>
Gain on disposal of housing accommodation sold in the year	<u>64,806</u>	<u>79,346</u>

During the year two of the stock transfer properties were sold under the protected Right to Buy legislation

**30. RETIREMENT BENEFITS**

The Association 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.

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

**30. RETIREMENT BENEFITS**

The Scheme offers three benefit structures to employers, namely:

- 4.1 Final salary with a 1/60<sup>th</sup> accrual rate.
- 4.2 Career average revalued earnings with a 1/60<sup>th</sup> accrual rate.
- 4.3 Career average revalued earnings with a 1/70<sup>th</sup> accrual rate.

An employer can elect to operate different 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 in which new entrants are able to join. East Lothian Housing Association has elected to operate the final salary with a 1/60<sup>th</sup> accrual rate benefit structure for active members as at 31 March 2009 and a final salary with a 1/60<sup>th</sup> accrual rate benefit structure for new entrants from 1 April 2009. The Trustees commission 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 future contributions required so that the Scheme can meet its obligations as they fall due.

The actuarial valuation assesses whether the Scheme's assets at the valuation date are likely to be sufficient to pay the pensions 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 the Association paid contributions at the rate of 15.4% of pensionable salaries. Member contributions were 7.7%.

As at the balance sheet date there were 30 active members of the Scheme employed by the Association. The annual pensionable payroll in respect of these members was £864,199. The Association continues to offer membership of the Scheme to its employees.

It is not possible in the normal course of events to identify the share of the 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 to 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%.

The current triennial formal valuation of the Scheme, as at 30 September 2009, is being undertaken by a professionally qualified actuary. The provisional results of this valuation were issued by the SFHA Pension scheme in May 2010. These figures show that the deficit on the scheme has increased from £53.6 million to £160 million. The funding level of liabilities, based on these figures, would be 68.4% (2006-83.4%).

As a result of this valuation the total contribution rate must increase on average by 7% of pensionable earnings for all existing benefit option structures from April 2011.

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.

## EAST LOTHIAN HOUSING ASSOCIATION LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2010

#### 30. RETIREMENT BENEFITS

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 5.00% pa)	
Rate of price inflation	2.6

The valuation was carried out using the PA92C2025 short cohort mortality table for non-pensioners and PA92C2013 short cohort mortality table for pensioners.

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)
Final salary 60ths	17.8
Career average 60ths	14.6
Career average 70ths	12.6

The additional rate for deficit contributions is 5.3%

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 buy out 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 amount of debt therefore can be volatile over time.

#### 31. EXCEPTIONAL ITEM

In March 2009 the Association paid £646,555 to buyout the contract for maintaining the landscaped areas around the Association's properties. As a result of this transaction, the Association's landscaped areas have been transferred to the Council's ownership and the Association has no further liability for the cost of landscaping these areas.