

LINSTONE HOUSING ASSOCIATION LIMITED
REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31st MARCH 2010

Registered Housing Association No. HEP 299

FSA Registration No. 2524R (S)

Scottish Charity No. SCO 27454

Logan & Co

BAKER TILLY UK AUDIT LLP
Chartered Accountants

Glasgow

LINSTONE HOUSING ASSOCIATION LIMITED

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Registration Particulars:

Financial Services Authority

Industrial and Provident Societies Act 1965
Registered Number 2524R(S)

Scottish Housing Regulator

Housing Associations Act 1985
Registered Number HEP 299

Scottish Charities

Law Reform (Misc Provisions) (Scotland) Act 1990
Scottish Charity Number SCO 27454

LINSTONE HOUSING ASSOCIATION LIMITED

MANAGEMENT COMMITTEE, EXECUTIVES AND ADVISERS

YEAR ENDED 31st MARCH 2010

MANAGEMENT COMMITTEE

IAN WILSON

Chair

NANETTE REID

Vice-Chair

ELIZABETH ARNOTT

Secretary

JAMES CARMICHAEL

TONI CASSIDY

COUNCILLOR AUDREY DOIG

(Corporate Representative of
Renfrewshire Council)

ANDREW DRENNAN

RICHARD HEARD

IAN JOHNSTONE

JANE JOHNSTONE

JAMES McAUSLAND (co-optee until September 2009)

JEAN McQUARRIE

WILLIAM DUNCAN

JAMIE IRVINE (co-optee from September 2009)

BRIAN McCOOL

EXECUTIVE OFFICERS

ADELE FRASER

Chief Executive

JACQUI BAXTER

Director of Housing Services

DAVID ADAM

Director of Property Services

GARY DALZIEL

Director of Corporate Services

REGISTERED OFFICE

32 BURNBRAE AVENUE

LINWOOD

RENFREWSHIRE PA3 3DD

AUDITORS

BAKER TILLY UK AUDIT LLP

BRECKENRIDGE HOUSE

274 SAUCHIEHALL STREET

GLASGOW G2 3EH

BANKERS

BANK OF SCOTLAND CORPORATE

SPECIALIST BANKING – RM (NOT FOR PROFIT)

PENTLAND HOUSE

2nd FLOOR

8 LOCHSIDE AVENUE

EDINBURGH PARK

SOUTH GYLE

EDINBURGH EH12 9DJ

SOLICITORS

HBJ GATELEY WAREING

EXCHANGE TOWER

19 CANNING STREET

EDINBURGH EH3 8EH

LINSTONE HOUSING ASSOCIATION LIMITED

REPORT OF THE MANAGEMENT COMMITTEE

FOR THE YEAR ENDED 31st MARCH 2010

The Management Committee presents its Report and the Financial Statements for the year ended 31st March 2010.

Principal Activities

The Association is a registered charity and the principal activity of the Association is the provision of good quality, affordable rented accommodation for those in housing need.

Review of Business and Future Developments

The Association has now completed its eleventh year of business.

The rent increase for the year was set at 5.2% which represented 1% above the RPI figure. This complies with our obligations under the Sale Purchase Agreement at the time of the Scottish Homes stock transfer. This rental income has enabled us to continue with our ongoing programme of improvements. Our main expenditure this year has been on major repairs / improvement including renewing bathrooms and kitchens, central heating boiler renewal and lift renewal totalling £653,763.

Following the decision in early 2009 to no longer pursue discussions about becoming part of the Link Group the association embarked on a major review of the organisation. Key aspects of this included a full and detailed financial review looking our current and future cashflows. This review determined that if the association maintained a close control of our expenditure and looked to generate small surpluses for the next few years then cashflows should remain healthy.

The other major piece of work during 2009/10 was the development of a new Business Plan for the association. This plan developed a new strategic direction for the association and a range of key business objectives it intends to achieve over the life of the plan.

The final significant area during this year was the commencement of work on a full staff restructure. The bulk of this is planned for 2010/11; however initial work took place during the final quarter of 2009/10 looking at the potential options available to the association.

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 Association. The Executive Officers hold no interest in the Association's share capital and, although not having the legal status of Directors, they act as Executives within the authority delegated by the Management Committee.

Related Party Transactions

Management Committee members who served during the year and who were tenants are as follows: -

NANETTE REID

Their tenancies are on the Association's normal tenancy terms and they cannot use their positions to their advantage. Jean McQuarrie's husband is a tenant. Further details of related party transactions are disclosed in note 22 of the financial statements.

LINSTONE HOUSING ASSOCIATION LIMITED

REPORT OF THE MANAGEMENT COMMITTEE (Contd.)

FOR THE YEAR ENDED 31st MARCH 2010

Credit Payment Policy

The Association's policy concerning the payment of its trade creditors complies with the Confederation of British Industry guidelines. The average payment period is thirty days.

Maintenance policies

The Association seeks to maintain its properties to the highest standard. To this end, programmes of cyclical repairs are carried out in the medium term, to deal with the gradual and predictable deterioration of building components. It is expected that the cost of all these repairs would be charged to the Income and Expenditure account.

In addition, the Association has a long-term programme of major repairs to cover for works which have become necessary since the original development was completed, including works required by subsequent legislative changes. This includes replacement or repairs to features of the properties, which have come to the end of their economic lives. The cost of these repairs would be charged to the Income and Expenditure account, unless it was agreed they could be capitalised within the terms outlined in the SORP.

Treasury Management

The Association has an active treasury management function, which operates in accordance with the Treasury Policy approved by the Management Committee. In this way, the Association manages its borrowing arrangements to ensure that it is always in a position to meet its financial obligations as they fall due, whilst minimising excess cash and liquid resources held. The Association, as a matter of policy, does not enter into transactions of a speculative nature.

Employee Involvement and Health & Safety

The Association encourages employee involvement in all major initiatives and maintaining Health & Safety standards in all areas.

Quality and Integrity of Personnel

The integrity and competence of personnel are ensured through high recruitment standards and subsequent training courses. High quality personnel are seen as an essential part of the control environment and the ethical standards expected are communicated through the Directors.

Budgetary Process

Each year the Management Committee approves the annual budget and rolling three-year strategic plan. Key risk areas are identified. Performance is monitored and relevant action taken throughout the year, through quarterly reporting to the Committee of variances from budget, updated forecasts for the year, together with information on the key risk areas and progress against our business objectives. Approval procedures are in place in respect of major areas of risk such as major contract tenders, expenditure and treasury management.

LINSTONE HOUSING ASSOCIATION LIMITED

REPORT OF THE MANAGEMENT COMMITTEE (Contd.)

FOR THE YEAR ENDED 31st MARCH 2010

Rental income

The Association's Rent Policy is based on the principles of comparability, affordability and the organisation's long term financial viability. When reviewing rents annually, the committee considers these three principles and also the obligations of the Association in relation to its sale and purchase agreement with the former Scottish Homes.

Disabled employees

Applications for employment by disabled persons are given full and fair consideration for all vacancies in accordance with their particular aptitudes and abilities. In the event of employees becoming disabled, every effort is made to retrain them in order that their employment with the Association may continue. It is the policy of the Association that training, career development and promotion opportunities should be available to all employees.

Home Ownership

We sold 3 properties under right to buy in the year (2009 – 6), thereby allowing some tenants to achieve their aspiration of becoming home owners.

Future developments

The Association will continue with its policy of improving the quality of housing and housing services within its area of activity, working with its existing and new partners.

Auditors

Baker Tilly UK Audit LLP has indicated its willingness to continue in office.

On behalf of the Management Committee

Secretary: *Don Arnold*

Date: *14/9/10*

LINSTONE HOUSING ASSOCIATION LIMITED

STATEMENT OF MANAGEMENT COMMITTEE'S RESPONSIBILITIES

FOR THE YEAR ENDED 31st MARCH 2010

Statute requires 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 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 judgements 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.

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.

As far as the Management Committee members are aware, there is no relevant audit information of which the auditors are unaware and the Management Committee members have taken all the steps they ought to have taken to make themselves aware of any relevant audit information and to ensure that the auditors are aware of any such information.

The Management Committee confirms that the Financial Statements comply with the above requirements.

By order of the Management Committee

.....*Car Aitoff*.....

Date:14/9/10.....

LINSTONE HOUSING ASSOCIATION LIMITED

MANAGEMENT COMMITTEE'S STATEMENT ON INTERNAL FINANCIAL CONTROL

FOR THE YEAR ENDED 31st MARCH 2010

Internal Financial Control

The Management Committee exercises overall responsibility for the Association's system of internal financial control and the Audit/Finance Sub-Committee, on behalf of the Management Committee, is responsible for its effectiveness. This system, like any other, can only provide reasonable but not absolute, assurance against material mis-statement or loss. Under the Association's operational structure, the key elements relating to the Association's system include:-

- formal policies and procedures are in place, including the documentation of key systems and rules relating to the delegation of authorities, which allow the monitoring of controls and restrict the unauthorised use of the Association's assets.
- experienced and suitably qualified staff take responsibility for important business functions; annual appraisal procedures have been established to maintain standards of performance.
- forecasts and budgets are prepared regularly which allow the Management Committee and staff to monitor the key business risks and financial objectives, and progress towards financial plans set for the year and the medium term; regular management accounts are prepared promptly, providing relevant, reliable and up-to-date financial and other information and significant variances from budgets are investigated as appropriate.
- all significant new initiatives, major commitments and investment projects are subject to formal authorisation procedures from the Committee members.
- the Committee reviews reports from the Chief Executive, Directorate, staff and from the external and internal auditors to provide reasonable assurance that control procedures are in place and are being followed. This includes a general review of the major risks facing the Association.
- formal procedures have been established for instituting appropriate action to correct weaknesses identified from the above reports.

The Management Committee have reviewed the effectiveness of the system of internal financial control in existence in the Association for the year ended 31 March 2010 and until the below date. No weaknesses were found in internal financial controls, which resulted in material losses, contingencies, or uncertainties, which require disclosure in the financial statements or in the auditors' report on the financial statements.

By order of the Management Committee

John A. H. H.

Date: 14/9/10

LINSTONE HOUSING ASSOCIATION LIMITED

REPORT BY THE AUDITORS TO THE MANAGEMENT COMMITTEE

ON CORPORATE GOVERNANCE MATTERS

Corporate Governance

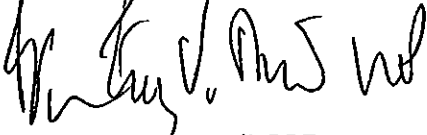
In addition to our audit of the financial statements, we have reviewed the Management Committee's statement on page 6 concerning the Association's compliance with the information required by the section on Internal Financial Control within SFHA's publication "Raising Standards in Housing".

Basis of Opinion

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

Opinion

In our opinion the Statement on Internal Financial Control on page 6 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.



Baker Tilly UK Audit LLP
Registered Auditors
Chartered Accountants
GLASGOW

Date: ..21.5.10..

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
LINSTONE HOUSING ASSOCIATION LIMITED**

We have audited the financial statements of Linstone Housing Association Limited for the year ended 31st March 2010 on pages 9 to 30.

This report is made solely to the Association's members, as a body, in accordance with Section 9 of the Friendly and Industrial and Provident Societies Act 1968. Our audit work has been undertaken so that we might state to the Association's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept 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 Management Committee and Auditors

As described in the Statement of Management Committee's Responsibilities, the Association's Management Committee are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK 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 Act 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 information specified by law regarding Management Committee's remuneration and other 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.

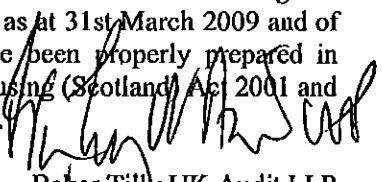
Basis of Opinion

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 31st March 2009 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.


Baker Tilly UK Audit LLP
Registered Auditors
Chartered Accountants

Date: ...21.9.10.....

LINSTONE HOUSING ASSOCIATION LIMITED
INCOME AND EXPENDITURE ACCOUNT
FOR THE YEAR ENDED 31st MARCH 2010

| | Notes | 2010 £ | 2009 £ |
|---|-------|--------------------|--------------------|
| TURNOVER | 2 | 5,398,142 | 5,174,880 |
| Operating costs | 2 | <u>(4,525,651)</u> | <u>(5,046,444)</u> |
| Operating surplus | | 872,491 | 128,436 |
| Gain on sale of housing accommodation | 6 | 57,883 | 107,603 |
| Interest receivable | | 9,985 | 84,326 |
| Interest payable | 7 | (388,025) | (702,747) |
| Other finance (costs)/income | 19 | <u>(11,000)</u> | <u>9,000</u> |
| Surplus/(Deficit) on Ordinary Activities | 8 | <u>541,334</u> | <u>(373,382)</u> |

All amounts relate to continuing activities.

Statement of Total Recognised Deficits and Surpluses for the Year Ended 31 March 2010

| | Notes | 2010 £ | 2009 £ |
|--|-------|------------------|------------------|
| Surplus/(Deficit) for the year | | 541,334 | (373,382) |
| Actuarial (loss) on pension scheme | 19 | <u>(216,000)</u> | <u>(226,000)</u> |
| Total surplus/(deficit) recognised since the last annual report | | <u>325,334</u> | <u>(599,382)</u> |

LINSTONE HOUSING ASSOCIATION LIMITED

BALANCE SHEET

AS AT 31st MARCH 2010

| | Notes | £ | 2010 £ | £ | 2009 £ |
|---|-------|------------------|--------------------|--------------------|--------------------|
| TANGIBLE FIXED ASSETS | | | | | |
| Housing Properties - Cost less Depreciation | 9a) | | 18,108,512 | | 18,465,716 |
| Less: Social Housing Grant | 9a) | | <u>(4,532,439)</u> | | <u>(4,532,439)</u> |
| | | | 13,576,073 | | 13,933,277 |
| Other Fixed Assets | 9b) | | <u>144,732</u> | | <u>176,609</u> |
| | | | 13,720,805 | | 14,109,886 |
| CURRENT ASSETS | | | | | |
| Debtors | 10 | 586,480 | | 725,258 | |
| Cash at Bank and in Hand | | <u>2,173,560</u> | | <u>1,972,857</u> | |
| | | 2,760,040 | | 2,698,115 | |
| CREDITORS - Amounts falling due within one year | 11 | | <u>(830,160)</u> | <u>(1,189,783)</u> | |
| NET CURRENT ASSETS | | | 1,929,880 | | 1,508,332 |
| Pension Asset | 19 | | <u>-</u> | | <u>-</u> |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | | 15,650,685 | | 15,497,218 |
| CREDITORS - Amounts falling due after more than one year | 12 | | (13,881,715) | | (14,403,577) |
| Pension Liability | 19 | | <u>(350,000)</u> | | <u>(121,000)</u> |
| NET ASSETS | | | <u>1,418,970</u> | | <u>1,093,641</u> |
| CAPITAL AND RESERVES | | | | | |
| Called up Share Capital | 13 | | 190 | | 195 |
| Designated Reserves | 14 | | 1,000,000 | | 1,000,000 |
| Revenue Reserves | 14 | | <u>418,780</u> | | <u>93,446</u> |
| | | | <u>1,418,970</u> | | <u>1,093,641</u> |

The Financial Statements were approved by the Management Committee on 14-9-10 and authorised for issue by:-

Chairperson

J. Wilson

Secretary

Jan Hurott

Committee member

Janet Reid

LINSTONE HOUSING ASSOCIATION LIMITED

CASH FLOW STATEMENT

FOR THE YEAR ENDED 31st MARCH 2010

| | | | 2010 | | 2009 |
|--|-------|------------------|----------------|------------------|------------------|
| | Notes | £ | £ | £ | £ |
| Net Cash Inflow from Operating Activities | 15a | | 993,495 | | 697,516 |
| Returns on Investments and Servicing of Finance | | | | | |
| Interest Received | | 9,985 | | 84,326 | |
| Interest Paid | | <u>(388,025)</u> | | <u>(702,747)</u> | |
| Net Cash (Outflow) from Returns on Investments and Servicing of Finance | | | (378,040) | | (618,421) |
| Capital Expenditure and Financial Investment | | | | | |
| Purchase of Other Fixed Assets | | (11,101) | | (16,294) | |
| Proceeds on Disposal of Properties | | 82,378 | | 156,593 | |
| Acquisitions and Construction of Properties | | - | | (352,801) | |
| Social Housing Grant Received | | <u>-</u> | | <u>252,278</u> | |
| Net Cash Inflow from Capital Expenditure | | | 71,277 | | 39,776 |
| Net Cash Inflow before use of Liquid Resources and Financing | | | 686,732 | | 118,871 |
| Financing | | | | | |
| Share Capital Issued | | 4 | | 11 | |
| Loan Capital Repaid | | (486,030) | | (379,731) | |
| Loan Capital Advanced | | <u>-</u> | | <u>-</u> | |
| | | | (486,026) | | (379,720) |
| Increase/(Decrease) in Cash | 15b | | <u>200,706</u> | | <u>(260,849)</u> |

LINSTONE HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31st MARCH 2010

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, and on the historical cost basis. They also comply with the Registered Social Landlords Accounting Requirements (Scotland) Order 2007. The Association is registered under the Industrial and Provident Societies Act 1965 with the Financial Services Authority. 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 Communities Scotland.

Pension Costs

The Association participates in the SFHA Defined Benefits Pension Scheme and the Local Government Superannuation 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.

The expected cost to the Association of pensions is charged to the income and expenditure account so as to spread the cost of pensions over the service lives of the employees in the scheme taken as a whole.

The Association has fully adopted accounting standard FRS17 'Retirement Benefits' for the Local Government Superannuation Scheme. The impact of this standard has been reflected throughout the financial statements.

The Local Government Pension Scheme (LGPS). This is a defined benefit scheme which is externally funded and contracted out of the State Earnings Related Pension Scheme. The contributions are determined by qualified actuaries on the basis of periodic valuations using the projected unit method.

For defined benefit schemes the amount charged to the profit and loss account in respect of pension costs and other post retirement benefits is the estimated regular cost of providing the benefits accrued in the year, adjusted to reflect variations from that cost. The interest cost and expected return on assets are included within other finance costs.

Defined benefit schemes are funded, with the assets held separately from the company in separate trustee administered funds. Full actuarial valuations, by a professionally qualified actuary, are obtained at least every three years, and updated to reflect current conditions at each balance sheet date. The pension scheme assets are measured at fair value. The pension scheme liabilities are measured using the projected unit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency. A pension scheme asset is recognised on the balance sheet only to the extent that the surplus may be recovered by reduced future contributions or to the extent that the trustees have agreed a refund from the scheme at the balance sheet date. A pension scheme liability is recognised to the extent that the company has a legal or constructive obligation to settle the liability.

LINSTONE HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31st MARCH 2010

1. PRINCIPAL ACCOUNTING POLICIES (Contd.)

Valuation of Housing Properties

Housing Properties are stated at cost, 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 2%. No depreciation is charged on the cost of land.

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:-

| | | |
|--------------------------------|---|--------|
| Property Improvements | - | 2.00% |
| Leasehold Office Improvements | - | 6.67% |
| Door Entry Systems | - | 6.25% |
| I T Equipment | - | 20.00% |
| Furniture and Office Equipment | - | 10.00% |

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

Improvements

Improvements are capitalised where these result in an enhancement of the economic benefits of the property. Such enhancement can occur if the improvements result in:-

- an increase in rental income, or
- a material reduction in future maintenance costs, or
- a significant extension to the life of the property.

Works to existing properties, which fail to meet the above criteria, are charged to the income and expenditure account.

Sales of Housing Properties

Surpluses and deficits on the sale of housing properties are accounted for in the Income and Expenditure account in the year of disposal.

Apportionment of Management Expenses

Direct employee administration and operating costs have been apportioned to the income and expenditure account on the basis that they are directly engaged in each of the operations dealt with in those accounts.

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.

LINSTONE HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

FOR THE YEAR ENDED 31st MARCH 2010

1. PRINCIPAL ACCOUNTING POLICIES (Contd.)

Social Housing Grant and Other Grants

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 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.

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 Association has set up a Designated Reserve in order to earmark a certain proportion of any surplus as being reserved for future repairs and refurbishment work on its properties. Transfers to and from the reserve are made at the discretion of the Management Committee.

Value added tax

The Association is registered for VAT but as the vast majority of the Association's income is exempt, expenditure is shown inclusive of VAT.

LINSTONE HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

FOR THE YEAR ENDED 31st MARCH 2010

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

| | 2010 | | 2009 | | | |
|--|------------------|-------------------------|---|------------------|-------------------------|---|
| | Turnover £ | Operating Costs £ | Operating Surplus/ (Deficit) £ | Turnover £ | Operating Costs £ | Operating Surplus/ (Deficit) £ |
| Social Lettings | | | | | | |
| Housing Accommodation | 4,489,581 | 3,906,224 | 583,357 | 4,406,875 | 4,119,164 | 287,711 |
| Warden Services & Very Supported Housing | 687,458 | 463,961 | 223,497 | 488,026 | 505,994 | (17,968) |
| | <u>5,177,039</u> | <u>4,370,185</u> | <u>806,854</u> | <u>4,894,901</u> | <u>4,625,158</u> | <u>269,743</u> |
| Other Activities | | | | | | |
| Owner Occupier Recharges & Other Income | 221,103 | 155,466 | 65,637 | 279,979 | 421,286 | (141,307) |
| TOTAL | <u>5,398,142</u> | <u>4,525,651</u> | <u>872,491</u> | <u>5,174,880</u> | <u>5,046,444</u> | <u>128,436</u> |

LINSTONE HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

FOR THE YEAR ENDED 31st MARCH 2010

3. PARTICULARS OF TURNOVER, OPERATING COSTS AND OPERATING SURPLUS FROM SOCIAL LETTING ACTIVITIES

| | General Needs Accommo- dation £ | Supported Housing £ | 2010 Total £ | 2009 Total £ |
|---|--|---------------------------|--------------------|--------------------|
| Income from Lettings | | | | |
| Rent Receivable net of Service Charges | 4,502,857 | 520,406 | 5,023,263 | 4,808,889 |
| Service Charges | 1,566 | 198,101 | 199,667 | 179,957 |
| Gross income from rents and service charges | 4,504,423 | 718,507 | 5,222,930 | 4,988,846 |
| Less voids | 53,020 | 31,049 | 84,069 | 93,945 |
| Net income from rents and service charges | 4,451,403 | 687,458 | 5,138,861 | 4,894,901 |
| Grants from the Scottish Ministers | - | - | - | - |
| Other revenue grants | 38,178 | - | 38,178 | - |
| Total turnover from social letting activities | 4,489,581 | 687,458 | 5,177,039 | 4,894,901 |
| Expenditure on Letting Activities | | | | |
| Management and maintenance administration costs | 1,393,621 | 113,844 | 1,507,465 | 1,454,253 |
| Service costs | 81,944 | 154,931 | 236,875 | 299,489 |
| Planned and cyclical maintenance including major repairs costs | 1,241,221 | 99,672 | 1,340,893 | 1,530,314 |
| Reactive maintenance costs | 779,775 | 62,617 | 842,392 | 944,181 |
| Bad Debts – rents and service charges | 101,685 | 8,166 | 109,851 | 85,718 |
| Depreciation of social housing | 307,978 | 24,731 | 332,709 | 331,528 |
| Impairment of social housing | - | - | - | (20,325) |
| Operating costs for social letting activities | 3,906,224 | 463,961 | 4,370,185 | 4,625,158 |
| Operating surplus or deficit for social lettings | 583,357 | 223,497 | 806,854 | 269,743 |
| Operating surplus or deficit for social lettings for the previous period | 287,711 | (17,968) | 269,743 | |

The amount of service charges receivable on housing accommodation not eligible for Housing Benefit was £Nil (2009 - £nil).

The total amount of major repairs expenditure incurred in the year was £1,340,893 (2009 - £1,530,314). No major repairs were capitalised in the year (2009 - £nil).

LINSTONE HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

FOR THE YEAR ENDED 31st MARCH 2010

3b 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 | Other operating costs | Operating surplus or (deficit) | Operating surplus or deficit for previous period of account |
|---|--------------------------------|----------------------|--------------------------|----------------|----------------|-----------------------------|-----------------------|--------------------------------|---|
| | £ | £ | £ | £ | £ | £ | £ | £ | £ |
| Wider action/wider role | - | 73,610 | - | - | 73,610 | - | 84,544 | (10,934) | (75,115) |
| Care and repair of property | - | - | - | - | - | - | - | - | - |
| Factoring | - | - | - | 86,467 | 86,467 | - | 36,022 | 50,445 | (13,617) |
| Development and construction of property activities | - | - | - | - | - | - | - | - | - |
| Support activities | - | - | 43,062 | - | 43,062 | - | 34,900 | 8,162 | (56,879) |
| Care activities | - | - | - | - | - | - | - | - | - |
| Agency/management services for registered social landlords | - | - | - | - | - | - | - | - | - |
| Other agency/management services | - | - | - | - | - | - | - | - | - |
| Developments for sale to registered social landlords | - | - | - | - | - | - | - | - | - |
| Developments and improvements for sale to non registered social landlords | - | - | - | - | - | - | - | - | - |
| Other activities | - | - | - | 17,964 | 17,964 | - | - | 17,964 | 4,304 |
| Total from other activities | - | 73,610 | 43,062 | 104,431 | 221,103 | - | 155,466 | 65,637 | (141,307) |
| 2009 | 65,193 | - | 105,717 | 109,069 | 279,979 | 17,231 | 404,055 | (141,307) | |

LINSTONE HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

FOR THE YEAR ENDED 31st MARCH 2010

4. DIRECTORS' EMOLUMENTS

The Directors are defined as the members of the Management Committee, the Chief Executive of the Association and any other person reporting directly to the Chief Executive or the Management Committee whose total emoluments exceed £60,000 per year. No emoluments were paid to any member of the Management Committee during the year.

The Chief Executive is an ordinary member of the Association's pension scheme described in Note 19. No enhanced or special terms apply to membership and she has no other pension arrangements to which the Association contributes. The Association's pension contributions for the Chief Executive in the year amounted to £7,475 (2009 - £3,346). The Chief Executive's salary for the period from 1st April 2009 to 31st March 2010 was £56,764.

There were no Directors, (2009: nil) who received emoluments (excluding pension contributions) over £60,000.

5. EMPLOYEE INFORMATION

| | | |
|--|------------------|------------------|
| The average full time number of persons employed during the year was | <u>34</u> | <u>32</u> |
| | £ | £ |
| Wages and Salaries | 1,008,690 | 982,566 |
| Social Security Costs | 83,525 | 82,845 |
| Other Pension Costs | <u>110,950</u> | <u>105,366</u> |
| | <u>1,203,165</u> | <u>1,170,777</u> |

6. GAIN ON SALE OF HOUSING ACCOMMODATION

| | | |
|---|-----------------|-----------------|
| | £ | £ |
| Net Proceeds from the Disposal of Housing Accommodation | 82,378 | 156,593 |
| Less cost of Housing Accommodation Sold | <u>(24,495)</u> | <u>(48,990)</u> |
| Gain on Sale of Housing Accommodation | <u>57,883</u> | <u>107,603</u> |

LINSTONE HOUSING ASSOCIATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS (Contd.)
FOR THE YEAR ENDED 31st MARCH 2010

| | 2010 £ | 2009 £ |
|---|----------------|----------------|
| 7. INTEREST PAYABLE | | |
| On Bank Loans and Overdrafts | 388,025 | 702,747 |
| | <u>388,025</u> | <u>702,747</u> |
| 8. SURPLUS/(DEFICIT) ON ORDINARY ACTIVITIES | | |
| Surplus on Ordinary Activities is stated after charging:- | | |
| Depreciation - Tangible Owned Fixed Assets | 375,687 | 372,397 |
| Auditors' Remuneration | 7,000 | 11,400 |
| Operating Lease Rentals | 34,303 | 35,266 |
| | <u>375,687</u> | <u>372,397</u> |

LINSTONE HOUSING ASSOCIATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS (Contd.)
FOR THE YEAR ENDED 31st MARCH 2010

9. TANGIBLE FIXED ASSETS
a) Housing Properties Held For Letting

| | Held for Let £ | Door Entry System £ | Property Improvements £ | Sub Total Held for Letting £ | Housing Properties Under Construction £ | Total £ |
|--|-------------------|------------------------|----------------------------|---------------------------------|--|------------|
| <u>Cost at 1 April 2009</u> | 19,313,825 | 124,031 | 1,490,947 | 20,928,803 | - | 20,928,803 |
| Additions | - | - | - | - | - | - |
| Disposals RTB | (24,495) | - | - | (24,495) | - | (24,495) |
| Disposals Demolition | - | - | - | - | - | - |
| Transfers | - | - | - | - | - | - |
| <u>Cost at 31 March 2010</u> | 19,289,330 | 124,031 | 1,490,947 | 20,904,308 | - | 20,904,308 |
| <u>Social Housing Grant & Other Grants</u> | | | | | | |
| At 1 st April 2010 | 4,457,713 | - | 74,726 | 4,532,439 | - | 4,532,439 |
| Additions | - | - | - | - | - | - |
| Transfers | - | - | - | - | - | - |
| <u>At 31st March 2009</u> | 4,457,713 | - | 74,726 | 4,532,439 | - | 4,532,439 |
| <u>Depreciation</u> | | | | | | |
| At 1 st April 2009 | 2,166,784 | 85,241 | 211,062 | 2,463,087 | - | 2,463,087 |
| Charge for year | 296,632 | 7,752 | 28,324 | 332,709 | - | 332,709 |
| <u>At 31st March 2010</u> | 2,436,416 | 92,993 | 239,386 | 2,795,796 | - | 2,795,796 |
| <u>Net Book Values</u> | | | | | | |
| As at 31 st March 2010 | 12,368,200 | 31,038 | 1,176,835 | 13,576,073 | - | 13,576,073 |
| As at 31 st March 2009 | 12,689,328 | 38,790 | 1,205,159 | 13,933,277 | - | 13,933,277 |

None of the Association's land or property is held under a lease.

LINSTONE HOUSING ASSOCIATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS (Contd.)
FOR THE YEAR ENDED 31st MARCH 2010

9 b) Other Tangible Assets

| | Computer System | Leasehold Improvements | Furniture & Equipment | Totals |
|-------------------------------|--------------------|---------------------------|--------------------------|----------------|
| Cost | | | | |
| At 1 April 2009 | 333,274 | 269,969 | 113,962 | 717,205 |
| Additions in year | 10,354 | - | 747 | 11,101 |
| At 31 March 2010 | <u>343,628</u> | <u>269,969</u> | <u>114,709</u> | <u>728,306</u> |
| Depreciation | | | | |
| At 1 st April 2009 | 311,994 | 175,988 | 52,613 | 540,595 |
| Charge for year | 13,501 | 18,007 | 11,471 | 42,979 |
| At 31 March 2010 | <u>325,495</u> | <u>193,995</u> | <u>64,084</u> | <u>583,574</u> |
| Net Book Values | | | | |
| At 31 March 2010 | <u>18,133</u> | <u>75,974</u> | <u>50,625</u> | <u>144,732</u> |
| At 31 March 2009 | <u>21,279</u> | <u>93,981</u> | <u>61,350</u> | <u>176,609</u> |

| | 2010 £ | 2009 £ |
|--|------------------|------------------|
| 10. DEBTORS – Amounts receivable within one year | | |
| Arrears of Rent and Service Charges | 348,696 | 411,820 |
| Less: Provision for Doubtful Debts | <u>(143,304)</u> | <u>(186,027)</u> |
| | 205,392 | 225,793 |
| Social Housing Grants Receivable | - | 52,232 |
| Prepayment and Accrued Income | 122,261 | 191,170 |
| Other Debtors | 258,827 | 256,063 |
| | <u>586,480</u> | <u>725,258</u> |
| 11. CREDITORS – Amounts falling due within one year | | |
| Bank Loans | 368,146 | 332,314 |
| Trade Creditors | 117,480 | 238,119 |
| Other Taxation and Social Security | 30,215 | 28,241 |
| Other Creditors | 46,353 | 99,904 |
| Accruals and Deferred Income | 115,274 | 329,507 |
| Rent in Advance | 152,692 | 161,698 |
| | <u>830,160</u> | <u>1,189,783</u> |

LINSTONE HOUSING ASSOCIATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS (Contd.)
FOR THE YEAR ENDED 31st MARCH 2010

| | 2010 £ | 2009 £ |
|---|-------------------|-------------------|
| 12. CREDITORS – Amounts falling due after more than one year | | |
| Housing Loans | <u>13,881,715</u> | <u>14,403,577</u> |

Housing Loans are secured by specific charges on the Association's housing properties and are repayable partly at a fixed rate of interest and partly by a variable rate. The highest rate of interest paid was 5.455% and the lowest was 0.77%. (The average in 2010 was 3.11%) (2009 highest was 5.455% and lowest was 1.27%). Instalments are due as follows:-

| | | |
|---|-------------------|-------------------|
| Within one year | 368,146 | 332,314 |
| Between one and two years | 388,373 | 352,169 |
| Between three and five years | 1,297,898 | 1,171,569 |
| In five years or more | <u>12,195,444</u> | <u>12,879,839</u> |
| | 14,249,861 | 14,735,891 |
| Less: Amount shown in Current Liabilities | <u>(368,146)</u> | <u>(332,314)</u> |
| | <u>13,881,715</u> | <u>14,403,577</u> |

| | | |
|--|-------------|-------------|
| 13. SHARE CAPITAL | 2010 | 2009 |
| Shares of £1 each Issued and Fully Paid | | |
| At 1 st April | 195 | 194 |
| Issued in year | 4 | 11 |
| Cancelled in year | <u>(9)</u> | <u>(10)</u> |
| At 31 March | <u>190</u> | <u>195</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.

| | | |
|---|------------------|------------------|
| 14. RESERVES | 2010 | 2009 |
| Designated reserve – Repairs and Refurbishment Reserve | £ | £ |
| At 1 April | 1,000,000 | 1,700,000 |
| Transfer (to) revenue reserve | - | <u>(700,000)</u> |
| At 31 March | <u>1,000,000</u> | <u>1,000,000</u> |
| Revenue reserve | | |
| At 1 April | 93,446 | (7,172) |
| Retained surplus/(deficit) for the year | 541,334 | (373,382) |
| Transfer from designated reserve | - | 700,000 |
| Actuarial (loss) recognised | <u>(216,000)</u> | <u>(226,000)</u> |
| At 31 March | <u>418,780</u> | <u>93,446</u> |
| Analysed as: | | |
| Revenue reserve excluding pension (liability) | 768,780 | 214,446 |
| Pension (liability) | <u>(350,000)</u> | <u>(121,000)</u> |
| | <u>418,780</u> | <u>93,446</u> |

LINSTONE HOUSING ASSOCIATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS (Contd.)
FOR THE YEAR ENDED 31st MARCH 2010

| | 2010 £ | 2009 £ | | |
|--|----------------------------------|------------------------|--------------------------------|-----------------------------------|
| 15. CASH FLOW STATEMENT | | | | |
| a) Reconciliation of Operating Surplus to Net Cash Flow from Operating Activities | | | | |
| Operating Surplus | 872,491 | 128,436 | | |
| Non cash movement on pension fund | 2,000 | - | | |
| Depreciation | 375,688 | 372,397 | | |
| Decrease in Debtors | 138,778 | 281,147 | | |
| (Decrease) in Creditors | (395,453) | (84,454) | | |
| Cancelled shares | (9) | (10) | | |
| Impaired Properties | - | - | | |
| Net Cash Inflow from Operating Activities | 993,495 | 697,516 | | |
| b) Reconciliation of Net Cash Flow to Movement in Net Debt | | | | |
| Increase/(Decrease) in Cash in the year | 200,706 | (260,849) | | |
| Cash Outflow from financing | 486,030 | 379,731 | | |
| Change in Net Debt | 686,736 | 118,882 | | |
| Net Debt at 1st April 2009 | (12,763,034) | (12,881,916) | | |
| Net Debt at 31st March 2010 | (12,076,298) | (12,763,034) | | |
| c) Analysis of Changes in Net Debt | | | | |
| | At 1 April 2009 £ | Cash Flow £ | Other Changes £ | At 31 March 2010 £ |
| Cash at Bank and in Hand | 1,972,857 | 200,706 | - | 2,173,563 |
| Debt due within one year | (332,314) | 486,030 | (521,862) | (368,146) |
| Debt due after one year | (14,403,577) | - | 521,862 | (13,881,715) |
| Total | (12,763,034) | 686,736 | - | (12,076,298) |
| 16. HOUSING STOCK | | | 2010 | 2009 |
| The number of units of accommodation in management at the year end was:- | | | | |
| General Needs | | 1,473 | 1,476 | |
| Supported Housing | | 101 | 101 | |
| Shared ownership accommodation | | - | - | |
| | | 1,574 | 1,577 | |

LINSTONE HOUSING ASSOCIATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS (Contd.)
FOR THE YEAR ENDED 31st MARCH 2010

| | 2010 £ | 2009 £ |
|--|---------------|---------------|
| 17. CAPITAL COMMITMENTS | | |
| Capital expenditure that has been contracted for but has not been provided in the Financial Statements | <u>Nil</u> | <u>Nil</u> |
| 18. COMMITMENTS UNDER OPERATING LEASES | | |
| At the year end, the annual commitments under operating leases were as follows:- | | |
| Other | | |
| Expiring within one year | 4,882 | 115 |
| Expiring between two and five years | <u>18,377</u> | <u>24,034</u> |
| | <u>23,259</u> | <u>24,149</u> |
| Land and Building | | |
| Expiring within one year | - | - |
| Expiring between two and five years | <u>11,044</u> | <u>10,925</u> |
| | <u>11,044</u> | <u>10,925</u> |

LINSTONE HOUSING ASSOCIATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS (Contd.)
FOR THE YEAR ENDED 31st MARCH 2010

19. PENSION OBLIGATIONS

SFHA Pension Scheme

Linstone Limited participates in the SFHA Pension Scheme ('the Scheme'). The Scheme is funded and is contracted-out of the State Pension scheme.

It is not possible in the normal course of events to identify the share of underlying assets and liabilities belonging to an individual participating employer 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.

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

The Scheme Actuary has prepared an Actuarial Report that provides an approximate update on the funding position of the Scheme as at 30 September 2008. Such a report is required by legislation for years in which a full actuarial valuation is not carried out. The funding update revealed a decrease in the assets of the Scheme to £265 million and indicated an increase in the shortfall of assets compared to liabilities to approximately £149 million, equivalent to a past service funding level of 63.9%.

The current triennial formal valuation of the Scheme, as at 30 September 2009, is being undertaken by a professionally qualified Actuary. The results of the valuation will be available in the Autumn 2010.

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 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.

LINSTONE HOUSING ASSOCIATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS (Contd.)
FOR THE YEAR ENDED 31st MARCH 2010

19. PENSION OBLIGATIONS (Contd)

Linstone Housing Association Limited has been notified by The Pensions Trust of the estimated employer debt on withdrawal from the SFHA Scheme based on the financial position of the Scheme as at 30 September 2009. As of this date the estimated employer debt for Calvay Housing Association Limited was £4,373,652.

The SFHA Scheme is a multi-employer defined benefit scheme. The Scheme offers three benefit structures to employers, namely:

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

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

Linstone Housing Association Limited has elected to continue to operate the final salary with a 1/60th accrual rate benefit structure for active members as at 1 April 2009 and the same benefit structure for any new entrants.

During the accounting period Linstone Housing Association Limited paid contributions at the rate of 13.5% to 15.4% of pensionable salaries. Member contributions were between 6.6% and 7.7%.

As at the balance sheet date there were 24 active members of the Scheme employed by Linstone Housing Association Limited. Linstone Housing Association Limited continues to offer membership of the Scheme to its employees.

The key valuation assumptions used to determine the assets and liabilities of the SFHA Pension Scheme are:

| 2006 Valuation Assumptions | % p.a. |
|--|---------------|
| 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 | 2.2 |
| (for leavers before 1 October 1993 pension increases are 5.0%) | |
| Rate of price inflation | 2.6 |

| Mortality Tables | |
|-------------------------|-----------------|
| Non-pensioners | PA92C2025 short |
| Pensioners | PA92C2013 short |

| Contribution Rates for Future Service | % |
|--|----------|
| Final Salary 1/60ths | 17.8 |
| Career average revalued earnings 1/60ths | 14.6 |
| Career average revalued earnings 1/70ths | 12.6 |
| Additional rate for deficit contributions | 5.3 |

LINSTONE HOUSING ASSOCIATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS (Contd.)
FOR THE YEAR ENDED 31st MARCH 2010

19. PENSION OBLIGATIONS (Contd)

Local Government Pension Scheme

Some of the Association's employees belong to the Strathclyde Pension Fund, which is part of the Local Government Pension Scheme (LGPS), which is a defined benefit scheme which provides benefits based on the final pensionable salary, the assets of which are held in a separate trustee administered fund. The pension costs are assessed with the advice of independent qualified actuaries.

The last full Actuarial valuation was carried out as at 31 March 2008. The following information is based on updated information. This actuarial valuation of the scheme was carried out by independent actuaries at 31 March 2010 using the following assumptions.

| Actuarial assumptions | 2010 £'000 | 2009 £'000 |
|------------------------------|---------------|---------------|
| Rate of increase in salaries | 5.3% | 4.6% |
| Expected return on assets | 7.2% | 6.5% |
| Discount rate | 5.5% | 6.9% |
| Inflation assumption | 3.8% | 3.1% |

The amounts recognised in the balance sheet are as follows:

| | 2010 £'000 | 2009 £'000 |
|-------------------------------------|---------------|---------------|
| Present value of funded obligations | 1,307 | 839 |
| Fair value of plan assets | 957 | 715 |
| Net Liability/asset | (350) | (121) |

LINSTONE HOUSING ASSOCIATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS (Contd.)
FOR THE YEAR ENDED 31st MARCH 2010

19. PENSION OBLIGATIONS (Contd)

Changes in the present value of the defined benefit obligation are as follows:

| Defined Benefit Plans | 2010 | 2009 |
|--|-------|-------|
| | £'000 | £'000 |
| Operating defined benefit obligation | 839 | 834 |
| Service cost | 5 | 7 |
| Member Contributions | 2 | 3 |
| Interest cost | 57 | 57 |
| Losses on curtailments and settlements | - | 19 |
| Actuarial gains /(losses) | 436 | (46) |
| Benefits paid | (36) | (35) |
| Past service costs | 4 | - |
| Closing defined benefit obligation | 1,307 | 839 |

Changes in the fair value of plan assets are as follows:

| Defined Benefit Plans | 2010 | 2009 |
|---------------------------|-------|-------|
| | £'000 | £'000 |
| Opening plan assets | 718 | 931 |
| Expected return | 46 | 66 |
| Actuarial gains/ (losses) | 220 | (272) |
| Contributions by employer | 7 | 25 |
| Member Contributions | 2 | 3 |
| Benefits paid | (36) | (35) |
| Closing plan assets | 957 | 718 |

LINSTONE HOUSING ASSOCIATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS (Contd.)
FOR THE YEAR ENDED 31st MARCH 2010

19. PENSION OBLIGATIONS (Contd)

The amounts recognised in income and expenditure are as follows:

| | 2010 | 2009 |
|--|-----------|-----------|
| | £'000 | £'000 |
| Current service cost | 5 | 7 |
| Interest on obligation | 57 | 57 |
| Expected return on plan assets | (46) | (66) |
| Past service cost | 4 | - |
| Losses on curtailments and settlements | - | 19 |
| Total | 20 | 17 |

Changes in the amounts recognised in the statement of total recognised gains and (losses) are as follows:

| | 2010 | 2009 |
|--------------------------|-------|-------|
| | £'000 | £'000 |
| Opening cumulative STRGL | (599) | (373) |
| Actuarial gains/(losses) | (216) | (226) |
| | (815) | (599) |

The major categories of plan assets as a percentage of total as a percentage of total plan assets are as follows:

| | 2010 | 2009 |
|------------|------|------|
| Equities | 77% | 73% |
| Properties | 7% | 8% |
| Bonds | 13% | 16% |
| Cash | 3% | 3% |
| | 100% | 100% |

LINSTONE HOUSING ASSOCIATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS (Contd.)
FOR THE YEAR ENDED 31st MARCH 2010

19. PENSION OBLIGATIONS (Contd)

The history of experience gains and losses is as follows:

| | 2010 | 2009 | 2008 | 2007 | 2006 |
|--|-------|-------|-------|------|-------|
| Difference between expected and actual return on scheme assets | | | | | |
| Amount £'000 | 220 | (275) | (98) | 1 | 145 |
| Percentage of scheme assets | | 38.3% | 10.5% | 0.1% | 15.9% |
| Experience (loss)/gain arising on scheme | | | | | |
| Amount £'000 | 220 | (269) | (98) | - | (136) |
| Percentage of scheme liabilities | | 32.1% | 11.8% | -% | 14.0% |
| Total amount of actuarial (loss)/gain | | | | | |
| Amount £'000 | (216) | (226) | 66 | 66 | 48 |
| Percentage of scheme liability | | 26.9% | 7.9% | 6.9% | 4.9% |

20. SCOTTISH SECURED TENANCY RENTS

| | 2010 | 2009 |
|--|--------------|--------------|
| | £ | £ |
| Average Scottish secure tenancy rent for housing accommodation | <u>3,125</u> | <u>2,971</u> |
| Percentage increase from previous year | <u>5.2%</u> | <u>5.2%</u> |

21. CONTINGENT LIABILITIES

Pensions

Linstone Housing Association has been notified by the Pensions Trust of the estimated employer debt on withdrawal from the Scheme based on the financial position of the Scheme as at 30 September 2009. As of this date the estimated employer debt for Linstone Housing Association was £4,373,652. The Association has no current plans to withdraw from the scheme.

At 31 March 2010 the Association had no other contingent liabilities (2009 -£nil).

22. RELATED PARTY NOTE

Various members of the committee are tenants of the Association. The terms applicable to them are the same as those applicable to all tenants. Councillor Audrey Doig served on the Management Committee during the year. She is a councillor with Renfrewshire Council. Any transactions with Renfrewshire Council are made at arm's length, on normal commercial terms and the Councillor cannot use her position to her advantage.