Trust

More than just a home

Accounts for the year ended

31 March 2010

THE SCOTTISH HOUSING REGULATOR
19084
- 1 OCT 2010
HIGHLANDER HOUSE

Trust Housing Association Limited is a Registered Scottish Charity No. SC009086

Registered by The Scottish Housing Regulator HEP 143

Registered under the Industrial and Provident Societies Acts 1965 to 2002 No. 1778R(S)

Trust

More than just a home

Trust Housing Association Limited
A Registered Scottish Charity

Accounts for the year ended 31 March 2010

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Trust Housing Association Limited
A Registered Scottish Charity

Board of Management and Directors as at 31 March 2010

Chair:	D F Blair FRICS
Vice-Chair:	P Russell FCCA

Board Members:

K Barton MA FICSA	W R Clarkson ACMI
W R Palmer MCInstM MIIM MiMgt FFB	J Dick OBE, BA, DMS
P Harper WS	J C Howie CPFA
J Sillars	
P Kinloch AMRSH	

Bill Irvine DPA (appointed from 3 September 2009)
Ed Ptolomey Msc Bsc (appointed from 3 September 2009)
Bill Nicolson (appointed from 3 September 2009)
L Ross MA (Hons) (co-opted from 18 March 2010)

Isle of Arran Homes Sub Committee Members:

Chair:	J Sillars	M Dee
Vice-Chair:	W R Palmer MCInstM MIIM MiMgt FFB	G Fulton
	S Alison	J C Howie CPFA
	T Barr	J Hunter
	D F Blair FRICS	E McMaster
	B Cameron	J Nichols
	A Adrian (appointed from 20 May 2009)	
	L Ross MA (Hons) (appointed from 10 September 2009)	

Directors:

R McDougall FCIH	Chief Executive and Company Secretary
G Veryan MCIH	Depute Chief Executive and Director of Customer Services
D A McIndoe MRICS	Director of Property and Development
J Marshall FMAAT, CPFA	Director of Financial Services
K Nicholson MA (Hons), DipPM	Director of Corporate Services

Company Secretary:
R McDougall FCIH

Auditors:
Mazars LLP, Chartered Accountants and Statutory Auditors, Donaldson House, 97 Haymarket Terrace, Edinburgh, EH12 5HD (External Auditor)
Baker Tilly, Chartered Accountants and Registered Auditors, 1st Floor, Quay 2, 139 Fountainbridge, Edinburgh EH3 9QG (Internal Auditor)

Bankers:
The Royal Bank of Scotland plc, 36 St Andrew Square, Edinburgh EH2 2YB
Unity Trust Bank, Nine Brindleyplace, Birmingham, B1 2HB

Solicitors:
Maclay Murray & Spens, 3 Glenfinlas Street, Edinburgh EH3 6AQ
T C Young, 7 West George Street, Glasgow G2 1BA

Registered under the Industrial and Provident Societies Act 1965 No. 1778R(S)
Registered by The Scottish Housing Regulator HEP 143
Trust Housing Association Limited is a Registered Scottish Charity No. SC009086
Registered Office: 12 New Mart Road, Edinburgh EH14 1RL

Board of Management Report

1. The Association

1.1 Background

Trust Housing Association (the Association, Trust Housing or Trust) was formed as a separate legal entity in 1973 out of a desire of members of the then Committee on Social Service of the Church of Scotland to provide sheltered housing for older people in Scotland.

Tenancy of the Association's properties is open to all regardless of creed and allocation is on the basis of housing, social, medical and other needs.

The Association is registered with the Financial Services Authority as a non-profit making company, is a registered charity under the Charity and Trustee Investment (Scotland) Act 2005 and is Registered by HM Revenue and Customs as having charitable status.

The Association is registered under Section 3 of the Housing Associations Act 1985 by The Scottish Housing Regulator.

1.2 Charitable Objects

The Association's mission is to provide quality homes and services that promote independent living. The future demographic increase forecast for the elderly population has created a situation in which housing service providers for older people have naturally and necessarily responded. These changes are both in terms of the physical provision and more importantly, in its management and related care services. The increasingly specialist nature of developing and managing housing and related services for older people calls for particular and special skills, expertise and experience.

The forms of provision required to meet today's needs can be grouped broadly into six categories:

(i) **Amenity Housing**, for the more active older person, is specially designed or adapted for ease of access and use and incorporates whole house heating and prescribed features such as grab rails and bathroom fixtures. It does not necessarily contain emergency alarm equipment although the Association now makes such provision and links the houses into a centralised alarm system.

(ii) **General Needs Housing,** is mainly available on the Isle of Arran.
As the name implies, general needs housing is family housing of varying designs and sizes.

(iii) **Sheltered Housing**, for the less active, more dependent and vulnerable older person meets the same basic design requirement as amenity housing but includes a call system and co-ordinator service. The majority of sheltered housing provided by the Association contains a communal lounge, laundry and guestrooms. Increasingly, common lounges in developments are being used for the benefit of the older people within the wider local community.

(iv) **Very Sheltered Housing** for frailer older people is designed to barrier free standards, and offers enhanced housing management support and meals provision. Very Sheltered Housing provides all the communal facilities as Sheltered Housing, with the addition of an 'assisted' bathroom and a dining room. Staff cover is 24 hours a day, seven days a week. The units can either be 'standalone' or incorporated within a Sheltered Housing Development.

(v) **Housing with Care** provides for the holistic delivery of landlord, housing support and personal care services by an on site staff team. It allows for all tenants to have access to two meals each day. This model is being supported by an increasing number of local authorities who regard the service as delivering a cost effective alternative to residential care. The housing support and personal care elements are commissioned by the local authority.

(vi) **Care Housing** is designed for those who are physically frail and who have been assessed by the local Social Work Department as requiring residential care. All Care Housing is registered under the Social Work (Scotland) Act 1968. Supportive social and personal care, which is provided 24 hours a day, seven days a week, by Care Staff meets the care needs of its residents in a domestic setting within the community. Care Housing can either be 'standalone' or incorporated within a larger development.

(vii) **Dementia Care Housing** provides services for older people who have been diagnosed as suffering from Dementia and for whom non-specialised residential care is inappropriate. All Dementia Care Housing is registered under the Social Work (Scotland) Act 1968. Continuous care and support is provided by a team of specially trained staff. Like Care Housing, it can either be 'standalone' or incorporated within a larger development in the Community.

The Trust HA Board have agreed to withdraw from Care Home provision (vi and vii above) and all Care Homes were closed or transferred by 31 March 2010.

The Association's remit also includes providing for those in other areas of need and Trust has completed projects for the elderly deaf and the severely disabled

1.3 Achievements in 2009/10

Some of the things achieved in 2009/10 include:

- Finalising the Closure/Transfer of our Care Homes
- Continuing to review and remodel Service Delivery methods as necessary
- Continuing our Stock Remodelling programme
- Implementation of new ICT systems
- The completion of our first Staff Attitude Survey
- Build on and developing our Customer Satisfaction Surveying processes
- Continuing to develop Trust Enterprises Ltd
- Working closely with Bield and Hanover HA's to develop better political engagement at central government level.
- Continuing our Training and Development programme for staff.
- Successfully maintaining our Investors in People award standard.
- Improving procurement policy and processes to increase efficiency and control costs.

1.4 Plans for 2010/11

The election of a new government heralds the imminent introduction of promised severe cuts in funding. Although it is too soon to be specific, it is very likely the consequences of such cuts will mean the continuation and indeed acceleration of reductions in housing support. With the current economic uncertainties likely to remain for the foreseeable future we are planning to address several financial and funding areas that will allow Trust to secure its position in the market and maintain its financial stability for the years ahead. Areas to be reviewed during the next financial year will include:

- We will continue to develop and enhance our homes and services so that we deliver the most effective and appropriate product and services to our customers. To this end we will review the potential to develop new services under the auspices of Trust Enterprises Limited with the aim of becoming more competitive in an ever more challenging financial environment.

- We will continue to address the severe funding and financial issues we face, in particular addressing the following areas:

    - Income maximisation
    - Identification and appropriate reduction of overheads
    - Addressing all loss making activities
    - Addressing Housing Support funding shortfalls.

- We are always open to new opportunities that will help the Association to secure a healthy future. Accordingly we will seek to develop further joint working where appropriate and will:

  - Explore the potential for developing a group structure
  - Expand our initial efforts at developing improved marketing, branding and PR activity utilising our strength as a national housing provider
  - Continue to engage with our customers to develop an improved understanding of service expectations
  - At all times, maintain the Trust quality threshold, as we review or redefine models of service delivery.

- Our people remain our strongest and most important asset. We will seek to make the most of this asset by further developing the following areas:

  - Provide ongoing staff training and development
  - Consider how staff terms and conditions might become more flexible in approach for both employee and employer
  - Develop self-assessment activity of various kinds to identify areas for improvement
  - We will also continue the introduction of our new system for document management which will allow us to become more streamlined and efficient

- Remaining flexible, adaptive and responsive to new ideas and opportunities remains vital to our future success. Striving for continuous improvement is key and will be a major focus of 2010/11. We will focus on:

  - Exploring opportunities for service redesign e.g. Care at Home, Floating Support and Retirement Housing
  - Further addressing issues around equalities and diversity
  - Review the use of technology and remote systems
  - Explore the opportunities to develop new business

1.5 Results

Trust Housing Association is pleased to report the results for the year ended 31 March 2010. The Association has delivered a strong performance in the year with growth in revenue and with financial stability, in difficult trading conditions, remaining sound, the Income and Expenditure Account shows a surplus after transfer of reserves for the year of £92,922.

1.6 Membership

Membership of the Association is open to all who are interested in the work of Trust Housing Association Limited. Every member, on payment of £1.00 is entitled to one share in the Association. Trust Housing Association Limited has a membership which now stands at 501 members (2009 - 676).

1.7 Relations with our Membership

All Association members are invited to attend our Annual General Meeting, held in September each year; this is the formal method of reporting to our membership on an annual basis. The meeting is attended by Board Members and the Senior Management Team representing the Association. Association members are invited to ask questions during the meeting and to meet with Board Members and the Staff over refreshments after the meeting. In addition, Board members will continue their scheduled visits to several different developments each year, seeking their views on the work of Trust and any specific issues and queries they may have.

1.8 Staff

The key to our success is a high quality and dedicated work force. The Association recognises that staff need to understand and share the objectives of the Association and seeks to foster good relations with our employees via regular communications and consultation. All our staff continue to significantly contribute to developing our new values and goals as part of the production of our Corporate Strategy. Selection for employment and promotion is based on the objective assessment of ability and experience and Trust is committed to ensuring that its workplaces are free from unlawful discrimination of any sort and fully comply with current legislation regarding equality and diversity issues.

The employment policies of Trust do not discriminate between employees, or potential employees, on the grounds of sex, sexual orientation, age, colour, creed, ethnic origin or religious belief. It is Trust policy to give full and fair consideration to the employment needs of disabled persons (and persons who become disabled whilst employed by Trust) where requirements may be adequately covered by these persons and to comply with any current legislation with regard to disabled persons. In addition, the Association will provide equal opportunities for training and career development to all employees.

1.9 Equal Opportunities programme - Funding

Trust Housing Association in partnership with Hanover and Bield have an award winning **Equal Opportunities Programme** created in July 1999. In the past eleven years, the programme has developed projects successfully with funding from the big Lottery Fund and the Capital City Partnership.

- **Older People Services Development Project** – has been developed to help and support Black and Minority Ethnic older people gain access to pension benefits and services. .
  The project was made possible with funding of £219,140 from the Big Lottery Fund, Investing in Communities fund for three years (February 2008 to January 2011).

- **Happy to Translate LOGO** - A "Happy to Translate" logo initiative developed to improve access to information and services by overcoming language barrier.
  The initiative received £9,797 from Awards for All, Lottery Fund to develop a training DVD in year 2010.

- **Job Opportunities Support Project** - The project aims to help improve access to employment and training opportunities for Black and Minority Ethnic (BME) communities.
  The project received £69,281 for two years (August 2009 to July 2011) from the Capital City Partnership.

2 Governance

2.1 Board of Management

Thirteen Board Members have served since our AGM in September 2009, including one tenant of the Association. We have also been fortunate enough to attract another tenant representative who has been co-opted to the Board since 18 March 2010. Our new co-optee will seek formal election to the Board at the AGM in September 2010. On Arran, three members of the Isle of Arran Homes Sub Committee are tenants of the Association. The Association is seeking to increase the level of tenant involvement at Board level. No Board member has received any payment in respect of services to the Association other than by way of reimbursement of actual expenses incurred.

The Board has overall authority and accountability for the operation of the business. The Board receives timely, clear and comprehensive board papers at least one week in advance of each meeting and other information appropriate to enable to discharge its duties. Meetings are conducted in a way which allows open discussion and enables Board members to challenge and test the strategy, policy and proposals put forward by the Senior Management Team and staff.

The Board's responsibilities include:

- Responsibility for the overall leadership of Trust
- Approval of strategy, annual budget and plans to achieve the Association's objectives

- Determining policy and the overall direction of the Association
- Approving the Annual Report and Accounts
- Establishing effective systems of governance and internal control and the annual review of their effectiveness
- Authorising material acquisitions, disposals, investments, capital projects and other significant transactions
- Monitoring the Association's overall performance in relation to its strategies, plans, budgets and decisions.

The Board met 6 times during the year.

2.2 Statement of Responsibilities of the Board of Management

The Industrial and Provident Societies Acts 1965 to 2002 require the Board of Management to prepare accounts for each financial year which give a true and fair view of the Association's state of affairs and of the surplus or deficit of the Association for that period. In preparing those accounts, the Board of Management are required to:

(i) Select suitable Accounting Policies and apply them consistently;

(ii) Make judgements and estimates that are reasonable and prudent;

(iii) Follow applicable Accounting Standards; and

(iv) Prepare the accounts on the going concern basis unless it is inappropriate to presume that the Association will continue in business.

The Board of Management are 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 accounts comply with the Industrial and Provident Societies Acts 1965 to 2002, the Housing (Scotland) Act 2001, the Registered Social Landlords Accounting Requirements (Scotland) Order 2007 and the Statement of Recommended Practice (SORP) 2008. 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.

2.3 Related Parties

During the year there were 2 (2009 – 1) members of the Management Committee (including former members and co-opted members) who were also tenants of the Association. All tenancies are on normal secure tenancy terms and their position as a committee member cannot be used to their advantage.

During the year North Ayrshire Council continued to maintain nominees who sat on the Isle of Arran Sub Committee and made a valuable contribution to the work of the Sub Committee. Once again, all transactions with North Ayrshire Council are made on normal terms, and the Council representatives are unable to use their position to any advantage.

3. Statement of Internal Financial Controls

The Board of Management acknowledge their ultimate responsibility for ensuring that the Association has in place a system of controls that is appropriate to the various business environments in which it operates.

The systems of internal financial controls are designed to manage risks that may impede the achievement of the business objectives rather than to eliminate those risks entirely. The systems of internal financial control therefore provide reasonable, but not absolute, assurance against material misstatement or loss.

The Board of Management has established the following key procedures to provide effective internal financial control.

(i) A comprehensive budget is prepared annually and is approved by the Board.

(ii) The Strategy Sub-Committee meet regularly to review actual results and investigate any significant variance from the Association's budget.

(iii) A Corporate Strategy that forecasts 5 years ahead is updated annually, and is approved by the Board.

(iv) Written standing orders including details of any delegated authority and a new Financial Control Framework.

(v) The Association's external auditors have attended all meetings of the Audit Committee, as well as attending the AGM.

(vi) The Audit Committee reviews the system of internal controls and reports to the Board thereon. It receives reports from the internal and external auditors and Senior Management Team which assess the efficiency of internal control and make recommendations for any improvements. The Convenor of the Audit Committee reports the outcome of committee meetings to the Board and provides minutes of the meetings.

The Association tendered for Internal Audit Services for 2006/07 to 2009/10 with Baker Tilly, Chartered Accountants and Registered Auditors being awarded the contract. During 2009/10, Baker Tilly reviewed the following key areas of the Association's work; Strategic & Business Planning, IT information security, Routine Maintenance, Planned Maintenance/Major repairs. A number of recommendations have been accepted and if not already done so, will be implemented during 2010/11.

We are pleased to report that the audits highlighted only low to medium risks, there were no high risk recommendations.

The Board of Management has reviewed the effectiveness of the system of internal financial controls for the years ended 31 March 2010, and are satisfied that the existing controls and the resources in place to improve these controls are sufficient to safeguard the assets and prevent material loss. If weaknesses are found in the system of internal financial control, appropriate action is put in place.

4. Going Concern

After making enquiries, the Senior Management Team have a reasonable expectation that the Association has adequate resources to continue in operational existence for the foreseeable future. For this reason they continue to adopt the going concern basis in preparing the accounts.

5. Auditors and audit information

Each person who is a Board Member at the date of approval of this report confirms that:

- so far as the Board Member is aware, there is no relevant audit information of the which the Association's auditor are unaware; and
- each Board Member has taken all the steps that he ought to have taken as a Board Member to make himself aware of any relevant audit information and to establish that the Association's auditors are aware of that information.

The External Auditors Mazars LLP wish to offer themselves for re-election, resolutions concerning their re-appointment will be placed before the Annual General Meeting.

By order of the Board of Management

David Blair **18 August 2010**
Chair

Independent auditors' report to the members of Trust Housing Association Limited

We have audited the financial statements of Trust Housing Association Limited for the year ended 31 March 2010 which comprise the Income and Expenditure Account, the Balance Sheet, the Cash Flow Statement and the notes thereto as set out on pages 21 to 41. These financial statements have been prepared under 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 & 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 the committee of management and auditors

The Board of Management's responsibilities for the preparation of financial statements in accordance with applicable law and United Kingdom Auditing Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of the Board of Management's responsibilities on page 11.

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

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Industrial and Provident Societies Acts 1965 to 2002, the Housing (Scotland) Act 2001, Registered Social Landlords Accounting Requirements (Scotland) Order 2007, The Charities and Trustee Investment (Scotland) Act 2005 and Regulation 14 of the Charities Accountancy Requirement (Scotland) Regulations 2006.

We also report to you if, in our opinion, a satisfactory system of control over transactions has not been maintained, if the Board of Management's Report is not consistent with the financial statements, the Association has not kept proper accounting records, if we have not received all the information and explanations we require for the audit, or if information specified by law regarding the Association's Board of Management's remuneration and transactions with the Association is not disclosed.

We read the Board of Management Report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Association's Board of Management in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Association's circumstances, consistently applied and adequately disclosed.

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

Opinion

In our opinion the financial statements:

- give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Association's affairs as at 31 March 2010 and of its deficit 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, Registered Social Landlords Accounting Requirements (Scotland) Order 2007, The Charities and Trustee Investment (Scotland) Act 2005 and Regulation 14 of the Charities Accountancy Requirement (Scotland) Regulations 2006.

Mazars LLP

Mazars LLP
Chartered Accountants
Statutory Auditors
Donaldson House
97 Haymarket Terrace
Edinburgh
EH12 5HD

Date 03 September 2010

Independent Auditors' Report to the Members of Trust Housing Association Limited on Corporate Governance Matters

In addition to our audit of the financial statements, we have reviewed the Board's statement on internal controls set out on pages 12 and 13. The object of our review is to draw attention to any non-compliance with reference to the SFHA "Raising Standards".

We carried out our review in accordance with guidance issued by the Auditing Practices Board. The guidance does not require us to perform the additional work necessary to, and we do not express any opinion on the effectiveness of either the Association's system of internal financial control or its corporate governance procedures.

With respect to the Board's statements on internal control on pages 12 and 13, in our opinion the Board has provided the disclosures required under the SFHA "Raising Standards" referred to above and such statements are not inconsistent with the information of which we are aware from our audit work on the financial statements.

Based on enquiry of certain Board members and officers of the Association and examination of relevant documents, in our opinion the Board's statement on pages 12 and 13 appropriately reflects the Association's compliance with the SFHA "Raising Standards" specified for our review.

Mazars LLP

Mazars LLP
Chartered Accountants
Statutory Auditors
Donaldson House
97 Haymarket Terrace
Edinburgh
EH12 5HD

Date 03 September 2010

Income and Expenditure Account
for the year ended 31 March 2010

	Notes	2010 £'000	2009 £'000
Turnover	2	**17,249**	17,178
Less: operating costs	2	**(18,364)**	(16,721)
Operating (deficit)/ surplus	7	**(1,115)**	457
Profit on sale of fixed assets		**182**	20
Interest receivable and other income		**6**	58
Interest payable and other charges	8	**(307)**	(482)
(Deficit)/Surplus for the year		**(1,234)**	53
Transfer from reserves		**1,327**	0
Surplus after transfer		**93**	53

The Association has no recognised gains and losses other than those included in the surpluses for the years ended 31 March 2009 and 31 March 2010. All operations are continuing.

The notes on pages 21 to 41 form part of these Financial Statements.

Balance Sheet
as at 31 March 2010

		2010		2009	
	Notes	**£'000**	**£'000**	**£'000**	**£'000**
Tangible fixed assets					
Housing properties	9		**115,788**		112,569
Less: HAG	9		**(93,751)**		(92,024)
Less: Other Public Grants	9		**(3,798)**		(2,729)
			18,239		17,816
Other	9		**3,273**		4,919
Total fixed assets			**21,512**		22,735
Current Assets					
Debtors	10	**1,182**		654	
Cash at bank and in hand		**1,116**		532	
		2,298		1,186	
Creditors: amounts falling due Within one year	11	**3,169**		2,850	
Net current liabilities			**(871)**		(1,664)
Total assets less current liabilities			**20,641**		21,071
Creditors: amounts falling due after more than one year	12		**8,973**		8,168
Net assets			**11,668**		12,903
Capital and reserves					
Share capital	14		**1**		1
Restricted reserves	15	**117**		141	
Designated reserves	16	**7,215**		8,518	
			7,332		8,659
Revenue reserve	17		**4,335**		4,243
			11,668		12,903

The Financial Statements were approved by the Board of Management on 18 August 2010 and were signed on its behalf:

D F Blair, Chair | **P Russell, Vice Chair** | **R McDougall, Secretary**

18 August 2010

The notes on pages 21 to 41 form part of these Financial Statements.

Cash Flow Statement
for the year ended 31 March 2010

	Notes	2010 £'000	2010 £'000	2009 £'000	2009 £'000
Reconciliation of operating (deficit)/surplus to net cash inflow from operating activities					
Operating (deficit)/surplus			(1,115)		457
Depreciation charges			453		309
Impairment charge			1,012		
Expenditure to Special Reserves					(9)
Increase in debtors			(527)		(114)
Increase/(Decrease) in creditors			167		(1,530)
Net cash outflow from operating activities			(10)		(887)
Returns on investments and Servicing of finance	*(i)*		(301)		(424)
Capital expenditure	*(i)*		(63)		(2,183)
			(374)		(3,494)
Financing	*(i)*		158		(267)
Decrease in cash			(216)		(3,761)

(Cash is defined as cash in hand and deposits repayable on demand)

	Notes	2010 £'000	2010 £'000	2009 £'000	2009 £'000
Reconciliation of net cash flow to Movement in net debt	*(ii)*				
Decrease in cash in the period			(216)		(3,761)
Cash to repay housing loans			(158)		267
Cash acquired as housing loan					-
Change in net debt			(374)		(3,494)
Net debt at 1 April 2009			(8,091)		(4,597)
Net debt at 31 March 2010			(8,465)		(8,091)

Notes to the Cash Flow Statement
for the year ended 31 March 2010

(i) Gross cash flows

	2010		2009	
	£'000	£'000	£'000	£'000
Returns on investments and servicing of finance				
Interest received	6		58	
Interest paid	(307)		(482)	
		(301)		(424)
Capital expenditure				
Payments to acquire tangible fixed assets	(3,659)		(4,301)	
Receipt of HAG and other grants	2,797		2,051	
Receipts from sales of shared ownership properties	-		-	
Receipts from sale of development	-		-	
Receipts from sale of right to buy	-		-	
Repayment of HAG on sale of shared ownership properties	-		-	
Repayment of HAG on sales of development	-		-	
Receipts from sales of other fixed assets	799		67	
		(63)		(2,183)
Financing				
Loans acquired	1,500		2,000	
Loans repaid	(1,342)		(267)	
		158		(1,733)

(ii) Analysis of changes in net debt

	At 1 April 2009 £'000	Cash Flows £'000	Other Changes £'000	At 31 March 2010 £'000
Bank and short term deposits	532	584	-	1,116
Debt due within 1 year	(455)	(153)	-	(608)
Debt due after 1 year	(8,168)	(805)	-	(8,973)
Total	(8,091)	(374)	-	(8,465)

Notes to the Accounts

1. Accounting Policies

1.1 Basis of Accounting

The accounts have been prepared under the historical cost convention in accordance with applicable accounting standards and with the Registered Social Landlords Accounting Requirements (Scotland) Order 2007 and with the Statement of Recommended Practice 2008: Accounting by Registered Social Landlords.

1.2 Turnover

Turnover represents rental and service charge income receivable from tenants and owner occupiers, fees and revenue based grants receivable from local authorities and the Scottish Government's Housing and Investment Division.

1.3 Housing Properties

Housing properties are stated at cost and include the cost of acquiring the land, site clearance costs and construction.

1.4 Housing Association Grant

For developments under the 1988 Housing Act, Housing Association Grant is paid directly to the Association as required to meet liabilities during the development process. Housing Association Grant is repayable under certain circumstances, primarily following the sale of property, but will normally be restricted to net proceeds of sale.

1.5 Depreciation

(i) Housing Properties

Depreciation is charged on the original cost of properties (after deducting land costs, Housing Association Grant and other grants) on a straight line basis over the expected useful life of the property. All housing and office properties were assumed to have a useful economic life of 100 years; this policy has been amended from February 2010 to a useful economic life of 60 years.

Periodic reviews are undertaken to confirm that no financial impairment has arisen to reduce the value of any class of property to an amount less than the carrying value in the accounts.

(ii) Other Fixed Assets

Other Fixed Assets include office properties, office equipment and computer hardware and software. From this financial year we have changed the way depreciation is charged from charging a full year's depreciation in the year the assets are first purchased and no depreciation is charged in the year of

Notes to the Accounts (continued)

disposal to charge depreciation from the date of purchase to the date of disposal. The rates are as follows:

- Office Properties were 1% per annum and are now also depreciated over 60 years
- Office equipment & computer hardware & software 20% per annum
- Motor vehicles 25% per annum. These Other Fixed Assets are depreciated on a straight line basis over the expected useful life of the asset.

1.6 Contribution to Pension funds

The Association participates in a multi-employer defined benefit pension scheme. Pension costs are recognised on a systematic basis so that the costs of providing retirement benefits to employees are evenly matched, so far as possible, to the service lives of the employees concerned.

Actuarial valuations are carried out on a triennial basis, any surplus or deficiency in valuation which may arise from time to time is corrected by adjusting the rate of contributions over the average remaining service lives of current employees.

1.7 Restricted Reserves

Special

The Special Reserve has been created mainly from charitable donations and bequests and is used for development specific projects as agreed by tenants at the respective developments.

1.8 Designated Reserves

Planned Maintenance

The Association maintains its properties in an acceptable state of repair. The designated reserve is maintained on a planned basis to ensure that adequate resources will be available to meet future major repairs expenditure by setting aside amounts in years of low expenditure and drawing down amounts from the reserves in years of high expenditure. Cyclical repairs are met from revenue in the year in which they are incurred.

Replacement of Equipment and Furnishings

The Association has established a Replacement of Equipment and Furnishings Reserve to replace items of scheme equipment based on current replacement cost and estimated life, by transfer from the service charge.

1.9 Service Charge and Heating Charge Equalisation Accounts

Charges for landlord services and heating are charged to tenants at a level that is expected to recover expenditure on services for the year. Any over or

Notes to the Accounts (continued)

under charges taken into account when the landlord service and heating charge is calculated for the following year.

1.10 Interest Payable

All interest payable in the year in connection with the development, construction or acquisition of housing properties is charged to the income and expenditure account in the period in which it falls due for payment. The basis of the interest payable is the Schedule of Interest Charges agreed with the financing institution during the establishment of the loans.

1.11 Shared Ownership Properties

All properties are split between fixed and current assets in line with the expectation relating to the first tranche sale percentage. The expected first tranche proportion is classified as a current asset until the point of the first tranche sale. The current asset is then transferred to cost of sales and matched against sales proceeds within the operating surplus in the Income and Expenditure Account. Any operating surplus is restricted to the overall surplus which takes account of the Existing Use Value – Social Housing (EUV-SH) of the remaining fixed asset element.

The remaining element of the asset is classified as a fixed asset and included in housing properties at cost less any provision for depreciation or impairment.

2. Particulars of turnover, operating costs and operating surplus or deficit

	Turnover	Operating Costs	Operating Surplus or Deficit	Operating surplus or Deficit for Previous Period of Account
	£	£	£	£
Social letting	**14,203**	**13,380**	**823**	**910**
Other activities	**3,046**	**3,657**	**(611)**	(453)
Total	**17,249**	**17,037**	**212**	457
Total for previous period of account	17,178	16,721	457	

Operating costs are shown net of a transfer from reserves amounting to £1,327k.

Notes to the Accounts (continued)

3. Lettings and Other Related Information

Particulars of turnover, operating costs and surplus before taxation.

	Grants from Scottish Ministers £	Other revenue grants £	Housing Support income £	Other income £	Total Turnover £	Operating costs – bad debts £	Other operating costs £	Operating surplus or deficit £	Operating surplus or deficit for previous period of account £
Wider role activities undertaken to support the community, other than the provision, construction, improvement and management of housing									
Care and repair of property									
Factoring									
Development and construction of property activities									
Support activities			2,751		2,751		3,182	(430)	50
Care activities									
Agency/management services for registered social landlords									3
Other agency/management services									

	Grants from Scottish Ministers £	Other revenue grants £	Housing Support income £	Other income £	Total Turnover £	Operating costs – bad debts £	Other operating costs £	Operating surplus or deficit £	Operating surplus or deficit for previous period of account £
Development for sale to registered social landlords									
Developments and improvements for sale to non registered social landlords									
Other activities									
Other activities : Equal Opportunities		258			258		436	(178)	(5)
Other activities : Overhead charges on housing support and floating support									(443)
Other activities : Non-recoverable VAT							(26)	26	(9)
Other activities : Arran Care and Repair		38			38		65	(27)	1
Other activities : Donations				(2)	(2)			(2)	(50)
Total from other activities		**296**	**2,751**	**(2)**	**3,046**		**3,657**	**(611)**	**(453)**
Total from other activities for the previous period of account		**295**	**2,784**	**48**	**3,127**	**-**	**3,580**	**(453)**	

Notes to the Accounts *(continued)*

4. Income from Lettings

	General Needs Housing £'000	Supported Housing Accommodation £'000	Shared Ownership £'000	2010 Total £'000	2009 Total £'000
Rent receivable net of identifiable Services charges	740	6,043	59	**6,842**	6,321
Service charges receivable (eligible for housing benefit)	23	5,133	1	**5,157**	4,443
Service charges receivable (not eligible for housing benefit)	8	2,419	-	**2,427**	3,502
Gross rents receivable	771	13,596	60	**14,426**	14,266
Less: Rent losses from voids	(12)	(317)		**(329)**	(298)
Net rents receivable	759	13,278	60	**14,097**	13,968
Revenue grants from local authorities & other agencies	-	106	-	**106**	83
Total turnover from social letting activities	759	13,384	60	**14,203**	14,051
Expenditure on letting activities					
Service costs	8	6,747	-	**6,755**	7,021
Planned and cyclical maintenance including major repairs costs	-	434	-	**434**	474
Management	116	3,646	5	**3,767**	3,427
Reactive maintenance	39	936		**975**	1,076
Bad debts – rents and service charges	-	(13)	-	**(13)**	7
Depreciation of social housing	-	219	-	**219**	196
Impairment of social housing					
Major repairs expenditure	-	1,005	-	**1005**	893
Stock condition surveys	-	24	-	**24**	35
Miscellaneous costs	-	220	(6)	**214**	12
Operating costs for social letting activities	163	13,218	(1)	**13,380**	13,141
Operating surplus for social lettings	596	166	61	**823**	910
Operating surplus for 2009	238	661	11	910	

Notes to the Accounts *(continued)*

5. Officers' Emoluments

	2010 £'000	2009 £'000
Aggregate emoluments payable to Officers (excluding pension contributions and benefits in kind).		
Total emoluments (including pension contributions and benefits in kind)	**576**	574
Payments as compensation for loss of office	**-**	17
	576	591

	2010 £'000	2009 £'000
Emoluments (excluding pension contribution) of the Chief Executive Officer amounted to:	**75**	73
Pension Contributions of the highest paid Officer amounted to:	12	11

The number of Officers, including the highest paid Officer, who received emoluments (excluding pension contributions) in the following ranges were:	**No. of Officers**	No. of Officers
£60,001 to £70,000	**2**	-
£70,001 to £80,000	**1**	2

The Officers are ordinary members of the pension scheme described in Note 22. No enhanced or special terms apply to membership and they have no other pension arrangements to which the Association contributes. The Association's pension contributions for the Officers in the year amounted to £66,273 (2009 £72,722).

No emoluments were paid to the Board of Management during the year.

	£'000	£'000
Total expenses reimbursed to the Board of Management in so far as not chargeable to United Kingdom income tax.	**10**	4

Notes to the Accounts *(continued)*

6. Employee Information

The average number of full-time equivalent persons employed during the year was:	**2010 Number**	2009 Number (restated)
Office staff	**82**	75
Development based staff	**215**	200
	297	275

The average number of staff employed during the year was:	**Number**	Number
Office staff	**88**	80
Development based staff	**344**	343
	432	423

	£'000	£'000
Staff costs (including directors emoluments):		
Wages and salaries	**7,981**	7,430
Social Security costs	**471**	463
Pension costs	**508**	516
	8,960	8,409

7. Operating (Deficit)/Surplus

Operating (deficit)/surplus is stated after charging:		
Depreciation	**454**	309
Impairment	**1,012**	-
Repairs: cyclical, planned and day to day	**2,408**	2,303
Auditors' remuneration – audit services	**11**	12
Auditors' remuneration – non-audit services	**-**	-

8. Interest Payable and Other Charges

On loans payable wholly or partly in more than 5 years:		
Amounts payable to Banks and Building Societies	**307**	482

Notes to the Accounts *(continued)*

9. Tangible Fixed Assets

	Housing Properties held for letting £'000	Shared Ownership Housing Properties £'000	Housing properties in the course of construction £'000	**Total Housing Properties £'000**	Office Properties £'000	Motor Vehicles £'000	Office Equipment £'000	**Total Other Assets £'000**	2010 Total £'000	2009 Total £'000
Cost										
At beginning of year	112,137	512	1,441	**114,090**	4,623	150	1,144	**5,917**	**120,007**	115,989
Additions during year	278	-	3,161	**3,439**	-	-	220	**220**	**3,659**	4,132
Disposals during year	-	-	-	-	(668)	(75)	4	**(747)**	**(747)**	(114)
Transfers	776	-	(776)	-	-	-	-	-	-	-
At end of year	113,191	512	3,826	**117,529**	3,955	75	1,360	**5,390**	**122,919**	120,007
Depreciation										
At beginning of year	1,517	4	-	**1,521**	157	95	746	**998**	**2,519**	2,278
Charge for year	214	5	-	**219**	44	30	160	**234**	**453**	309
Impairment Charge	-	-	-	-	1,012	-	-	**1,012**	**1,012**	-
Disposals during year	-	-	-	-	(57)	(70)	-	**(127)**	**(127)**	(68)
At end of year	1,731	9	-	**1,740**	1,156	55	906	**2,117**	**3,857**	2,519
Net Book Value										
At beginning of year	110,620	508	1,441	**112,569**	4,466	55	398	**4,919**	**117,488**	113,711
At end of year	111,460	503	3,826	**115,789**	2,799	20	454	**3,273**	**119,062**	117,488
Housing Association Grants and other grants										
At beginning of year	93,331	469	953	**94,753**	-	-	-	-	**94,753**	92,702
Additions during year	707	-	2,090	**2,797**	-	-	-	-	**2,797**	2,051
Disposals during year	-	-	-	-	-	-	-	-	-	-
Transfers	485	-	(485)	-	-	-	-	-	-	-
At end of year	94,523	469	2,558	**97,550**	-	-	-	-	**97,550**	94,753

Development allowances received in the year amounted to £92,971 (2009: £12,778).
The depreciation charge for this year on Housing Properties is £219,000 and would have been £207,000 had the new depreciation policy not been implemented. The impact on the results for the year is to decrease the surplus by £12,000.

Notes to the Accounts *(continued)*

10. Debtors

	2010 £'000	2009 £'000
Amounts falling due within one year:		
Rental debtors	**365**	203
Development funding receivable	**324**	9
Other debtors	**356**	424
Heating equalisation a/c	**112**	-
Prepayments and accrued income	**25**	18
	1,182	654

11. Creditors due within one year

Rent in advance	**84**	159
Housing loans	**608**	455
Other taxation and social security	**139**	162
Development costs	**-**	114
Creditors and accruals	**2,160**	1,750
Service Equalisation Account	**178**	210
	3,169	2,850

12. Creditors due out with one year

Housing loans	**8,973**	8,168
Other Creditors	**-**	-
	8,973	8,168

Housing loans:

In one year or less	**608**	455
Between one and two years	**608**	455
Between two and five years	**1,824**	1,366
In five years or more	**6,541**	6,347
	9,581	8,623

Housing loans are secured by legal charges against certain housing properties. The loan debt at 31 March 2010 comprised a 20 part loan with Dunfermline Building Society, with repayments concluding from 2019 to 2035.

The majority of this (approx £5m) being at variable interest, based on LIBOR plus 0.5%. The balance of the loans (approx £2.7m) are at a fixed interest rate of 5.15% for 67% of the fixed loan and 6.14% for the remaining 33%.

In addition we have loans with The Royal Bank of Scotland, the original loan with a balance of approx £1m, with repayments concluding in 2019, at a variable rate based on LIBOR plus 0.766% and a further loan of £1m with repayments concluding in 2024 at a variable rate based on LIBOR plus 1.85%

Notes to the Accounts *(continued)*

13. Rent Arrears and Rent

	2010	2009
Rent arrears	**£152,249**	£237,334
Average monthly rent	**£235**	£222
Average rental increase	**6.0%**	3.9%

14. Called Up Share Capital

	£	£
Shares of £1 each issued and fully paid:		
At beginning of year	**911**	899
Movement during year	**30**	12
At end of year	**941**	911

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.

15. Restricted Reserves

	Opening Balance £'000	Income in Year £'000	Expended in Year £'000	**Closing Balance £'000**
Special reserves	141	4	(28)	**117**
	141	4	(28)	**117**

16. Designated Reserves

	Opening Balance £'000	Transfer from Revenue Reserve £'000	Expended In Year £'000	**Closing Balance £'000**
Replacement of equipment & furnishings	1,300	-	(160)	**1,140**
Planned maintenance	7,218	-	(1,143)	**6,075**
	8,518	-	(1,303)	**7,215**

Notes to the Accounts *(continued)*

17. Reconciliation of Movement in Accumulated Surplus

	£,000	£,000
Revenue reserve brought forward		4,242
Deficit		(1,234)
		3,008
Transfer from restricted reserves		
Expenditure	24	
Transfer from restricted reserves		24
Transfer from restricted reserves		
Expenditure	1303	
Transfer from restricted reserves		1303
Revenue reserve carried forward		**4,335**

18. Units in Management

	2010	2009
	No. of Units	No. of Units
Housing accommodation	**293**	271
Supported accommodation	**2,179**	2,165
Shared ownership	**13**	13
Total number of units	**2,485**	2,449

19. Accommodation Managed by Others

Name of Managing Body		
Leonard Cheshire Foundation	**16**	16
The Richmond Fellowship	**8**	8
Glasgow (Pollock) Bield	**15**	-
North Lanarkshire Council	**5**	5
Total number of units	**44**	29

Notes of the Accounts *(continued)*

20. Investments in Subsidiary

Trust Housing Association Limited has set up a wholly-owned trading subsidiary named Trust Enterprises Limited; the subsidiary will be used to separate our core charitable activities from those likely to generate commercial trading income and incur related expenditure. Any surpluses generated through the subsidiary will be gift-aided back to Trust Housing Association Limited.

On 13 June 2008, Trust Housing Association Limited purchased 1 Ordinary Share of £1 at par.

The subsidiary has not been consolidated in these results. In accordance with section 13 of the Friendly and Industrial and Provident Societies Act 1968 the consent of the regulator has been obtained on the basis that it would be of no real value to members of the society in view of the insignificant amounts involved.

The revenue of the subsidiary was £32,000, operating costs were £32,000, gross assets are £30,000 and the net assets are £0.

Accounts in compliance with the Companies Act 2006 will be prepared and submitted to Companies House.

21. Capital and Other Commitments

	£'000	£'000
Capital Expenditure that has been contracted for but has not been provided for in the accounts	**4,726**	2,906

22. Pensions - SFHA

Trust participates in the Scottish Federation of Housing Associations (SFHA) Pension Scheme through the Pensions Trust. 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.

Notes of the Accounts *(continued)*

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.

Trust has elected to operate the final salary with a 1/60th accrual rate benefit structure for active members. 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 Trust paid contributions at the rate of 15.4% of pensionable salaries. Member contributions were 7.7%.

As at the balance sheet date there were 169 active members of the Scheme employed by Trust. Trust 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 £268 million. The valuation revealed a shortfall of assets compared with the value of liabilities of £54 million (equivalent to a past service funding level of 83.4%).

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

Notes of the Accounts *(continued)*

funding level of 63.9%. [4] 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 progress of the scheme since the last full valuation.

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.

The current triennial formal valuation of the Scheme, as at 30 September 2009, is being undertaken by a professionally qualified Actuary. The results of the valuation have been made available in May 2010.

23. Pensions - Financial Assumptions

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

	% pa
- Investment return pre retirement	7.2
- Investment return post retirement	4.9
- Rate of salary increases	4.6
Rate of pension increases	
pension accrued pre 6 April 2005	2.6
pension accrued from 6 April 2005	2.2
(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:

Notes of the Accounts *(continued)*

	Males	Females
	Assumed life expectancy in years at age 65	Assumed life expectancy in years at age 65
Non- pensioners	21.6	24.4
Pensioners	20.7	23.6

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

Benefit structure	Long-term joint contribution rate (% of pensionable salaries per annum)
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 £54 million 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 is:

Benefit structure	Joint contribution rate (% of pensionable salaries per annum)
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%

Notes of the Accounts *(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.

It 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 formal valuation of the Scheme, as at 30 September 2009, is being undertaken by a professionally qualified Actuary. The results of the valuation have been made available in May 2010.

Following a change in legislation in September 2005 there is a potential debt on the employer that could be levied by the Trustee of the Scheme. The debt is due in the event of the employer ceasing to participate in the Scheme or the Scheme winding up.

The debt for the Scheme as a whole is calculated by comparing the liabilities for the Scheme (calculated on a 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 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.

Notes of the Accounts *(continued)*

24. Pensions – Growth Plan

Trust participates in the Pensions Trust's Growth Plan (the Plan). The Plan is funded and is not contracted out of the state scheme. The Growth Plan is a multi-employer pension 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 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 / investment credits are not guaranteed and are declared at the discretion of the Plan's Trustee.

The Trustee commissions an actuarial valuation of the Growth Plan every 3 years. The purpose of the actuarial valuation is to determine the funding 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 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.

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 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.

Trust paid contributions at the rate of 15.4% during the accounting period. Members paid contributions at the rate of 7.7% during the accounting period.

As at the balance sheet date there were 169 active members of the Plan employed by Trust. Trust continues to offer membership of the Plan to its employees.

Notes of the Accounts *(continued)*

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. Growth Plan is a multi-employer scheme where the scheme assets are co-mingled for investment purposes, and benefits are paid from the total scheme assets. Accordingly, due to the nature of the Plan, the accounting charge for the period under FRS17 represents the employer contribution payable.

The valuation results at 30 September 2008 have now been completed and will be formalised shortly. The valuation of the Scheme was performed by a professionally qualified actuary using the Projected Unit Method. The market value of the Scheme's assets at the valuation date was £742 million and the Plan's Technical Provisions (i.e. past service liabilities) were £771 million. The valuation therefore revealed a shortfall of assets compared with the value of liabilities of £29 million, equivalent to a funding level of 96%.

The financial assumptions underlying the valuation as at 30 September 2008 were as follows:

	% per annum
- Investment return pre retirement	7.6
- Investment return post retirement	
Actives/Deferred	5.1
Pensioners	5.6
- Bonuses on accrued benefits	0.0
- Rate of price inflation	3.2

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.

The Scheme Actuary has prepared a funding position update as at 30 September 2009. The market value of the Plan's assets at that date was £765 million and the Plan's Technical Provisions (i.e. past service liabilities) were £820 million. The valuation therefore revealed a shortfall of assets compared with the value of liabilities of £55 million, equivalent to a funding level of 93%.

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.

Notes of the Accounts *(continued)*

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 (as at 30 September 2008) will be cleared within 10 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 8.4% per annum pre retirement, 5.1% per annum post retirement (actives and deferred) and 5.6% per annum post retirement (pensioners).

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). A copy of the recovery plan in respect of the September 2008 valuation was forwarded to the Pensions Regulator on 18 December 2009.

The next full actuarial valuation will be carried out as at 30 September 2011.

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 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 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.

Notes of the Accounts *(continued)*

Trust has been notified by the Pensions Trust of the estimated employer debt on withdrawal from the Plan based on the financial position of the Plan as at 30 September 2008. As of this date the estimated employer debt for Trust was £46,347

25. Contingent Liabilities

Trust has been notified by The Pensions Trust of the estimated employer debt on withdrawal from the SFHA Pension Scheme based on the financial position of the Scheme as at 30 September 2009. As of this date the estimated employer debt for Trust was £18.1m for the main scheme and £0.046m for the Growth Plan as at 30 September 2009. At this time there is no valuation for leaving the scheme and the Board have no plans to do so.

26. Post Balance Sheet Events

There are no post balance sheet events.

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