

Easthall Park Housing Co-operative Limited

Report and Financial Statements

For the year ended 31st March 2012

Registered Housing Association No.HAC 238

FSA Reference No. 2409R(S)

EASTHALL PARK HOUSING CO-OPERATIVE LIMITED

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EASTHALL PARK HOUSING CO-OPERATIVE LIMITED

**MANAGEMENT COMMITTEE, EXECUTIVES AND ADVISERS
YEAR ENDED 31st MARCH 2012**

MANAGEMENT COMMITTEE

Joe Gracey	Chairperson
Charles Harvey	Vice Chair
Mary Davidson	Secretary
Agnes Sweaton	Treasurer
Margaret Kerr	
Caroline Cooper	
Jane Gallagher	
Charlotte Skewis	
Rosalind Murphy	
Alison Cushingam	
Joan Walker	
Pauline Wilson	
Patricia Thompson	Appointed September 2011
Josephine Warley	Co-opted
Rachael McCann MBE	Co-opted

EXECUTIVE OFFICERS

John McMorrow	Director
Barry Johnstone	Core Services Manager
Audrey Roy	Finance Manager

REGISTERED OFFICE

Glenburn Centre
6 Glenburnie Place
Easterhouse
Glasgow
G34 9AN

AUDITORS

Alexander Sloan
Chartered Accountants
38 Cadogan Street
Glasgow
G2 7HF

BANKERS

Royal Bank of Scotland
Glasgow Parkhead Branch
1304 Duke Street
Glasgow G31 5PZ

SOLICITORS

Naftalin Duncan & Co
534 Sauchiehall Street
Glasgow
G2 3LX

EASTHALL PARK HOUSING CO-OPERATIVE LIMITED

REPORT OF THE MANAGEMENT COMMITTEE FOR THE YEAR ENDED 31ST MARCH 2012

The Management Committee presents its report and the Financial Statements for the year ended 31st March 2012.

Legal Status

The Co-operative is a registered non-profit making organisation under the Industrial and Provident Societies Act 1965 No.2409R(S). The Co-operative is constituted under its Rule Book.

Principal Activities

The principal activities of the Co-operative are the provision and management of affordable rented accommodation.

Review of Business and Future Developments

The Co-operative has undergone a strategic review of our business in the last year with particular focus on our revised mission statement "Making a Difference to our Community."

The review focused on further developing our organisational values and strategic objectives with the following agreed:

Organisational Values:

- Community Focused
- Integrity
- Professionalism
- Collaboration
- Equality

Key Strategic Objectives:

- Delivering excellent housing services
- Maintaining quality homes and local environment
- Strong financial management
- Empower staff and strong governance
- Inclusive and stable community

Therefore the Co-operative has carried out a series of work underpinning the above with the following achieved:

- Achieved Scottish Government Information and Advice accreditation
- Achieved Quality Scotland "committed to excellence" award
- GHA stock transfer of 85 units integrated and consolidated with good operational performance
- Improved reactive maintenance service
- Major repairs completed ahead of schedule, below budget, with high tenant satisfaction.
- Delivered new asset management plan
- Gas servicing and environmental procurement carried out
- Introduction of component accounting
- Carried out loan consolidation
- Comprehensive review of financial forecasts including detailed stress testing (e.g. reduction in Housing Benefit, lenders covenants, pension risks).
- Delivered, and projected continued, annual surpluses
- Received unique "Silver" Investors in People Award at first application
- Undertaken new Committee training strategy
- Delivered excellent results from staff satisfaction survey
- Carried out another Action for Children training programme
- Carried out further HNC and Youth Work programmes
- Appointed apprenticeship with Contractors
- Partnership arrangement agreed with Utility Aid

EASTHALL PARK HOUSING CO-OPERATIVE LIMITED

REPORT OF THE MANAGEMENT COMMITTEE
FOR THE YEAR ENDED 31ST MARCH 2012

Review of Business and Future Developments (Contd.)

All of this was carried out in a year in which the Co-operative took over ownership of GHA homes and no rent increase was applied to the transferring homes or to the Co-operative's existing stock profile.

The Co-operative continues to work on wider role activities by working in partnership with a number of agencies particularly Easthall Residents Association and is utilising the Glenburn Centre for this purpose and is currently carrying out a review of this partnership arrangement.

In 2012/13 the Co-operative has made bids for People & Communities Fund to continue this wider role work.

It is anticipated that the 2012/13 and 2013/14 period will not see any growth in the organisations size and that our focus will be on consolidating the business whilst preparing for changes in relation to Welfare Reform and Pensions which are the two biggest challenges facing Registered Social Landlords in the coming years.

EASTHALL PARK HOUSING CO-OPERATIVE LIMITED

REPORT OF THE MANAGEMENT COMMITTEE FOR THE YEAR ENDED 31ST MARCH 2012

Management Committee and Executive Officers

The members of the Management Committee and the Executive Officers are listed on Page 1.

Each member of the Management Committee holds one fully paid share of £1 in the Co-operative. The Executive Officers hold no interest in the Co-operative's share capital and, although not having the legal status of Directors, they act as Executives within the authority delegated by the Management Committee.

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 give a true and fair view of the state of affairs of the Co-operative and of the surplus or deficit of the Co-operative 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 Co-operative 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 Co-operative 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 Co-operative and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities. It is also responsible for ensuring the Co-operative'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 practices.

In so far as the Management Committee are aware:

- There is no relevant audit information (information needed by the Housing Co-operative's auditors in connection with preparing their report) of which the Co-operative's auditors are unaware, and
- The Management Committee have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the Housing Co-operative's auditors are aware of that information.

REPORT OF THE MANAGEMENT COMMITTEE
FOR THE YEAR ENDED 31ST MARCH 2012

Statement on Internal Financial Control

The Management Committee acknowledges its ultimate responsibility for ensuring that the Co-operative has in place a system of controls that is appropriate for the business environment in which it operates. These controls are designed to give reasonable assurance with respect to:

- the reliability of financial information used within the Co-operative, or for publication;
- the maintenance of proper accounting records;
- the safeguarding of assets against unauthorised use or disposition.

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 financial mis-statement or Loss. Key elements of the Co-operative's systems include ensuring that:

- formal policies and procedures are in place, including the ongoing documentation of key systems and rules relating to the delegation of authority, which allow the monitoring of controls and restrict the unauthorised use of Co-operative's assets;
- experienced and suitably qualified staff take responsibility for important business functions and annual appraisal procedures have been established to maintain standards of performance;
- forecasts and budgets are prepared which allow the management team and the Management Committee to monitor key business risks, financial objectives and the progress being made towards achieving the financial plans set for the year and for the medium term;
- 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
- all significant new initiatives, major commitments and investment projects are subject to formal authorisation procedures, through the Management Committee;
- 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 Co-operative is undertaken;
- formal procedures have been established for instituting appropriate action to correct any weaknesses identified through internal or external audit reports.

Donations

During the year the Co-operative made charitable donations amounting to £3,198 (2011 £1,827).

Auditors

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

By order of the Management Committee



MARY DAVIDSON

Secretary

29 August 2012

EASTHALL PARK HOUSING CO-OPERATIVE LIMITED

REPORT BY THE AUDITORS TO THE MANAGEMENT COMMITTEE OF
EASTHALL PARK HOUSING CO-OPERATIVE LIMITED
ON CORPORATE GOVERNANCE MATTERS

In addition to our audit of the Financial Statements, we have reviewed your statement on Page 5 concerning the Co-operative'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 Co-operative's procedures for ensuring compliance with the guidance notes, nor to investigate the appropriateness of the reasons given for non-compliance.

Opinion

In our opinion the Statement on Internal Financial Control on page 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 Co-operative, and examination of relevant documents, we have satisfied ourselves that the Management Committee's Statement on Internal Financial Control appropriately reflects the Co-operative's compliance with the information required by the section on Internal Financial Control within SFHA's "Raising Standards in Housing".



ALEXANDER SLOAN
Chartered Accountants

GLASGOW
29 August 2012

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF EASTHALL PARK HOUSING CO-OPERATIVE LIMITED

We have audited the financial statements of Easthall Park Housing Co-operative Limited for the year ended 31st March 2012 which comprise an income and expenditure account, balance sheet, cash flow statement and related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the Co-operative'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 Co-operative'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 Co-operative and the Co-operative's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective Responsibilities of Management Committee and Auditors

As explained more fully in the Statement of Management Committee's Responsibilities the Co-operative's Management Committee, are responsible for the preparation of the Financial Statements that give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit on the Financial Statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Co-operative's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Management Committee; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Management Committee's report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications of our report.

Opinion on the financial statements

In our opinion the Financial Statements:

- give a true and fair view of the state of the Co-operative's affairs as at 31st March 2012 and of its income and expenditure for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice: 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

Matters on which we are required to report by exception

We are required to report to you if, in our opinion:

- the information given in the Management Committee's Report is inconsistent with the financial statements.
- proper books of account have not been kept by the Co-operative in accordance with the requirements of the legislation.
- a satisfactory system of control over transactions has not been maintained by the Co-operative in accordance with the requirements of the legislation.

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
EASTHALL PARK HOUSING CO-OPERATIVE LIMITED**

Matters on which we are required to report by exception (contd.)

- the Income and Expenditure Account to which our report relates, and the Balance Sheet are not in agreement with the books of the Co-operative.
- we have not received all the information and explanations necessary for the purposes of our audit.

We have nothing to report in respect of these matters.



ALEXANDER SLOAN
Chartered Accountants
Statutory Auditors
GLASGOW
29 August 2012

EASTHALL PARK HOUSING CO-OPERATIVE LIMITED

INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED 31st MARCH 2012

	Notes	2012 £	2011 £
TURNOVER	2.	2,434,762	2,059,683
Operating Costs	2.	<u>(1,671,165)</u>	<u>(1,183,675)</u>
OPERATING SURPLUS	8.	763,597	876,008
Release of Negative Goodwill	22.	562,412	-
Interest Receivable and Other Income		22,960	9,724
Interest Payable and Similar Charges	7.	<u>(408,233)</u>	<u>(293,772)</u>
		177,139	(284,048)
SURPLUS ON ORDINARY ACTIVITIES BEFORE TAXATION		<u>940,736</u>	<u>591,960</u>
Tax on surplus on ordinary activities	9.	<u>(4,423)</u>	<u>(2,042)</u>
SURPLUS ON ORDINARY ACTIVITIES AFTER TAXATION		<u>936,313</u>	<u>589,918</u>

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

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

	2012 £	2011 £
Surplus for the financial year	936,313	589,918
Prior year adjustment	<u>-</u>	<u>(216,579)</u>
Total gains recognised since last annual report	<u>936,313</u>	<u>373,339</u>

EASTHALL PARK HOUSING CO-OPERATIVE LIMITED

BALANCE SHEET AS AT 31st MARCH 2012

	Notes	£	2012 £	£	2011 £
TANGIBLE FIXED ASSETS					
Housing Properties - Depreciated Cost	10.(a)		50,870,122		50,677,339
Less: Social Housing Grant	10.(a)		(39,923,481)		(39,982,069)
: Other Public Grants	10.(a)		(8,638)		(8,638)
			<u>10,938,003</u>		<u>10,686,632</u>
Other fixed assets	10.(b)		389,307		406,682
			<u>11,327,310</u>		<u>11,093,314</u>
CURRENT ASSETS					
Debtors	13.	100,313		475,525	
Investments	23.	1,300,000		800,000	
Cash at bank and in hand			1,247,936		1,144,183
			<u>2,648,249</u>		<u>2,419,708</u>
CREDITORS: Amounts falling due within one year	14.	(1,050,872)		(1,104,795)	
NET CURRENT ASSETS			<u>1,597,376</u>		<u>1,314,913</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>12,924,686</u>		<u>12,408,227</u>
CREDITORS: Amounts falling due after more than one year	15.		(9,427,556)		(9,847,496)
NET ASSETS			<u>3,497,130</u>		<u>2,560,731</u>
CAPITAL AND RESERVES					
Share Capital	17.		697		611
Designated Reserves	18.(a)		3,175,846		2,239,533
Revenue Reserves	18.(b)		320,587		320,587
			<u>3,497,130</u>		<u>2,560,731</u>

The Financial Statements were approved by the Management Committee and signed on their behalf on 29 August 2012.


JOE GRACEY
 Chairperson


CHARLES HARVEY
 Vice-Chairperson


MARY DAVIDSON
 Secretary

EASTHALL PARK HOUSING CO-OPERATIVE LIMITED

CASH FLOW STATEMENT FOR THE YEAR ENDED
31st MARCH 2012

	Notes	2012 £	2011 £
Net Cash Inflow from Operating Activities	16.	1,271,088	1,150,204
Returns on Investment and Servicing of Finance			
Interest Received		11,926	7,820
Interest Paid		(407,324)	(306,941)
Net Cash Outflow from Investment and Servicing of Finance		(395,398)	(299,121)
Taxation			
Corporation Tax Paid		(2,042)	(4,429)
Net Cash Outflow from Taxation		(2,042)	(4,429)
Capital Expenditure and Financial Investment			
Acquisition and Construction of Properties		(553,411)	(7,146,792)
Purchase of Other Fixed Assets		(3,816)	(15,300)
Social Housing Grant Received		385,690	3,354,166
Net Cash Outflow from Capital Expenditure and Financial Investment		(171,537)	(3,807,926)
Net Cash Inflow/ (Outflow) before use of Liquid Resources and Financing		702,111	(2,961,272)
Management of Liquid Resources			
Change in short term deposits with banks		(500,000)	-
Acquisitions and Disposals			
Consideration received on acquisition		562,412	
Financing			
Loan Advances Received		-	2,778,747
Loan Principal Repayments		(401,651)	(346,603)
Share Capital Issued		111	70
Net Cash (Outflow) / Inflow from Financing		(401,540)	2,432,214
Increase/ (Decrease) in Cash	16.	362,983	(529,058)

EASTHALL PARK HOUSING CO-OPERATIVE LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2012

NOTES TO THE FINANCIAL STATEMENTS

1 PRINCIPAL ACCOUNTING POLICIES

Basis Of Accounting

The Financial Statements have been prepared in accordance with applicable Accounting Standards, the Statement of Recommended Practice - Accounting by Registered Social Landlords 2010, 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

Retirement Benefits

The Co-operative participates in the Scottish Housing Association's Pension Scheme and retirement benefits to employees of the Co-operative 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. Housing under construction and Land are not depreciated. The Co-operative depreciates housing properties by major component on a straight line basis over the estimated useful economic lives of each identified component. All components are categorised as Housing Properties within note 10. Impairment reviews are carried out if events or circumstances indicate that the carrying value of the components listed below is higher than the recoverable amount.

<i>Component</i>	<i>Useful Economic Life</i>
Structure	50 years
Gutters and downpipes/closes	30 years
Replace entrance doors	30 years
Renew double glazing	30 years
Close floor vinyl finish	20 years
Roof tiles	50 years
Rewire	30 years
Replace bathroom extractor	15 years
Replace central heating	30 years
Replace boiler only	15 years
Renew bathroom suite	30 years
Stair lighting/closes	30 years
Door Entry	15 years
Renew smoke detectors	10 years
Renew kitchen extractor	15 years
New close doors and screens	30 years

EASTHALL PARK HOUSING CO-OPERATIVE LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2012

NOTES TO THE FINANCIAL STATEMENTS (Continued)

1 PRINCIPAL ACCOUNTING POLICIES (Continued.)

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	- 3.33%
Furniture and Fittings	- 20% straight line
Office Equipment	- 20% straight line

The carrying value 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 attributed to individual components is written off to the Income and Expenditure Account when these components are replaced.

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.

Sales Of Housing Properties

First tranche Shared Ownership disposals are credited to turnover on completion. The cost of construction of these sales is taken to operating cost. In accordance with the Statement of Recommended Practice, disposals of subsequent tranches are treated as fixed asset disposals with the gain or loss on disposal shown in the Income and Expenditure Account.

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.

Disposals under shared equity schemes are accounted for in the Income and Expenditure Account. The remaining equity in the property is treated as a fixed asset investment, which is matched with the grant received.

Taxation (Non-Charities)

The Co-operative pays Corporation Tax on all its taxable surpluses. Under Section 488 of the Income and Corporation Taxes Act 1988, taxation is only chargeable on investment income and capital gains.

EASTHALL PARK HOUSING CO-OPERATIVE LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2012

NOTES TO THE FINANCIAL STATEMENTS (Continued)

1 PRINCIPAL ACCOUNTING POLICIES (Continued.)

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.

Works to Existing Properties

The Co-operative 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

Directly attributable development administration costs relating 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 Co-operative 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 Co-operative's liability to maintain housing properties in a state of repair which at least maintains their residual values in prices prevailing at the time of acquisition and construction.

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.

Negative Goodwill

Negative goodwill created through transfer of engagements is written off to the Income and Expenditure account as the non-cash assets acquired are depreciated or sold.

EASTHALL PARK HOUSING CO-OPERATIVE LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2012

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

	Notes	2012			2011		
		Turnover £	Operating Costs £	Operating Surplus / (Deficit) £	Turnover £	Operating Costs £	Operating Surplus / (Deficit) £
Social Lettings	3.	2,132,741	1,354,135	778,606	1,838,028	918,236	919,792
Other Activities	4.	302,021	317,030	(15,009)	221,655	265,439	(43,784)
Total		2,434,762	1,671,165	763,597	2,059,683	1,183,675	876,008

Turnover and operating costs from Social Lettings includes income and expenditure relating to operations acquired in the year:

	Turnover £	Operating Costs £	Operating Surplus £
Acquisition	160,128	58,630	101,498

3. PARTICULARS OF INCOME & EXPENDITURE FROM SOCIAL LETTINGS

	General Needs Housing £	Shared ownership £	2012 Total £	2011 Total £
Income from Lettings				
Rent Receivable Net of Identifiable Service Charges	2,131,344	5,586	2,136,930	1,840,419
Service Charges Receivable	-	-	-	-
Gross Rents Receivable	2,131,344	5,586	2,136,930	1,840,419
Less: Rent losses from voids	4,189	-	4,189	2,391
Net Rents Receivable	2,127,155	5,586	2,132,741	1,838,028
Total Income From Social Letting	2,127,155	5,586	2,132,741	1,838,028
Expenditure on Social Letting Activities				
Service Costs	39,996	105	40,101	64,164
Management and maintenance administration costs	585,092	1,551	586,643	408,545
Reactive Maintenance	245,359	-	245,359	165,163
Bad Debts - Rents and Service Charges	52,845	-	52,845	15,244
Planned and Cyclical Maintenance, including Major Repairs	119,614	-	119,614	57,446
Depreciation of Social Housing	309,573	-	309,573	207,674
Operating Costs of Social Letting	1,352,479	1,656	1,354,135	918,236
Operating Surplus on Social Letting Activities	774,676	3,930	778,606	919,792
2011	914,086	5,706		

EASTHALL PARK HOUSING CO-OPERATIVE LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2012

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

	Grants From Scottish Ministers	Other Revenue Grants	Supporting People Income	Other Income	Total Turnover	Operating Costs Bad Debts	Operating Costs Other	Operating Surplus / (Deficit) 2012	Operating Surplus / (Deficit) 2011
	£	£	£	£	£	£	£	£	£
Wider Role Activities	156,452	-	-	13,269	169,721	-	214,145	(44,424)	(41,219)
Factoring	-	-	-	3,238	3,238	-	3,238	-	-
Agency / Management services for other RSLs	-	-	-	96,287	96,287	-	96,647	(360)	-
Rechargeable Repairs	-	-	-	-	-	3,000	-	(3,000)	(2,571)
Other Income	-	-	-	-	-	-	-	-	6
Moreihall Income Transferred	-	-	-	32,775	32,775	-	-	32,775	-
Total From Other Activities	156,452	-	-	145,569	302,021	3,000	314,030	(15,009)	(43,784)
2011	185,719	-	-	35,936	221,655	2,571	262,868	(43,784)	

EASTHALL PARK HOUSING CO-OPERATIVE LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2012

NOTES TO THE FINANCIAL STATEMENTS (Continued)

5. OFFICERS' EMOLUMENTS

The Officers are defined in s74 of the Industrial and Provident Societies Act 1965 as the members of the Management Committee, managers or servants of the Association.

	2012	2011
	£	£
Aggregate Emoluments payable to Officers with Emoluments greater than £60,000 (excluding Pension Contributions)	<u>63,454</u>	<u>58,360</u>
Pension contributions made on behalf on Officers with emoluments greater than £60,000	<u>5,905</u>	<u>-</u>
Emoluments payable to Chief Executive (excluding pension contributions)	<u>63,454</u>	<u>58,360</u>

The number of Officers, including the highest paid Officer, who received emoluments (excluding pension contributions) over £60,000 was in the following ranges:-

	Number	Number
£60,001 to £70,000	1	-

6. EMPLOYEE INFORMATION

	2012	2011
	No.	No.
The average monthly number of full time equivalent persons employed during the year was	<u>12</u>	<u>9</u>
Staff Costs were:	£	£
Wages and Salaries	402,872	318,601
Social Security Costs	28,958	24,172
Other Pension Costs	56,383	26,467
	<u>488,213</u>	<u>369,240</u>

EASTHALL PARK HOUSING CO-OPERATIVE LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2012

NOTES TO THE FINANCIAL STATEMENTS (Continued)

7. INTEREST PAYABLE	2012	2011
	£	£
On Bank Loans & Overdrafts	408,233	305,450
On Other Loans	-	-
	<u>408,233</u>	<u>305,450</u>
Less: Interest Capitalised	-	11,678
	<u>408,233</u>	<u>293,772</u>

Interest incurred in the development period of housing properties which has been written off to the income and expenditure account amounted to £0 (2011 £Nil).

8. SURPLUS ON ORDINARY ACTIVITIES BEFORE TAXATION	2012	2011
	£	£
Surplus on Ordinary Activities before Taxation is stated after charging:-		
Depreciation - Tangible Owned Fixed Assets	330,764	236,618
Auditors' Remuneration - Audit Services	6,553	6,960
- Other Services	2,335	2,114
Operating Lease Rentals - Other	-	568
	<u>339,652</u>	<u>246,270</u>

9. TAX ON SURPLUS ON ORDINARY ACTIVITIES	2012	2011
	£	£
(i) Analysis of Charge in Year		
Current Tax:		
UK Corporation Tax on surplus on ordinary activities	4,423	2,042
Total Current Tax (Note 10(ii))	<u>4,423</u>	<u>2,042</u>
(ii) Factors affecting tax charge for period		
The tax assessed for the period is lower than the standard rate of Corporation Tax in the U.K. (20%). The differences are explained below:		
Surplus on ordinary activities before tax	<u>940,736</u>	<u>591,960</u>
Surplus on ordinary activities multiplied by standard rate of Corporation Tax in the U.K. of 20%(2011:21%)	188,147	124,312
Effects of: Surplus / (Deficit) on Housing Activities	<u>(183,724)</u>	<u>(122,270)</u>
Current tax charge for period (Note 10(i))	<u>4,423</u>	<u>2,042</u>

EASTHALL PARK HOUSING CO-OPERATIVE LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2012

NOTES TO THE FINANCIAL STATEMENTS (Continued)

10. TANGIBLE FIXED ASSETS

a) Housing Properties	Housing Properties Held for Letting £	Housing Properties In course of Construction £	Completed Shared Ownership Properties £	Total £
COST				
As at 1st April 2011	52,019,656	9,523	390,991	52,420,170
Additions	616,693	-	-	616,693
Disposals	(178,738)	-	-	(178,738)
Schemes Completed	-	-	-	-
As at 31st March 2012	<u>52,457,611</u>	<u>9,523</u>	<u>390,991</u>	<u>52,858,125</u>
DEPRECIATION				
As at 1st April 2011	1,724,324	-	18,507	1,742,831
Charge for Year	267,003	-	3,506	270,509
Disposals	(25,337)	-	-	(25,337)
As at 31st March 2012	<u>1,965,990</u>	<u>-</u>	<u>22,013</u>	<u>1,988,003</u>
SOCIAL HOUSING GRANT				
As at 1st April 2011	39,766,372	-	215,697	39,982,069
Additions	55,749	-	-	55,749
Disposals	(114,337)	-	-	(114,337)
Schemes Completed	-	-	-	-
As at 31st March 2012	<u>39,707,784</u>	<u>-</u>	<u>215,697</u>	<u>39,923,481</u>
OTHER CAPITAL GRANTS				
As at 1st April 2011	8,638	-	-	8,638
Additions	-	-	-	-
Disposals	-	-	-	-
Schemes Completed	-	-	-	-
As at 31st March 2012	<u>8,638</u>	<u>-</u>	<u>-</u>	<u>8,638</u>
NET BOOK VALUE				
As at 31st March 2012	<u>10,775,199</u>	<u>9,523</u>	<u>153,281</u>	<u>10,938,003</u>
As at 31st March 2011	<u>10,520,322</u>	<u>9,523</u>	<u>156,787</u>	<u>10,686,632</u>

Additions to housing properties includes capitalised development administration costs of £0 (2011 - £25,600) and capitalised major repair costs to existing properties of £Nil (2011 £Nil)

All land and housing properties are freehold.

EASTHALL PARK HOUSING CO-OPERATIVE LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2012

NOTES TO THE FINANCIAL STATEMENTS (Continued)

10 TANGIBLE FIXED ASSETS (Continued)

b) Other Tangible Assets	Community Facility £	Office Premises £	Furniture & Equipment £	Total £
COST				
As at 1st April 2011	1,113,675	526,721	215,661	1,856,057
Additions	-	-	3,816	3,816
Eliminated on Disposals	-	-	-	-
As at 31st March 2012	<u>1,113,675</u>	<u>526,721</u>	<u>219,477</u>	<u>1,859,873</u>
SOCIAL HOUSING GRANT				
As at 1st April 2011	320,000	-	-	320,000
Received in year	-	-	-	-
Repaid on Disposal	-	-	-	-
As at 31st March 2012	<u>320,000</u>	<u>-</u>	<u>-</u>	<u>320,000</u>
GRANTS RECEIVED				
As at 1st April 2011	793,675	85,000	1,901	880,576
Received in year	-	-	-	-
Repaid on Disposal	-	-	-	-
As at 31st March 2012	<u>793,675</u>	<u>85,000</u>	<u>1,901</u>	<u>880,576</u>
AGGREGATE DEPRECIATION				
As at 1st April 2011	-	64,041	184,758	248,799
Charge for year	-	9,357	11,834	21,191
Eliminated on disposal	-	-	-	-
As at 31st March 2012	<u>-</u>	<u>73,398</u>	<u>196,592</u>	<u>269,990</u>
NET BOOK VALUE				
As at 31st March 2012	<u>-</u>	<u>368,323</u>	<u>20,984</u>	<u>389,307</u>
As at 31st March 2011	<u>-</u>	<u>377,680</u>	<u>29,002</u>	<u>406,682</u>

11. CAPITAL COMMITMENTS

	2012 £	2011 £
Capital Expenditure that has been contracted for but has not been provided for in the Financial Statements	nil	nil

12. COMMITMENTS UNDER OPERATING LEASES

At the year end, the annual commitments under operating leases were as follows:-	2012 £	2011 £
Other		
Expiring within one year	-	568

EASTHALL PARK HOUSING CO-OPERATIVE LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2012

NOTES TO THE FINANCIAL STATEMENTS (Continued)

13. DEBTORS

	2012	2011
	£	£
Arrears of Rent & Service Charges	98,731	81,055
Less: Provision for Doubtful Debts	<u>(66,699)</u>	<u>(22,912)</u>
	32,032	58,143
Social Housing Grant Receivable	7,630	337,571
Other Debtors	<u>60,651</u>	<u>79,811</u>
	<u>100,313</u>	<u>475,525</u>

14. CREDITORS: Amounts falling due within one year

	2012	2011
	£	£
Bank Overdrafts (secured)	-	259,230
Housing Loans	394,616	376,328
Trade Creditors	144,687	270,226
Rent in Advance	94,330	77,232
Corporation Tax	4,423	2,042
Other Taxation and Social Security	-	8,412
Other Creditors	41,052	83,306
Accruals and Deferred Income	<u>371,764</u>	<u>28,019</u>
	<u>1,050,872</u>	<u>1,104,795</u>

At the balance sheet date there were pension contributions outstanding of £6,566 (2011 £Nil)

15. CREDITORS: Amounts falling due after more than one year

	2012	2011
	£	£
Housing Loans	<u>9,427,556</u>	<u>9,847,496</u>
Housing Loans are secured by specific charges on the Association's housing properties and are repayable at varying rates of interest in instalments, due as follows:-		
Within one year	394,616	376,328
Between one and two years	408,590	389,385
Between two and five years	1,043,669	1,090,256
In five years or more	<u>7,975,297</u>	<u>8,367,855</u>
	9,822,173	10,223,824
Less: Amount shown in Current Liabilities	<u>394,616</u>	<u>376,328</u>
	<u>9,427,556</u>	<u>9,847,496</u>

EASTHALL PARK HOUSING CO-OPERATIVE LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2012

NOTES TO THE FINANCIAL STATEMENTS (Continued)

16. CASH FLOW STATEMENT

<i>Reconciliation of operating surplus to net cash inflow from operating activities</i>	2012 £	2011 £
Operating Surplus	763,597	876,008
Depreciation	330,764	236,618
Change in Debtors	56,305	(15,771)
Change in Creditors	120,447	53,355
Share Capital Written Off	(25)	(6)
Net Cash Inflow from Operating Activities	<u>1,271,088</u>	<u>1,150,204</u>

<i>Reconciliation of net cash flow to movement in net debt</i>	2012 £	£	2011 £	£
Increase/ (Decrease) in Cash	362,983		(529,058)	
Cash flow from management of liquid resources	500,000		-	
Cash flow from change in debt	401,651		(2,432,146)	
Movement in net debt during year		1,264,634		(2,961,204)
Net debt at 1st April 2011		(8,538,871)		(5,577,667)
Net debt at 31st March 2012		<u>(7,274,237)</u>		<u>(8,538,871)</u>

<i>Analysis of changes in net debt</i>	At 01.04.11 £	Cash Flows £	At 31.03.12 £
Cash at bank and in hand	1,144,183	103,753	1,247,936
Bank Overdrafts	(259,230)	259,230	-
	884,953	362,983	1,247,936
Liquid Resources	800,000	500,000	1,300,000
Debt: Due within one year	(376,328)	(18,288)	(394,616)
Due after more than one year	(9,847,496)	419,939	(9,427,556)
Net Debt	<u>(8,538,871)</u>	<u>1,264,634</u>	<u>(7,274,237)</u>

EASTHALL PARK HOUSING CO-OPERATIVE LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2012

NOTES TO THE FINANCIAL STATEMENTS (Continued)

17. SHARE CAPITAL

Shares of £1 each Issued and Fully Paid	£
At 1st April 2011	611
Issued in year	111
Cancelled in year	<u>(25)</u>
At 31st March 2012	<u>697</u>

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

18. RESERVES

(a) Designated Reserves

	Cyclical Maintenance £	Major Repairs £	Total £
At 1st April 2011	609,103	1,630,430	2,239,533
Transfer to / (from) Revenue Reserves	100,000	836,313	936,313
At 31st March 2012	<u>709,103</u>	<u>2,466,743</u>	<u>3,175,846</u>

(b) Revenue Reserves

	Total £
At 1st April 2011	320,587
Surplus for the year	936,313
Transfer (to) / from Designated Reserves	<u>(936,313)</u>
At 31st March 2012	<u>320,587</u>

19. HOUSING STOCK

The number of units of accommodation in management at the year end was:-	2012 No.	2011 No.
General Needs - New Build	548	463
- Rehabilitation	147	147
Shared Ownership	3	3
Supported Housing	-	-
	<u>698</u>	<u>613</u>

EASTHALL PARK HOUSING CO-OPERATIVE LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2012

NOTES TO THE FINANCIAL STATEMENTS (Continued)

20. RELATED PARTY TRANSACTIONS

Members of the Management Committee are related parties of the Co-operative as defined by Financial Reporting Standard 8.

The related party relationships of the members of the Management Committee is summarised as follows:

12 members are tenants of the Co-operative

Those members that are tenants of the Co-operative have tenancies that are on the Co-operative's normal tenancy terms and they cannot use their positions to their advantage.

Governing Body Members cannot use their position to their advantage. Any transactions between the Co-operative and any entity with which a Governing Body Member has a connection with is made at arm's length and is under normal commercial terms.

Four members on the Management Committee are trustees of a charitable company, Easthall Residents Association. The Director is also a co-opted member of the charity. During the year overheads totalling £9,446 (2011: £8,201) and finance services totalling £1,800 (2011: £1,800) were re-charged by Easthall Park Housing Co-operative Ltd to Easthall Residents Association. In addition net allowance income of £6,500 (2011: £4,017) was received by Easthall Park Housing Co-operative Ltd from Easthall Residents Association in connection with the Youth Development Project. Other Debtors includes £5,202 (2011:£2,915) due from Easthall Residents Association.

21. FIXED ASSET INVESTMENT

The Co-operative's subsidiary, Moriehall Housing Association was wound up and struck off during the year.

Cessation accounts were prepared to 31 July 2012 and the balances in the subsidiary were transferred to Easthall Park Housing Co-operative. The net assets transferred amounting to £32,775 is shown within income in note 4.

EASTHALL PARK HOUSING CO-OPERATIVE LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2012

NOTES TO THE FINANCIAL STATEMENTS (Continued)

22. NEGATIVE GOODWILL

		2012
		£
Balance as at 1st April 2011		-
Acquisition in year	24.	562,412
Release during the year		<u>(562,412)</u>
As at 31st March 2012		<u>-</u>

23. CURRENT ASSET INVESTMENTS

	2012	2011
	£	£
Short Term Deposits	<u>1,300,000</u>	<u>800,000</u>

24. SECOND STAGE TRANSFER

On 2 June 2011 the Co-operative acquired housing assets and the related rent arrears from Glasgow Housing Association Ltd (GHA) as part of a second stage transfer. The Co-operative acquired 85 houses which had been managed by Moriehall Housing Association. The identifiable assets and liabilities have been incorporated in the balance sheet of the Co-operative at their fair value on acquisition.

Analysis of Acquisition

	Book Value	Adjustment to Fair Value	Fair Value
	£	£	£
Housing Properties	- a)	-	-
Rent Arrears	13,917 b)	(2,247) c)	11,670
Rent Prepayments	- d)	-	-
FLS Furniture	1,364 e)	-	1,364
	<u>15,281</u>	<u>(2,247)</u>	<u>13,034</u>

Consideration received from GHA - at fair value 549,378

Negative Goodwill Arising on Acquisition 562,412

Adjustments

- a) Housing Property has been recognised at its fair value. The valuation of the properties at acquisition using the EUV-SH basis was -£127,000, therefore the properties have been accounted for at nil value.
- b), d) The rent arrears and prepayments acquired have been re-assessed and fair value adjustments made where appropriate.
- c) The Bad Debt Provision is based on the GHA calculations at the point of transfer.
- e) The FLS furniture value was agreed with GHA.

EASTHALL PARK HOUSING CO-OPERATIVE LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2012

NOTES TO THE FINANCIAL STATEMENTS (Continued)

25. RETIREMENT BENEFIT OBLIGATIONS

General

Easthall Park Housing Co-operative Limited participates in the Scottish Housing Association 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 Scheme offers five benefit structures to employers, namely:

- Final salary with a 1/60th accrual rate.
- Career average revalued earnings with a 1/60th accrual rate
- Career average revalued earnings with a 1/70th accrual rate
- Career average revalued earnings with a 1/80th accrual rate
- Career average revalued earnings with a 1/120th accrual rate, contracted in

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

Easthall Park Housing Co-operative Limited has elected to operate the final salary with a 1/60th accrual rate benefit structure for active members as at 31st March 2008 and the final salary with a 1/60th accrual rate benefit structure for new entrants from 1st April 2008.

The Trustee commissions an actuarial valuation of the Scheme every three 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 values. 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 Easthall Park Housing Co-operative Limited paid contributions at the rate of 9.6% of pensionable salaries. Member contributions were 9.6%.

Housing Co-operative Limited. The annual pensionable payroll in respect of these members was £289,126. Easthall Park Housing Co-operative Limited 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 as the scheme is a multi-employer arrangement where the 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 Scheme, the accounting charge for the period under FRS17 represents the employer contribution payable.

EASTHALL PARK HOUSING CO-OPERATIVE LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2012

NOTES TO THE FINANCIAL STATEMENTS (Continued)

25. RETIREMENT BENEFIT OBLIGATIONS (Continued)

The last formal valuation of the Scheme was performed as at 30th September 2009 by a professionally qualified actuary using the Projected Unit Credit method. The market value of the Scheme's assets at the valuation date was £295m. The valuation revealed a shortfall of assets compared with the value of liabilities of £160m (equivalent to a past service funding level of 64.8%).

The Scheme Actuary has prepared an Actuarial Report that provides an approximate update on the funding position of the Scheme as at 30th September 2011. 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 £341 million and indicated an increase in the shortfall of assets compared to liabilities to approximately £207 million, equivalent to a past service funding level of 62.2%.

Financial Assumptions

The financial assumptions underlying the valuation as at 30th September 2009 were as follows:

	% p.a.
- Investment return pre-retirement	7.4
- Investment return post-retirement - non pensioners	4.6
- Investment return post-retirement - pensioners	4.8
- Rate of Salary increases	4.5
- Rate of pension increases:	
pension accrued pre 6 April 2005 in excess of GMP	2.9
pension accrued from 6 April 2005	2.2
(for leavers before 1 October 1993 pension increases are 5.0%)	
- Rate of price inflation	3.0

The valuation was carried out using the SAPS (S1PA) All pensioners Year of Birth Long Cohort with 1% p.a. minimum improvement for non-pensioners and pensioners. The table below illustrates the assumed life expectancy in years for pension scheme members at age 65 using these mortality assumptions:

	<i>Males</i>	<i>Females</i>
	<i>Assumed life expectancy in years at age 65</i>	<i>Assumed life expectancy in years at age 65</i>
Non-pensioners	18.1	20.6
Pensioners	18.1	20.6

EASTHALL PARK HOUSING CO-OPERATIVE LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2012

NOTES TO THE FINANCIAL STATEMENTS (Continued)

25. RETIREMENT BENEFIT OBLIGATIONS (Continued)

Valuation Results

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

<i>Benefit Structure</i>	<i>Long-term joint contribution rate (% of pensionable)</i>
Final salary - 60ths	19.2
Career average 60ths	17.1
Career average 70ths	14.9
Career average 80ths	13.2
Career average 120ths	9.4

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

Following consideration of the results of the valuation it was agreed that the shortfall of £160m would be dealt with by the payment of additional contributions of 10.4% of pensionable salaries per annum with effect from 1st April 2011, increasing each 1 April in line with the rate of salary increases assumption.

As a result of Pension Scheme legislation 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.