

**Muirhouse Housing Association Ltd**

**Report and Financial Statements**

**For the year ended 31st March 2011**

**Registered Housing Association No.HAL261**

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

**Scottish Charity No. SC040979**

# MUIRHOUSE HOUSING ASSOCIATION LTD

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**MUIRHOUSE HOUSING ASSOCIATION LTD**

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**COMMITTEE OF MANAGEMENT, EXECUTIVES AND ADVISERS  
YEAR ENDED 31st MARCH 2011**

**COMMITTEE OF MANAGEMENT**

Roy Douglas	Chairperson
Eileen Carr	Secretary
Linda Gorman	
Blair Welsh	
Graeme Wilson	Resigned 8 September 2010
Rhona Laing	Resigned 15 March 2011
Jacqueline Brash	
John Davidson	Resigned 8 September 2010
Michael Woods	
Alice Wood	Appointed 14 March 2011
Rhona Cameron	Appointed 11 April 2011

**EXECUTIVE OFFICERS**

Brenda Tonner	Director
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**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  
EH 2 2JG

## MUIRHOUSE HOUSING ASSOCIATION LTD

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### REPORT OF THE COMMITTEE OF MANAGEMENT FOR THE YEAR ENDED 31ST MARCH 2011

The Committee of Management presents its report and the Financial Statements for the year ended 31st March 2011.

#### 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.

#### Principal Activities

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

#### Review of Business and Future Developments

At 31<sup>st</sup> March 2011 the association owned and managed 446 units. The Association had no development activity in the year.

The Association aims to continue its role in assisting the community and the Council to complete the regeneration of the area. The Association is included in planning meetings to develop proposals for 700 mixed tenure units in the area. At present these units are to be provided by the Council, however they have intimated that they may consider limited joint development.

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 2011/12 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. The recent funding changes mean that the Council no longer recognises preferred partners for development funding. However the success of the sharing of good practice and joint exercises between the 8 associations will be retained, and options are already being discussed to consider a city wide association group.

In 2009/10 and 2010/11 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. Early in 2010/11 Muirhouse Housing Association decided that it was not interested in pursuing merger discussions, but remained interested in joint working. A Tenant Satisfaction Survey was jointly commissioned.

The Association continued to develop opportunities for partnership work which would benefit Tenant and community participation. A number of events were jointly organised with the association, Community, Learning and Development staff and local agencies. The association funded a community survey, the results of which will help identify potential wider role projects.

Staff training and development is a continued focus of the association. During the year all Housing Management staff attended a series of 6 law sessions, and all staff benefited from IT training. 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

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### REPORT OF THE COMMITTEE OF MANAGEMENT FOR THE YEAR ENDED 31ST MARCH 2011

#### 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

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### REPORT OF THE COMMITTEE OF MANAGEMENT FOR THE YEAR ENDED 31ST MARCH 2011

#### 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 and internal auditors to provide reasonable assurance that control procedures are in place and are being followed and that a general review of the major risks facing the Association is undertaken;
- formal procedures have been established for instituting appropriate action to correct any weaknesses identified through internal or 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

08 August 2011

MUIRHOUSE HOUSING ASSOCIATION LTD

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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  
08 August 2011

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

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We have audited the financial statements of Muirhouse Housing Association Ltd for the year ended 31st March 2011 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). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

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 on the financial statements**

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 2011 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.

### **Matters on which we are required to report by exception**

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

- adequate accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records; or



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

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

- certain disclosures of Committee of Management's remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in respect of these matters.



**ALEXANDER SLOAN**  
Chartered Accountants  
Statutory Auditors  
GLASGOW  
08 August 2011

MUIRHOUSE HOUSING ASSOCIATION LTD

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INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED 31st MARCH 2011

	Notes	2011 £	2010 £
<b>TURNOVER</b>	2.	1,696,538	1,658,418
Operating Costs	2.	<u>(1,339,049)</u>	<u>(1,189,274)</u>
<b>OPERATING SURPLUS</b>	8.	357,489	469,144
Interest Receivable and Other Income		24,168	34,262
Interest Payable and Similar Charges	7.	<u>(207,335)</u>	<u>(241,562)</u>
		<u>(183,167)</u>	<u>(207,300)</u>
<b>SURPLUS ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		174,322	261,844
Tax on surplus on ordinary activities	9.	<u>(5,785)</u>	<u>(42,443)</u>
<b>SURPLUS ON ORDINARY ACTIVITIES AFTER TAXATION</b>		<u>168,537</u>	<u>219,401</u>

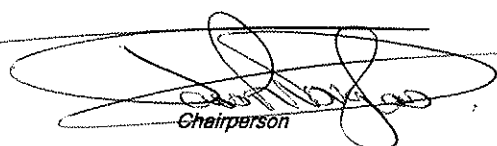
All amounts relate to continuing activities. All recognised surpluses and deficits have been included in the Income & Expenditure Account. Historical cost surpluses and deficits are identical to those shown in the accounts.

MUIRHOUSE HOUSING ASSOCIATION LTD

BALANCE SHEET AS AT 31st MARCH 2011

	Notes	£	2011 £	£	2010 £
<b>TANGIBLE FIXED ASSETS</b>					
Housing Properties - Depreciated Cost	10.(a)		23,259,057		23,402,977
Less: Social Housing Grant	10.(a)		(17,036,213)		(17,036,213)
			<u>6,222,844</u>		<u>6,366,764</u>
Other fixed assets	10.(b)		109,578		111,559
			<u>6,332,422</u>		<u>6,478,323</u>
<b>CURRENT ASSETS</b>					
Debtors	12.	66,624		61,067	
Cash at bank and in hand		<u>2,109,811</u>		<u>2,057,602</u>	
		2,176,435		2,118,669	
<b>CREDITORS: Amounts falling due within one year</b>	13.	<u>(316,546)</u>		<u>(348,041)</u>	
<b>NET CURRENT ASSETS</b>			<u>1,859,889</u>		<u>1,770,628</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			<u>8,192,311</u>		<u>8,248,951</u>
<b>CREDITORS: Amounts falling due after more than one year</b>	14.		<u>(4,939,202)</u>		<u>(5,164,378)</u>
<b>NET ASSETS</b>			<u>3,253,109</u>		<u>3,084,573</u>
<b>CAPITAL AND RESERVES</b>					
Share Capital	16.		32		33
Designated Reserves	17.(a)		1,880,619		2,014,283
Revenue Reserves	17.(b)		<u>1,372,458</u>		<u>1,070,257</u>
			<u>3,253,109</u>		<u>3,084,573</u>

The Financial Statements were approved by the Committee of Management and signed on their behalf on 08 August 2011.

  
Chairperson

  
Committee Member

  
Secretary

MUIRHOUSE HOUSING ASSOCIATION LTD

CASH FLOW STATEMENT FOR THE YEAR ENDED  
31st MARCH 2011

	Notes	2011 £	2010 £
Net Cash Inflow from Operating Activities	15.	529,717	648,076
Returns on Investment and Servicing of Finance			
Interest Received		26,851	49,449
Interest Paid		(213,325)	(243,288)
Net Cash Outflow from Investment and Servicing of Finance		(186,474)	(193,839)
Taxation			
Corporation Tax Paid		(54,716)	(118,549)
Net Cash Outflow from Taxation		(54,716)	(118,549)
Capital Expenditure and Financial Investment			
Purchase of Other Fixed Assets		(6,471)	(311)
Other Grants Received		-	10,295
Net Cash (Outflow) / Inflow from Capital Expenditure and Financial Investment		(6,471)	9,984
Net Cash Inflow before use of Liquid Resources and Financing		282,056	345,672
Financing			
Loan Principal Repayments		(201,256)	(202,731)
Net Cash Outflow from Financing		(201,256)	(202,731)
Increase in Cash	15.	80,800	142,941

# MUIRHOUSE HOUSING ASSOCIATION LTD

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## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2011

### 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 Scottish Housing Associations' 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

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## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2011

### 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.

##### **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 2011

### NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

	Notes	2011			2010		
		Turnover £	Operating Costs £	Operating Surplus / (Deficit) £	Turnover £	Operating Costs £	Operating Surplus / (Deficit) £
Social Lettings	3.	1,602,609	1,248,796	353,813	1,558,533	1,095,705	462,828
Other Activities	4.	93,929	90,253	3,676	99,885	93,569	6,316
<b>Total</b>		<b>1,696,538</b>	<b>1,339,049</b>	<b>357,489</b>	<b>1,658,418</b>	<b>1,189,274</b>	<b>469,144</b>

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

	General			2011 Total £	2010 Total £
	Needs Housing £	Supported Housing £	Shared ownership £		
<b>Income from Lettings</b>					
Rent Receivable Net of Identifiable Service Charges	1,516,903	-	-	1,516,903	1,479,610
Service Charges Receivable	56,333	-	-	56,333	55,190
<b>Gross Rents Receivable</b>	<b>1,573,236</b>	<b>-</b>	<b>-</b>	<b>1,573,236</b>	<b>1,534,800</b>
Less: Rent losses from voids	491	-	-	491	116
<b>Net Rents Receivable</b>	<b>1,572,745</b>	<b>-</b>	<b>-</b>	<b>1,572,745</b>	<b>1,534,684</b>
Revenue Grants from Scottish Ministers	-	-	-	-	-
Revenue Grants From Local Authorities and Other Agencies	29,864	-	-	29,864	23,849
<b>Total Income From Social Letting</b>	<b>1,602,609</b>	<b>-</b>	<b>-</b>	<b>1,602,609</b>	<b>1,558,533</b>
<b>Expenditure on Social Letting Activities</b>					
Management and maintenance administration costs	531,166	-	-	531,166	482,860
Reactive Maintenance	190,379	-	-	190,379	225,172
Bad Debts - Rents and Service Charges	1,849	-	-	1,849	14,270
Planned and Cyclical Maintenance, including Major Repairs	381,482	-	-	381,482	229,452
Depreciation of Social Housing	143,920	-	-	143,920	143,951
<b>Operating Costs of Social Letting</b>	<b>1,248,796</b>	<b>-</b>	<b>-</b>	<b>1,248,796</b>	<b>1,095,705</b>
<b>Operating Surplus on Social Letting Activities</b>	<b>353,813</b>	<b>-</b>	<b>-</b>	<b>353,813</b>	<b>462,828</b>
2010				462,828	

MUIRHOUSE HOUSING ASSOCIATION LTD

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2011

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

	Grants From Scottish Ministers	Other Revenue Grants	Supporting People Income	Other Income	Total Turnover	Operating Costs Bad Debts	Operating Costs Other	Operating Surplus / (Deficit) 2011	Operating Surplus / (Deficit) 2010
	£	£	£	£	£	£	£	£	£
Wider Role Activities	90,000	-	-	-	90,000	-	90,000	-	(1)
Other Activities	3,929	-	-	-	3,929	-	253	3,676	6,317
<b>Total From Other Activities</b>	<b>93,929</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>93,929</b>	<b>-</b>	<b>90,253</b>	<b>3,676</b>	<b>6,316</b>
<b>2010</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>-</b>



## MUIRHOUSE HOUSING ASSOCIATION LTD

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2011

NOTES TO THE FINANCIAL STATEMENTS (Continued)

### 5. OFFICERS' EMOLUMENTS

	2011	2010
The Officers are defined in s74 of the Industrial and Provident Societies Act 1965 as the members of the Management Committee, managers or servants of the Association.	£	£

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

Emoluments payable to Chief Executive (excluding pension contributions)	<u>54,095</u>	<u>51,226</u>
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### 6. EMPLOYEE INFORMATION

	2011	2010
	No.	No.
The average monthly number of full time equivalent persons employed during the year was	<u>7</u>	<u>6</u>

The average total number of Employees employed during the year was	<u>8</u>	<u>7</u>
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Staff Costs were:	£	£
Wages and Salaries	215,947	192,344
Social Security Costs	16,138	15,236
Other Pension Costs	30,796	25,450
Temporary, Agency and Seconded Staff	17,467	17,559
	<u>280,348</u>	<u>250,589</u>

# MUIRHOUSE HOUSING ASSOCIATION LTD

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2011

NOTES TO THE FINANCIAL STATEMENTS (Continued)

## 7. INTEREST PAYABLE

	2011	2010
	£	£
On Bank Loans & Overdrafts	<u>207,335</u>	<u>241,562</u>

## 8. SURPLUS ON ORDINARY ACTIVITIES BEFORE TAXATION

	2011	2010
	£	£
Surplus on Ordinary Activities before Taxation is stated after charging:-		
Depreciation - Tangible Owned Fixed Assets	152,119	150,663
Auditors' Remuneration - Audit Services	5,000	5,258
- Other Services	<u>1,650</u>	<u>1,575</u>

## 9. TAX ON SURPLUS ON ORDINARY ACTIVITIES

	2011	2010
	£	£
(i) Analysis of Charge in Year		
Current Tax:		
UK Corporation Tax on surplus on ordinary activities	-	48,931
Adjustments in respect of previous years	<u>5,785</u>	<u>(6,488)</u>
	<u>5,785</u>	<u>42,443</u>

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

# MUIRHOUSE HOUSING ASSOCIATION LTD

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2011

### 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 2010	24,760,266	24,760,266
Additions	-	-
Disposals	-	-
Schemes Completed	-	-
As at 31st March 2011	<u>24,760,266</u>	<u>24,760,266</u>
<b>DEPRECIATION</b>		
As at 1st April 2010	1,357,289	1,357,289
Charge for Year	143,920	143,920
Disposals	-	-
As at 31st March 2011	<u>1,501,209</u>	<u>1,501,209</u>
<b>SOCIAL HOUSING GRANT</b>		
As at 1st April 2010	17,036,213	17,036,213
Additions	-	-
Disposals	-	-
Schemes Completed	-	-
As at 31st March 2011	<u>17,036,213</u>	<u>17,036,213</u>
<b>NET BOOK VALUE</b>		
As at 31st March 2011	<u>6,222,844</u>	<u>6,222,844</u>
As at 31st March 2010	<u>6,366,764</u>	<u>6,366,764</u>

All land and housing properties are freehold.

# MUIRHOUSE HOUSING ASSOCIATION LTD

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2011

### 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 2010	45,404	130,761	18,819	194,984
Additions	6,471	-	-	6,471
Eliminated on Disposals	(8,111)	-	-	(8,111)
As at 31st March 2011	<u>43,764</u>	<u>130,761</u>	<u>18,819</u>	<u>193,344</u>
<b>AGGREGATE DEPRECIATION</b>				
As at 1st April 2010	42,986	23,337	17,102	83,425
Charge for year	4,321	2,347	1,531	8,199
Eliminated on disposal	(7,858)	-	-	(7,858)
As at 31st March 2011	<u>39,449</u>	<u>25,684</u>	<u>18,633</u>	<u>83,766</u>
<b>NET BOOK VALUE</b>				
As at 31st March 2011	<u>4,315</u>	<u>105,077</u>	<u>186</u>	<u>109,578</u>
As at 31st March 2010	<u>2,418</u>	<u>107,424</u>	<u>1,717</u>	<u>111,559</u>

#### 11. COMMITMENTS UNDER OPERATING LEASES

At the year end, the annual commitments under operating leases were as follows:-	2011 £	2010 £
<b>Other</b>		
Expiring within one year	-	79
Expiring between two and five years	<u>1,949</u>	<u>-</u>

# MUIRHOUSE HOUSING ASSOCIATION LTD

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2011

### NOTES TO THE FINANCIAL STATEMENTS (Continued)

#### 12. DEBTORS

	2011	2010
	£	£
Arrears of Rent & Service Charges	65,695	64,778
Less: Provision for Doubtful Debts	<u>(16,144)</u>	<u>(20,416)</u>
Other Debtors	49,551	44,362
	<u>17,073</u>	<u>16,705</u>
	<u>66,624</u>	<u>61,067</u>

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

	2011	2010
	£	£
Bank Overdrafts (secured)	-	28,591
Housing Loans	185,177	161,257
Trade Creditors	61,306	56,534
Rent in Advance	28,099	17,968
Corporation Tax	-	48,931
Other Taxation and Social Security	5,748	2,811
Other Creditors	15,813	12,899
Accruals and Deferred Income	<u>20,403</u>	<u>19,050</u>
	<u>316,546</u>	<u>348,041</u>

At the balance sheet date there were pension contributions outstanding of £nil (2010 £3,753)

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

	2011	2010
	£	£
Housing Loans	<u>4,939,202</u>	<u>5,164,378</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	185,177	161,257
Between one and two years	195,391	171,436
Between two and five years	653,840	582,686
In five years or more	<u>4,089,971</u>	<u>4,410,256</u>
	5,124,379	5,325,635
Less: Amount shown in Current Liabilities	<u>185,177</u>	<u>161,257</u>
	<u>4,939,202</u>	<u>5,164,378</u>

MUIRHOUSE HOUSING ASSOCIATION LTD

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2011

NOTES TO THE FINANCIAL STATEMENTS (Continued)

**15. CASH FLOW STATEMENT**

<i>Reconciliation of operating surplus to net cash inflow from operating activities</i>	2011 £	2010 £
Operating Surplus	357,489	469,144
Depreciation	152,119	150,663
Change in Debtors	(8,240)	2,673
Change in Creditors	28,097	25,635
Share Capital Written Off	(1)	(39)
Net Cash Inflow from Operating Activities	<u>529,717</u>	<u>648,076</u>

<i>Reconciliation of net cash flow to movement in net debt</i>	2011 £	£	2010 £	£
Increase in Cash	80,800		142,941	
Cash flow from change in debt	<u>201,256</u>		<u>202,731</u>	
Movement in net debt during year		282,056		345,672
Net debt at 1st April 2010		<u>(3,296,624)</u>		<u>(3,642,296)</u>
Net debt at 31st March 2011		<u><u>(3,014,568)</u></u>		<u><u>(3,296,624)</u></u>

<i>Analysis of changes in net debt</i>	At 01.04.10 £	Cash Flows £	Other Changes £	At 31.03.11 £
Cash at bank and in hand	2,057,602	52,209		2,109,811
Bank Overdrafts	(28,591)	28,591		-
	<u>2,029,011</u>	<u>80,800</u>		<u>2,109,811</u>
Debt: Due within one year	(161,257)	(23,920)		(185,177)
Due after more than one year	<u>(5,164,378)</u>	<u>225,176</u>		<u>(4,939,202)</u>
Net Debt	<u><u>(3,296,624)</u></u>	<u><u>282,056</u></u>	<u><u>-</u></u>	<u><u>(3,014,568)</u></u>

# MUIRHOUSE HOUSING ASSOCIATION LTD

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2011

### NOTES TO THE FINANCIAL STATEMENTS (Continued)

#### 16. SHARE CAPITAL

Shares of £1 each Issued and Fully Paid	£
At 1st April 2010	33
Issued in year	-
Cancelled in year	(1)
At 31st March 2011	<u>32</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 2010	78,075	1,936,208	2,014,283
Transfer to / (from) Revenue Reserves	(20,835)	(112,829)	(133,664)
At 31st March 2011	<u>57,240</u>	<u>1,823,379</u>	<u>1,880,619</u>

(b) Revenue Reserves	Total £
At 1st April 2010	1,070,257
Surplus for the year	168,537
Transfer (to) / from Designated Reserves	133,664
At 31st March 2011	<u>1,372,458</u>

#### 18. HOUSING STOCK

The number of units of accommodation in management at the year end was:-	2011 No.	2010 No.
General Needs - New Build	391	391
- Rehabilitation	55	55
	<u>446</u>	<u>446</u>

## MUIRHOUSE HOUSING ASSOCIATION LTD

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FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2011

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:

6 members are tenants of the Association

1 member is an employee of a relevant 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:

The Members of the Committee of Management receive a maximum of £15 per month each for internet access.



## MUIRHOUSE HOUSING ASSOCIATION LTD

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FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2011

NOTES TO THE FINANCIAL STATEMENTS (Continued)

### 20. RETIREMENT BENEFIT OBLIGATIONS

#### General

Muirhouse Housing Association Ltd participates in the Scottish Housing Association Pension Scheme (the scheme).

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

The Scheme offers five benefit structures to employers, namely:

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

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

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

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

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

During the accounting period 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 8 active members of the Scheme employed by Muirhouse Housing Association Ltd. The annual pensionable payroll in respect of these members was £215,497. 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 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.

## MUIRHOUSE HOUSING ASSOCIATION LTD

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2011

NOTES TO THE FINANCIAL STATEMENTS (Continued)

### 20. RETIREMENT BENEFIT OBLIGATIONS (Continued)

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

The Scheme Actuary has prepared an Actuarial Report that provides an approximate update on the funding position of the Scheme as at 30th September 2010. 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 £335 million and indicated an increase in the shortfall of assets compared to liabilities to approximately £162 million, equivalent to a past service funding level of 67.4%.

#### Financial Assumptions

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

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

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

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

## MUIRHOUSE HOUSING ASSOCIATION LTD

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2011

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	19.2
Career average 60ths	17.1
Career average 70ths	14.9
Career average 80ths	13.2
Career average 120ths	9.4

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

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

As a result of Pension Scheme legislation there is a potential debt on the employer that could be levied by the Trustee of the Scheme. The debt is due in the event of the employer ceasing to participate in the Scheme or the Scheme winding up.

The debt for the Scheme as a whole is calculated by comparing the liabilities for the Scheme (calculated on a buyout basis i.e. the cost of securing benefits by purchasing annuity policies from an insurer, plus an allowance for expenses) with the assets of the Scheme. If the liabilities exceed assets there is a buy-out debt.

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

## MUIRHOUSE HOUSING ASSOCIATION LTD

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FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2011

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

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 2011

### 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 30th 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 30th September 2005.

##### Financial Assumptions

The financial assumptions underlying the valuation as at 30th 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

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FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2011

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.