

**Muirhouse Housing Association Ltd**  
**Report and Financial Statements**  
**For the year ended 31st March 2010**

**Registered Housing Association No. HAL261**

**FSA Reference No. 2414R(S)**

**Scottish Charity No. SC040979**

# MUIRHOUSE HOUSING ASSOCIATION LTD

## CONTENTS

	<b>Page</b>
MEMBERS OF THE COMMITTEE OF MANAGEMENT EXECUTIVES AND ADVISERS	1
REPORT OF THE COMMITTEE OF MANAGEMENT	2
REPORT BY THE AUDITORS ON CORPORATE GOVERNANCE MATTERS	5
REPORT OF THE AUDITORS	6
INCOME AND EXPENDITURE ACCOUNT	7
BALANCE SHEET	8
CASH FLOW STATEMENT	9
NOTES TO THE FINANCIAL STATEMENTS	10

**MUIRHOUSE HOUSING ASSOCIATION LTD**

---

**COMMITTEE OF MANAGEMENT , EXECUTIVES AND ADVISERS  
YEAR ENDED 31st MARCH 2010**

**COMMITTEE OF MANAGEMENT**

Roy Douglas  
Eileen Carr  
Linda Gorman  
Stephanie Harper  
Blair Welsh  
Graeme Wilson  
Rhona Laing  
Jacqueline Brash  
John Davidson  
Michael Woods

Chairperson  
Secretary

Appointed April 2009

Appointed September 2009

**EXECUTIVE OFFICERS**

Brenda Tonner

Director

**REGISTERED OFFICE**

11 Muirhouse Medway  
Edinburgh  
EH4 4RW

**AUDITORS**

Alexander Sloan  
Chartered Accountants  
38 Cadogan Street  
Glasgow  
G2 7HF

**BANKERS**

The Royal Bank of Scotland  
38 Cramond Road South  
Edinburgh  
EH4 6AA

**SOLICITORS**

T C Young & Son  
69 George Street  
Edinburgh  
EH2 2JG

## **MUIRHOUSE HOUSING ASSOCIATION LTD**

---

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

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

#### **Legal Status**

The Association is a registered non-profit making organisation under the Industrial and Provident Societies Act 1965 No.2414R(S). The Association is constituted under its Rule Book. The Association is a registered Scottish Charity with the charity number SC040979. It obtained charitable status on 28 October 2009.

#### **Principal Activities**

The principal activities of the Association are the provision and management of affordable rented accommodation.

#### **Review of Business and Future Developments**

At 31st March 2010 the association owned and managed 446 units. The Association had no development activity in the year.

The Association hopes to achieve a development programme as a result of a joint development with The City of Edinburgh Council. The City of Edinburgh Council plans to develop 700 units, and the Association has assisted with the masterplan exercise for these units during 2009/10. The Association aims to continue its role in assisting the community and the Council to complete the regeneration of the area.

There are two other potential sites including the BT Training Ground which has outline planning permission for 240 units, and a Church of Scotland site which could accommodate 50 units. During 2010/11 the Association will continue to pursue these opportunities

The Association continues to be a member of The Rowan Group, a group of 8 housing associations who aim to work together with the aim of achieving efficiencies.

During 2009/10 the Association explored joint working with Manor Estates Housing Association with a view to improving service delivery for both organisation's tenants in Muirhouse, and to introduce new services for the community. These discussions are ongoing.

The Association achieved charitable status in 28 October 2009.

Staff training and development is a continued focus of the association. During the year staff were sponsored to study for the Post Graduate Diploma in Housing Studies and for the CIPFA qualification. Staff and Committee members are encouraged to attend events and conferences organised by SFHA, SHARE and EVH to ensure that our organisation is up to date and aware of general housing issues.

The Committee is satisfied with the Association's performance during the year.

## MUIRHOUSE HOUSING ASSOCIATION LTD

---

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

#### Management Committee and Executive Officers

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

Each member of the Committee of Management 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 Committee of Management.

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

#### Statement of Management Committee's Responsibilities

The Industrial and Provident Societies Acts 1965 to 2002 require the Committee of Management 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 Committee of Management is required to:-

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

The Committee of Management 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. It is also responsible for ensuring the Association's suppliers are paid promptly.

The Committee of Management 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 Committee of Management are aware:

- There is no relevant audit information (information needed by the Housing Association's auditors in connection with preparing their report) of which the Association's auditors are unaware, and
- The Committee of Management 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 Association's Auditors are aware of that information.

**MUIRHOUSE HOUSING ASSOCIATION LTD**

---

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

**Statement on Internal Financial Control**

The Committee of Management acknowledges its ultimate responsibility for ensuring that the Association 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 Association, or for publication;
- the maintenance of proper accounting records;
- the safeguarding of assets against unauthorised use or disposition.

It is the Committee of Management'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 Association'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 Association'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 Committee of Management 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 Committee of Management;
- the Committee of Management receive reports from management and from the external auditors to provide reasonable assurance that control procedures are in place and are being followed and that a general review of the major risks facing the Association is undertaken;
- formal procedures have been established for instituting appropriate action to correct any weaknesses identified through external audit reports.

**Auditors**

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

**By order of the Committee of Management**



Secretary

09 August 2010

**MUIRHOUSE HOUSING ASSOCIATION LTD**

---

**REPORT BY THE AUDITORS TO THE COMMITTEE OF MANAGEMENT OF  
MUIRHOUSE HOUSING ASSOCIATION LTD  
ON CORPORATE GOVERNANCE MATTERS**

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

**Basis of Opinion**

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

**Opinion**

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

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



**ALEXANDER SLOAN**  
Chartered Accountants

GLASGOW  
09 August 2010

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF  
MUIRHOUSE HOUSING ASSOCIATION LTD**

---

We have audited the financial statements of Muirhouse Housing Association Ltd for the year ended 31st March 2010 which comprise an income and expenditure account, balance sheet, cash flow statement and related notes. These financial statements have been prepared in accordance with the accounting policies set out therein.

This report is made solely to the Association's members, as a body, in accordance with Section 9 of the Friendly and Industrial and Provident Societies Act 1968. Our audit work has been undertaken so that we might state to the Association's members those matters we are required to state to them in an 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 Committee of Management and Auditors**

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

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

We report to you our opinion as to whether the Financial Statements give a true and fair view and are properly prepared in accordance with the Industrial and Provident Societies 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 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 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 judgments 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 2010 and of its income and expenditure and cash flow for the year then ended; and

have been properly prepared in accordance with the Industrial and Provident Societies Acts 1965 to 2002, the Housing (Scotland) Act 2001 and the Registered Social Landlords Accounting Requirements (Scotland) Order 2007.

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



ALEXANDER SLOAN  
Chartered Accountants  
Statutory Auditors  
GLASGOW  
09 August 2010



# MUIRHOUSE HOUSING ASSOCIATION LTD

## INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED 31st MARCH 2010

	Notes	2010 £	2009 £
TURNOVER	2.	1,658,418	1,475,812
Operating Costs	2.	(1,189,274)	(883,314)
<b>OPERATING SURPLUS</b>	8.	469,144	592,498
Interest Receivable and Other Income		34,262	85,848
Interest Payable and Similar Charges	7.	(241,562)	(339,561)
		(207,300)	(253,713)
<b>SURPLUS ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		261,844	338,785
Tax on surplus on ordinary activities	9.	(42,443)	(125,037)
<b>SURPLUS ON ORDINARY ACTIVITIES AFTER TAXATION</b>		<u>219,401</u>	<u>213,748</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.

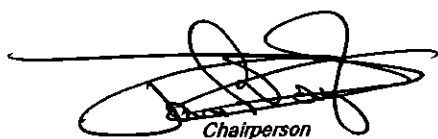
MUIRHOUSE HOUSING ASSOCIATION LTD

BALANCE SHEET AS AT 31st MARCH 2010

	Notes	£	2010 £	£	2009 £
<b>TANGIBLE FIXED ASSETS</b>					
Housing Properties - Depreciated Cost	10.(a)		23,402,977		23,546,928
Less: Social Housing Grant	10.(a)		(17,036,213)		(17,036,213)
			<u>6,366,764</u>		<u>6,510,715</u>
Other fixed assets	10.(b)		111,559		117,960
			<u>6,478,323</u>		<u>6,628,675</u>
<b>CURRENT ASSETS</b>					
Debtors	12.	61,067		89,222	
Cash at bank and in hand		2,057,602		1,886,070	
			<u>2,118,669</u>	<u>1,975,292</u>	
CREDITORS: Amounts falling due within one year	13.	(348,041)		(359,092)	
			<u>1,770,628</u>		<u>1,616,200</u>
<b>NET CURRENT ASSETS</b>					
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>					
			<u>8,248,951</u>		<u>8,244,875</u>
CREDITORS: Amounts falling due after more than one year	14.		(5,164,378)		(5,379,664)
			<u>3,084,573</u>		<u>2,865,211</u>
<b>NET ASSETS</b>					
<b>CAPITAL AND RESERVES</b>					
Share Capital	16.		33		72
Designated Reserves	17.(a)		2,014,283		1,995,692
Revenue Reserves	17.(b)		1,070,257		869,447
			<u>3,084,573</u>		<u>2,865,211</u>

The Financial Statements were approved by the Committee of Management and signed on their behalf on

09 August 2010

  
Chairperson

  
Committee Member

  
Secretary

MUIRHOUSE HOUSING ASSOCIATION LTD

CASH FLOW STATEMENT FOR THE YEAR ENDED  
31st MARCH 2010

	Notes	2010 £	2009 £
<b>Net Cash Inflow from Operating Activities</b>	15.	648,076	724,817
<b>Returns on Investment and Servicing of Finance</b>			
Interest Received		49,449	89,857
Interest Paid		(243,288)	(328,838)
<b>Net Cash (Outflow) from Investment and Servicing of Finance</b>		(193,839)	(238,981)
<b>Taxation</b>			
Corporation Tax Paid		(118,549)	(106,657)
<b>Net Cash (Outflow) from Taxation</b>		(118,549)	(106,657)
<b>Capital Expenditure and Financial Investment</b>			
Acquisition and Construction of Properties		-	(211,656)
Purchase of Other Fixed Assets		(311)	(7,250)
Other Grants Received		10,295	3,798
<b>Net Cash Inflow/ (Outflow) from Capital Expenditure and Financial Investment</b>		9,984	(215,108)
<b>Net Cash Inflow before use of Liquid Resources and Financing</b>		345,672	164,071
<b>Financing</b>			
Loan Principal Repayments		(202,731)	(161,711)
Share Capital Issued		-	3
<b>Net Cash (Outflow) from Financing</b>		(202,731)	(161,708)
<b>Increase in Cash</b>	15.	<u>142,941</u>	<u>2,363</u>

# MUIRHOUSE HOUSING ASSOCIATION LTD

---

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2010

### 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 2008, and on the historical cost basis. They also comply with the Registered Social Landlords Accounting Requirements (Scotland) Order 2007. A summary of the more important accounting policies is set out below.

##### **Turnover**

Turnover represents rental and service charge income receivable, fees receivable and revenue grants receivable.

##### **Retirement Benefits**

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

##### **Valuation Of Housing Properties**

Housing Properties are stated at cost, less social housing and other public grants and less accumulated depreciation. Depreciation is charged on a straight line basis over the expected economic useful lives of the properties at an annual rate of 2%. Land is not depreciated. Housing Properties are reviewed for impairment if events or circumstances indicate that the carrying value is higher than the recoverable amount.

##### **Depreciation And Impairment Of Other Fixed Assets**

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

Office Premises	- Over 50 years
Furniture and Fittings	- Over 5 years
Computer Equipment	- Over 5 years
Office Equipment	- Over 3 years

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 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.

# MUIRHOUSE HOUSING ASSOCIATION LTD

---

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2010

### NOTES TO THE FINANCIAL STATEMENTS (Continued)

#### 1 PRINCIPAL ACCOUNTING POLICIES (Continued.)

##### 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

The Association is due to pay Corporation Tax on all its surpluses up to 28 October 2009 when it became a charity.

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

##### Capitalisation Of Development Overheads

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 designated part of its reserves to meet its long term obligations.

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

The Major Repairs Reserve is based on the Association's liability to maintain housing properties in a state of repair which at least maintains their residual values in prices prevailing at the time of acquisition and construction.

# MUIRHOUSE HOUSING ASSOCIATION LTD

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2010

### NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

	Notes	2010			2009		
		Turnover £	Operating Costs £	Operating Surplus / (Deficit) £	Turnover £	Operating Costs £	Operating Surplus / (Deficit) £
Social Lettings	3.	1,558,533	1,095,705	462,828	1,467,785	883,314	584,471
Other Activities	4.	99,885	93,569	6,316	8,027	-	8,027
<b>Total</b>		<b>1,658,418</b>	<b>1,189,274</b>	<b>469,144</b>	<b>1,475,812</b>	<b>883,314</b>	<b>592,498</b>

#### 3. PARTICULARS OF INCOME & EXPENDITURE FROM SOCIAL LETTINGS

	General Needs Housing £	Supported Housing £	Shared ownership £	2010 Total £	2009 Total £
<b>Income from Lettings</b>					
Rent Receivable Net of Identifiable Service Charges	1,479,610	-	-	1,479,610	1,424,969
Service Charges Receivable	55,190	-	-	55,190	43,323
<b>Gross Rents Receivable</b>	<b>1,534,800</b>	<b>-</b>	<b>-</b>	<b>1,534,800</b>	<b>1,468,292</b>
Less: Rent losses from voids	116	-	-	116	507
<b>Net Rents Receivable</b>	<b>1,534,684</b>	<b>-</b>	<b>-</b>	<b>1,534,684</b>	<b>1,467,785</b>
Revenue Grants from Scottish Ministers	-	-	-	-	-
Revenue Grants From Local Authorities and Other Agencies	23,849	-	-	23,849	-
<b>Total Income From Social Letting</b>	<b>1,558,533</b>	<b>-</b>	<b>-</b>	<b>1,558,533</b>	<b>1,467,785</b>
<b>Expenditure on Social Letting Activities</b>					
Management and maintenance administration costs	482,860	-	-	482,860	450,525
Reactive Maintenance	225,172	-	-	225,172	188,077
Bad Debts - Rents and Service Charges	14,270	-	-	14,270	2,543
Planned and Cyclical Maintenance, including Major Repairs	229,452	-	-	229,452	98,256
Depreciation of Social Housing	143,951	-	-	143,951	143,913
<b>Operating Costs of Social Letting</b>	<b>1,095,705</b>	<b>-</b>	<b>-</b>	<b>1,095,705</b>	<b>883,314</b>
<b>Operating Surplus on Social Letting Activities</b>	<b>462,828</b>	<b>-</b>	<b>-</b>	<b>462,828</b>	<b>584,471</b>
<b>2009</b>	<b>584,471</b>	<b>-</b>	<b>-</b>	<b>584,471</b>	<b>584,471</b>

**MUIRHOUSE HOUSING ASSOCIATION LTD**

**FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2010**

**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 Debts	Operating Costs Other	Operating Surplus / (Deficit) 2010	Operating Surplus / (Deficit) 2009
	£	£	£	£	£	£	£	£	£
Wider Role Activities	93,568	-	-	-	93,568	-	93,569	(1)	-
Other Activities	-	-	-	6,317	6,317	-	-	6,317	8,027
<b>Total From Other Activities</b>	<b>93,568</b>	<b>-</b>	<b>-</b>	<b>6,317</b>	<b>99,885</b>	<b>-</b>	<b>93,569</b>	<b>6,316</b>	<b>8,027</b>
<b>2009</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>8,027</b>	<b>8,027</b>	<b>-</b>	<b>-</b>	<b>8,027</b>	<b>-</b>

# MUIRHOUSE HOUSING ASSOCIATION LTD

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2010

### 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

2010  
£                      2009  
£

No Officer of the Association received emoluments greater than £60,000.

Emoluments payable to Chief Executive (excluding pension contributions)                      51,226                      48,696

#### 6. EMPLOYEE INFORMATION

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

2010                      2009  
No.                      No.  
6                      6

Staff Costs were:

Wages and Salaries	£ 192,344	£ 184,993
Social Security Costs	15,236	14,458
Other Pension Costs	25,450	24,464
Temporary, Agency and Seconded Staff	17,559	15,818
	<u>250,589</u>	<u>239,733</u>



**MUIRHOUSE HOUSING ASSOCIATION LTD**

**FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2010**

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**7. INTEREST PAYABLE**

	2010	2009
	£	£
On Bank Loans & Overdrafts	241,562	339,561

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

	2010	2009
	£	£
Surplus on Ordinary Activities before Taxation is stated after charging:-		
Depreciation - Tangible Owned Fixed Assets	150,663	159,192
Auditors' Remuneration - Audit Services	5,258	5,146
- Other Services	1,575	1,541

**9. TAX ON SURPLUS ON ORDINARY ACTIVITIES**

	2010	2009
	£	£
<b>(i) Analysis of Charge In Year</b>		
Current Tax:		
UK Corporation Tax on surplus for the year	48,931	125,037
Adjustments in respect of previous years	(6,488)	-
<b>Total Current Tax (Note 9(ii))</b>	<b>42,443</b>	<b>125,037</b>

**(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. (28%). The differences are explained below:

Surplus on ordinary activities before tax	261,844	338,785
Surplus on ordinary activities multiplied by standard rate of Corporation Tax in the U.K. of 21%(2009:28%)	54,987	94,860
Effects of:		
Charitable income not chargeable to tax	(23,502)	-
Capitalised interest deductible for tax purposes	-	-
Under/ (Over) Provision in previous years	(6,488)	-
Expenses not deductible for tax purposes	19,043	5,953
Adjustment due to change in Corporation Tax rate	-	(17,352)
Capital Allowances in excess of Depreciation	(1,597)	41,576
Utilisation of tax losses	-	-
<b>Current tax charge for period (Note 9(i))</b>	<b>42,443</b>	<b>125,037</b>

The Association is a Registered Scottish Charity and from 28 October 2009 is not liable to United Kingdom Corporation Tax on its charitable activities.

# MUIRHOUSE HOUSING ASSOCIATION LTD

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2010

### NOTES TO THE FINANCIAL STATEMENTS (Continued)

#### 10. TANGIBLE FIXED ASSETS

a) Housing Properties	Housing Properties Held for Letting £	Total £
<b>COST</b>		
As at 1st April 2009	24,760,266	24,760,266
Additions	-	-
Disposals	-	-
Schemes Completed	-	-
As at 31st March 2010	<u>24,760,266</u>	<u>24,760,266</u>
<b>DEPRECIATION</b>		
As at 1st April 2009	1,213,338	1,213,338
Charge for Year	143,951	143,951
Disposals	-	-
As at 31st March 2010	<u>1,357,289</u>	<u>1,357,289</u>
<b>SOCIAL HOUSING GRANT</b>		
As at 1st April 2009	17,036,213	17,036,213
Additions	-	-
Disposals	-	-
Schemes Completed	-	-
As at 31st March 2010	<u>17,036,213</u>	<u>17,036,213</u>
<b>NET BOOK VALUE</b>		
As at 31st March 2010	<u>6,366,764</u>	<u>6,366,764</u>
As at 31st March 2009	<u>6,510,715</u>	<u>6,510,715</u>

All land and housing properties are freehold.

**MUIRHOUSE HOUSING ASSOCIATION LTD**

**FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2010**

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**10. TANGIBLE FIXED ASSETS (Continued)**

b) Other Tangible Assets	Computer Equipment £	Office Premises £	Furniture & Equipment £	Total £
<b>COST</b>				
As at 1st April 2009	45,404	130,761	19,565	195,730
Additions	-	-	311	311
Eliminated on Disposals	-	-	(1,057)	(1,057)
As at 31st March 2010	<u>45,404</u>	<u>130,761</u>	<u>18,819</u>	<u>194,984</u>
<b>AGGREGATE DEPRECIATION</b>				
As at 1st April 2009	40,569	20,990	16,211	77,770
Charge for year	2,417	2,347	1,948	6,712
Eliminated on disposal	-	-	(1,057)	(1,057)
As at 31st March 2010	<u>42,986</u>	<u>23,337</u>	<u>17,102</u>	<u>83,425</u>
<b>NET BOOK VALUE</b>				
As at 31st March 2010	<u>2,418</u>	<u>107,424</u>	<u>1,717</u>	<u>111,559</u>
As at 31st March 2009	<u>4,835</u>	<u>109,771</u>	<u>3,354</u>	<u>117,960</u>

**11. COMMITMENTS UNDER OPERATING LEASES**

At the year end, the annual commitments under operating leases were as follows:-	2010 £	2009 £
Other		
Expiring within one year	79	178
Expiring between two and five years	<u>-</u>	<u>928</u>

# MUIRHOUSE HOUSING ASSOCIATION LTD

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2010

### NOTES TO THE FINANCIAL STATEMENTS (Continued)

#### 12. DEBTORS

	2010	2009
	£	£
Arrears of Rent & Service Charges	64,778	51,771
Less: Provision for Doubtful Debts	<u>(20,416)</u>	<u>(8,956)</u>
	44,362	42,815
Other Debtors	<u>16,705</u>	<u>46,407</u>
	<u>61,067</u>	<u>89,222</u>

#### 13. CREDITORS: Amounts falling due within one year

	2010	2009
	£	£
Bank Overdrafts (secured)	28,591	-
Housing Loans	161,257	148,702
Trade Creditors	56,534	34,466
Rent in Advance	17,968	19,553
Corporation Tax	48,931	125,037
Other Taxation and Social Security	2,811	5,064
Other Creditors	12,899	7,784
Accruals and Deferred Income	<u>19,050</u>	<u>18,486</u>
	<u>348,041</u>	<u>359,092</u>

At the balance sheet date there were pension contributions outstanding of £3,753 (2009 £3,084)

#### 14. CREDITORS: Amounts falling due after more than one year

	2010	2009
	£	£
Housing Loans	<u>5,164,378</u>	<u>5,379,664</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	161,257	148,702
Between one and two years	171,436	158,083
Between two and five years	582,686	537,328
In five years or more	<u>4,410,256</u>	<u>4,684,253</u>
	5,325,635	5,528,366
Less: Amount shown in Current Liabilities	<u>161,257</u>	<u>148,702</u>
	<u>5,164,378</u>	<u>5,379,664</u>

MUIRHOUSE HOUSING ASSOCIATION LTD

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2010

NOTES TO THE FINANCIAL STATEMENTS (Continued)

15. CASH FLOW STATEMENT

<i>Reconciliation of operating surplus to net cash inflow from operating activities</i>	2010 £	2009 £
Operating Surplus	469,144	592,498
Depreciation	150,663	159,192
Change in Debtors	2,673	(602)
Change in Creditors	25,635	(26,271)
Share Capital Written Off	(39)	-
Net Cash Inflow from Operating Activities	<u>648,076</u>	<u>724,817</u>

<i>Reconciliation of net cash flow to movement in net debt</i>	2010 £	£	2009 £	£
Increase in Cash	142,941		2,363	
Cash flow from change in debt	<u>202,731</u>		<u>161,711</u>	
Movement in net debt during year		345,672		164,074
Net debt at 1st April 2009		<u>(3,642,296)</u>		<u>(3,806,370)</u>
Net debt at 31st March 2010		<u>(3,296,624)</u>		<u>(3,642,296)</u>

<i>Analysis of changes in net debt</i>	At 01.04.09 £	Cash Flows £	Other Changes £	At 31.03.10 £
Cash at bank and in hand	1,886,070	171,532		2,057,602
Bank Overdrafts	-	<u>(28,591)</u>		<u>(28,591)</u>
	1,886,070	142,941		2,029,011
Debt: Due within one year	(148,702)	(12,555)		(161,257)
Due after more than one year	<u>(5,379,664)</u>	<u>215,286</u>		<u>(5,164,378)</u>
Net Debt	<u>(3,642,296)</u>	<u>345,672</u>	<u>-</u>	<u>(3,296,624)</u>

# MUIRHOUSE HOUSING ASSOCIATION LTD

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2010

### NOTES TO THE FINANCIAL STATEMENTS (Continued)

#### 16. SHARE CAPITAL

Shares of £1 each Issued and Fully Paid	£
At 1st April 2009	72
Issued in year	-
Cancelled in year	<u>(39)</u>
At 31st March 2010	<u>33</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.

#### 17. RESERVES

(a) Designated Reserves	Cyclical Maintenance £	Major Repairs £	Total £
At 1st April 2009	78,075	1,917,617	1,995,692
Transfer to / (from) Revenue Reserves	-	<u>18,591</u>	<u>18,591</u>
At 31st March 2010	<u>78,075</u>	<u>1,936,208</u>	<u>2,014,283</u>

(b) Revenue Reserves	Total £
At 1st April 2009	869,447
Surplus for the Year	219,401
Transfer (to) / from Designated Reserves	<u>(18,591)</u>
At 31st March 2010	<u>1,070,257</u>

#### 18. HOUSING STOCK

The number of units of accommodation in management at the year end was:-	2010 No.	2009 No.
General Needs - New Build	391	391
- Rehabilitation	55	55
	<u>446</u>	<u>446</u>

## MUIRHOUSE HOUSING ASSOCIATION LTD

---

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2010

NOTES TO THE FINANCIAL STATEMENTS (Continued)

### 19. RELATED PARTY TRANSACTIONS

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

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

4 members are tenants of the Association

1 member is employed by a local Housing Association which the Association has transactions with.

Those members that are tenants of the Association have tenancies that are on the Association'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 Association 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.

The following transactions took place during the year between the Association and its related parties:

Stephanie Harper, a member of the Management Committee works for Dunedin Canmore who provided Finance Agency Services and Energy Performance Certificates in the year amounting to £6,110 (2009 - £1,818).

## MUIRHOUSE HOUSING ASSOCIATION LTD

---

### FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2010

#### NOTES TO THE FINANCIAL STATEMENTS (Continued)

#### 20. RETIREMENT BENEFIT OBLIGATIONS

##### General

Muirhouse Housing Association Ltd participates in the SFHA Pension Scheme.

The SFHA Pension Scheme is a multi-employer defined benefit scheme. The Scheme is funded and is contracted out of the state scheme

The Scheme offers three benefit structures to employers, namely:

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

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

Muirhouse Housing Association Ltd has elected to operate the final salary with a 1/60th accrual rate benefit structure for active members as at 31 March 2008 and the final salary with a 1/60th accrual rate benefit structure for new entrants from 1 April 2008.

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

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

During the accounting period Muirhouse Housing Association Ltd paid contributions at the rate of 15.4% of pensionable salaries. Member contributions were 7.7%.

As at the balance sheet date there were 7 active members of the Scheme employed by Muirhouse Housing Association Ltd. The annual pensionable payroll in respect of these members was £192,344. Muirhouse Housing Association Ltd continues to offer membership of the Scheme to its employees.

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

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



## MUIRHOUSE HOUSING ASSOCIATION LTD

### FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2010

#### NOTES TO THE FINANCIAL STATEMENTS (Continued)

#### 20. RETIREMENT BENEFIT OBLIGATIONS (Continued)

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%. Annual funding updates of the SFHA Pension Scheme are carried out using approximate actuarial techniques rather than member by member calculations, and will therefore not produce the same results as a full actuarial valuation. However they will provide a good indication of the financial

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

#### Financial Assumptions

The financial assumptions underlying the valuation as at 30 September 2006 were as follows:

	% 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	2.25
(for leavers before 1 October 1993 pension increases are 5.0%)	
- Rate of price inflation	2.6

The valuation was carried out using the PA92C2025 short cohort mortality table for non-pensioners and PA92C2013 short cohort mortality table for pensioners. The 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	21.6	24.4
Pensioners	20.7	23.6

# MUIRHOUSE HOUSING ASSOCIATION LTD

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2010

### NOTES TO THE FINANCIAL STATEMENTS (Continued)

#### 20. 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	17.8
Career average 60ths	14.6
Career average 70ths	12.6

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

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

<i>Benefit Structure</i>	<i>Joint contribution rate (% of pensionable salaries)</i>
Final salary 60ths	23.1% comprising employer contributions of 15.4% and member contributions of 7.7%
Career average 60ths	19.9% comprising employer contributions of 13.3% and member contributions of 6.6%
Career average 70ths	17.9% comprising employer contributions of 11.9% and member contributions of 6.0%

## MUIRHOUSE HOUSING ASSOCIATION LTD

---

### FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2010

#### NOTES TO THE FINANCIAL STATEMENTS (Continued)

#### 20. RETIREMENT BENEFIT OBLIGATIONS (Continued)

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

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

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

The current triennial valuation, as at 30 September 2009, is being undertaken by a professionally qualified actuary. The provisional results of this valuation were issued by the SFHA Pension Scheme in May 2010. These figures show that the deficit on the scheme has increased from £53.6 million to £160 million. The funding level of liabilities, based on these figures, would be 64.8% (2006 - 83.4%).

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

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.

## MUIRHOUSE HOUSING ASSOCIATION LTD

---

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2010

NOTES TO THE FINANCIAL STATEMENTS (Continued)

### 20. RETIREMENT BENEFIT OBLIGATIONS

#### Growth Plan

Muirhouse Housing Association Ltd participates in the Pension Trust's Growth Plan.

Contributions paid into the Growth Plan up to and including September 2001 were converted to defined amounts of pension payable from Normal Retirement Date. From October 2001 contributions were invested in personal funds which have a capital guarantee and which are converted to pension on retirement, either within the Growth Plan or by the purchase of an annuity.

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

The Trustee commissions an actuarial valuation of the Growth Plan every 3 years. The purpose of the actuarial valuation is to determine the financial position of the Plan by comparing the assets with the past service liabilities as at the valuation date. Asset values are calculated by reference to market levels. Accrued past service liabilities are valued by discounting expected future benefit payments using a discount rate calculated by reference to the expected future investment returns.

The rules of the Growth Plan allow for the declaration of bonuses and/or investment credits if this is within the financial capacity of the Plan assessed on a prudent basis. Bonuses/investments credits are not guaranteed and are declared at the discretion of the Plan's Trustee.

If the actuarial valuation reveals a deficit, the Trustee will agree a recovery plan to eliminate the deficit over a specified period of time either by way of additional contributions from employers, investment returns or a combination of these.

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

Muirhouse Housing Association Ltd paid contributions of £nil during the accounting period. Members paid contributions of £240 during the accounting period.

As at the Balance Sheet date there was active member(s) of the Plan employed by Muirhouse Housing Association Ltd. Muirhouse Housing Association Ltd continues to offer membership of the plan to its employees.

It is not possible in the normal course of events to identify on a reasonable and consistent basis the share of underlying assets and liabilities belonging to individual participating employers. Accordingly, due to the nature of the Plan, the accounting charge for the period under FRS17 represents the employer contribution payable.

The last formal valuation of the Scheme was performed as at 30 September 2005 by a professionally qualified actuary using the Projected Unit Method. The market value of the Scheme's assets at the valuation date was £675 million and the Plan's Technical Provisions (i.e. past service liabilities) were £704 million. The valuation therefore revealed a shortfall of assets compared with the value of liabilities of £29 million, equivalent to a past service funding level of 96%

# MUIRHOUSE HOUSING ASSOCIATION LTD

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2010

### NOTES TO THE FINANCIAL STATEMENTS (Continued)

#### 20. RETIREMENT BENEFIT OBLIGATIONS

##### Growth Plan (Contd.)

The Scheme Actuary has prepared an Actuarial Report that provides an approximate update on the funding position of the Plan as at 30 September 2007. 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 £807 million and indicated a surplus of assets compared to liabilities of approximately £40 million, equivalent to a funding level of 105.2%. Annual funding updates of the Growth Plan are carried out using approximate actuarial techniques rather than member by member calculations, and will therefore not produce the same results as a full actuarial valuation. However, they will provide a good indication of the financial progress of the Plan since the last full valuation.

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

##### Financial Assumptions

The financial assumptions underlying the valuation as at 30 September 2005 were as follows:

	% p.a.
Investment return pre retirement	6.6
Investment return post retirement	4.5
Bonuses on accrued benefits	0.0
Rate of price inflation	2.5

In determining the investment return assumptions the Trustee considered advice from the Scheme Actuary relating to the probability of achieving particular levels of investment return. The Trustee has incorporated an element of prudence into the pre and post retirement investment return assumptions; such that there is a 60% expectation that the return will be in excess of that assumed and a 40% chance that the return will be lower than that assumed over the next 10 years.

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

In view of the small funding deficit and the level of prudence implicit in the assumptions used to calculate the Plan liabilities the Trustee has prepared a recovery plan on the basis that no additional contributions from participating employers are required at this point in time. In reaching this decision the Trustee has taken actuarial advice and has been advised that the shortfall of £29 million will be cleared within 5 years if the investment returns from assets are in line with the "best estimate" assumptions. "Best estimate" means that there is a 50% expectation that the return will be in excess of that assumed and a 50% expectation that the return will be lower than that assumed over the next 10 years. These "best estimate" assumptions are 7.6% per annum pre retirement and 4.8% per annum post retirement.

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

## MUIRHOUSE HOUSING ASSOCIATION LTD

---

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2010

NOTES TO THE FINANCIAL STATEMENTS (Continued)

### 20. RETIREMENT BENEFIT OBLIGATIONS

#### Growth Plan (Continued)

The Regulator has reviewed the recovery plan for the Growth Plan and confirmed that, in respect of the September 2005 actuarial valuation, it does not propose to issue any scheme funding directions under Part 3 of the Pensions Act 2004.

The next full actuarial valuation will be carried out as at 30 September 2008.

Following a change in legislation in September 2005 there is a potential debt on the employer that could be levied by the Trustee of the Plan. The Trustee's current policy is that it only applies to employers with pre October 2001 liabilities in the Plan. The debt is due in the event of the employer ceasing to participate in the Plan or the Plan winding up.

The debt for the Plan as a whole is calculated by comparing the liabilities for the Plan (calculated on a 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 Plan. If the liabilities exceed assets there is a buy-out debt.

The leaving employer's share of the buy-out debt is the proportion of the Plan's pre October 2001 liability attributable to employment with the leaving employer compared to the total amount of the Plan's pre October 2001 liabilities (relating to employment with all the currently participating employers). The leaving employer's debt therefore includes a share of any "orphan" liabilities in respect of previously participating employers. The amount of the debt therefore depends on many factors including total Plan liabilities, Plan investment performance, the liabilities in respect of current and former employees of the employer, financial conditions at the time of the cessation event and the insurance buy-out market. The amounts of debt can therefore be volatile over time.