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Accounts for the year ended

31 March 2011

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 Housing Association Limited
A Registered Scottish Charity

Accounts for the year ended 31 March 2011

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Trust Housing Association Limited

A Registered Scottish Charity

Board of Management and Directors as at 31 March 2011

Chair: L Ross MA (Hons)

Vice-Chair: P Russell FCCA

Board Members:

K Barton MA FICSA (resigned September 2010)

D F Blair FRICS

W R Clarkson ACMI

B Nicholson (resigned June 2010)

J Dick OBE BA DMS (resigned September 2010)

W R Palmer MCInstM MIIM MiMgt FFB

I R M Crawford (Co-opted March 2011)

S Islam (Co-opted March 2011)

H Pearson (Co-opted March 2011)

K Vincent (Co-opted March 2011)

B Irvine DPA

P Kinloch AMRSH

P Harper WS

J Sillars

J C Howie CPFA

E Ptolomey MSc BSc

Isle of Arran Homes Sub Committee Members:

Chair: J Sillars

Vice-Chair: W R Palmer MCInstM MIIM MiMgt FFB

S Alison

T Barr

B Cameron

L Ross MA (Hons)

J C Howie CPFA (Resigned Sept 2010)

D F Blair FRICS (Resigned August 2010)

J Hunter

E McMaster

J Nichols

G Fulton

A Adrian (Resigned May 2010)

Directors:

R McDougall FCIH

G Veryan MCIH

D A McIndoe MRICS

J Marshall FMAAT, CPFA

K Nicholson MA (Hons), FCIPD

Chief Executive and Company Secretary

Deputy Chief Executive and Director of Customer Services

Director of Property and Development

Director of Financial Services

Director of Corporate Services

Company Secretary:

R McDougall FCIH

Auditors:

Mazars, Chartered Accountants and Registered 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

Trust Housing Association Limited

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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 known as Kirk Care Housing Association, 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) **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.
- (ii) **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.

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- (iii) **Retirement Housing** was approved by the Board in response to changes in demand and housing support funding for sheltered services. Part time rather than full time staffing will provide enhanced housing management services for tenants who will continue to receive the benefits associated with sheltered housing, but without housing support.
- (iv) **Sheltered Housing**, for the less active, more dependent and vulnerable older people 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.
- (v) **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.
- (vi) **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.

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 2010/11

These are just a taste of some of the many areas of work that we undertook during 2010/11:

Future Proofing

- Product
- Services
- Income and Expenditure
- Political Lobbying
- Marketing and Communications
- Participating with Government

Quality and Improvement

- Customer Participation
- Communication (surveying, complaints and feedback)
- Embedding Systems for Improvement

Governance

- Change of Chair
- New Board Member Recruitment
- New Board Member Induction and Training

Events

- Tenants' Conference
- Staff Conference
- AGM
- Board Away Day
- Tenant Focus Groups

1.4 Plans for 2011/12

We are now in the midst of unprecedented financial challenges and this is a trend which looks set to continue over the coming years. What we can be sure of in terms of our strategic planning is that we need to be realistic about the challenges facing us as an organisation, a sector and, more widely, as a society. Challenge will always be there – how we respond to those challenges will determine our success as an organisation.

Below we provide an outline of our responses to the main strategic challenges facing Trust as an organisation. These are our priorities for 2011/12. These priorities translate the decisions made by our Board at their annual away day into the strategic objectives and goals that follow, creating a cascade throughout our planning activity all the way down to the tasks delivered by our staff at our neighbourhood developments;

- **Defining Quality**

We face a world of financial uncertainty. As an organisation we are not immune to the financial cuts that are taking place within the public sector. We feel that it is of great importance that we attempt to lay down a marker now for the future quality of homes and services we provide. Everyone at Trust prides themselves on the delivery of quality services and believe that, should we, for any reason, be unable to achieve that fundamental level of service quality due to financial constraints, we would rather withdraw from delivering that service as it would be preferable to us delivering sub-standard, sub-quality services.

As such, we have already begun the process of exploring what quality means to our customers. During 2011/12 we will look to put in place a number of 'quality areas', with associated 'quality measures'. These will allow us to better define what we mean by 'quality' and will allow our customers to monitor our progress in this area.

- **Product Fit**

From time to time every organisation has to look at what it does. By that we mean what it delivers, its core business product. Trust Housing Association provide homes and associated services that are designed to enhance the lives of customers who live in them and improve the quality of their wider living environment. We are not alone in facing issues around reducing demand for some properties but we are sure in our mind of the need to address this. Work that has already been started will be continued and intensified to deal head on with issues of demand. This will include:

- Redesign of our existing properties to make these more attractive to our customers.
- Redesign of our services to make these flexible, personalised and sustainable.
- Effective packaging of our product and services to ensure that these meet the positive and aspirational needs of our customers. This is about focussing on how our product and services can enhance and improve lives, rather than it being viewed as an option of last resort.
- Reviewing the range of client groups who are able to access our properties.

- **Short Life Working Groups**

Meeting challenges in a meaningful way is no easy task. We are realistic about the resources involved in the process of change and, as such, have made provision to effectively direct our resource through a number of short life working groups (SLWGs).

We have already established two SLWGs that will look at two distinct, but interlinked, areas of work. These are; addressing Housing Support Funding cuts, the development of our subsidiary Trust Enterprises Ltd (TEL).

- **Social Return on Investment**

In an environment of financial constraint it is important that we are able to demonstrate the added value that our services bring to our customers and our communities. We will be working with our partners to develop evidence of this added value through a mechanism know as SROI, or Social Return on Investment. SROI aims to demonstrate the added benefits that are realised by investing in services. For example £1 spent economically by us, might generate a consequential saving of £4 or £5 to Health or Social Care budgets

further down the line. This is an important area of work to allow us, as a sector, to demonstrate our value to society as a whole.

- **Public Awareness and Lobbying**

The number of people aged 75 and over is projected to increase by 23% in the decade between 2008 and 2018, and by 84% between 2008 and 2033. This huge demographic shift in the population profile will have enormous implications for society in future and the nature of the services we provide. With our experience and expertise, we believe we are uniquely placed to advise and lobby both central and local government on the necessity to adapt and review the range and type of housing support and personal care services provided to people in the future. We are, and will continue to be, much more active in this role.

- **Component Accounting and Covenant Compliance**

We live in times of severe financial constraint and it is precisely because of the financial pressures that we must be vigilant about retaining our current strong financial base. Component Accounting simply means we must depreciate the costs of our assets on the basis of their "component parts" as opposed to the whole asset. This adds to the complexity and the costs of running the business but when taken together with an increasing requirement of meeting loan covenant requirements, means a less risky financial environment for the association and its customers.

1.5 Results

Trust Housing Association is pleased to report the results for the year ended 31 March 2011. 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 from the reserves for the year of £97,663.

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 509 members (2010 - 501).

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 by which the Chair and Chief Executive, on behalf of the organisation, report to our membership on an annual

basis. The meeting is attended by Board Members and the Strategic Management Group 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. We aim to recruit and retain the very best talent available to us and ensure our staff receive appropriate training and development, reward and recognition. 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.

As an Investor in People (IIP) recognised organisation, we are firmly committed to the development of our staff through providing comprehensive training and development opportunities. We delivered over 1,200 training days during 2010 in a variety of disciplines as well as a comprehensive training plan covering both regulatory, vocational and professional development of our staff. In addition, we have delivered a successful eLearning approach to fire safety training for all our development-based staff, a model that we intend to develop further to continue to deliver good quality and cost effective training and development.

Our third annual Staff Survey provided significant areas of improvement over previous years across the board in employees' satisfaction with Trust as an employer. In particular staff expressed very high levels of satisfaction with their job, their personal motivation and their understanding of how their role contributed to achieving the goals and objectives of the Association.

1.9 Equal Opportunities programme – Funding (2010-11)

The **Equal Opportunities Programme** has been successful in attracting funding to continue the following projects:

- **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 completed three years of Big Lottery funding which ended in January 2011, with funding of £55,878 received during financial year 2010/11 ending 31 March 2011.

- A new application was submitted to the Big Lottery Fund, to continue the project for a further five years for grant funding of £476,796. This funding application has been successful and the project will run for a further 5 years from 1st July 2011.

Memories Project – to capture memories of people who arrived in Scotland in the 1950's and 1960's

- A pilot project was completed with funding from **Awards for All**, Lottery Fund in 2008. Again a further funding application has been submitted to the Heritage Lottery Fund for an amount of £48,700 for two years to complete the project.

Job Opportunities Support Project – The project aims to help improve access to employment and training opportunities for Black and Minority Ethnic (BME) communities.

- The total project income for two years is £69,281 (£62,300 received August 2009 to March 2011 with the balance anticipated during April 2011 – July 2011). New funding opportunities are being actively sought to continue the project.

Happy to Translate Training DVD

- We successfully received funding of £9,797 from the Awards for All Lottery Fund to produce a training DVD in year 2010/11.

2 Governance

2.1 Board of Management

We have had a number of Board Member resignations during the year and as a result we currently have 11 Members on our Board of Management, including one tenant of the Association. As part of our succession planning processes, we have also been fortunate in attracting a number of keen and enthusiastic prospective new Board Members, 4 of whom have been co-opted onto the Board. Our new co-optees will seek formal election to the Board at the AGM in September 2011. On Arran, three members of the Isle of Arran Homes Sub Committee resigned during the year. 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 them

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to discharge their 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 Strategic Management Group 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 8 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 was 1 (2010 – 2) member of the Management Committee (including former members and co-opted members) who was also a tenant 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 be ably represented by Councillors Tom Barr and John Hunter, 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 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.

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Internal Audit Services have been provided to Trust by Baker Tilly, Chartered Accountants and Registered Auditors since 2006/07. During 2010/11 they have undertaken follow up reviews on a number of previous audits and a full review of Selection, Allocations and Lettings. Baker Tilly will provide a final update on their activity during the early part of 2011/12. We wish to take this opportunity to formally record our appreciation of the work they have done for Trust over the past 5 years. We have undertaken an EU compliant joint procurement exercise in collaboration with 3 other Housing Associations and Scott-Moncrieff will provide internal audit services starting in 2011/12.

The Board of Management has reviewed the effectiveness of the system of internal financial controls for the years ended 31 March 2011, 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 Strategic Management Group 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.

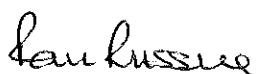
5. Auditors and audit information

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 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



P Russell
Vice Chair

28 July 2011

INDEPENDENT AUDITOR'S 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 2011 which comprise the Income and Expenditure Account, the Balance Sheet, the Cash Flow Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Respective responsibilities of the board and the auditor

As explained more fully in the Statement of the Responsibilities of the Board of Management set out on page 12, the Board is responsible for the preparation of financial statements and for being satisfied that they give a true and fair view.

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

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 auditor's 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.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/private.cfm.

Opinion on financial statements

In our opinion the financial statements;

- give a true and fair view of the state of the Association's affairs as at 31 March 2011 and of its income and expenditure for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been properly prepared in accordance with the Industrial and Provident Societies Acts 1965 to 2002, the Housing (Scotland) Act 2001, 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.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Industrial and Provident Societies Acts, 1965 to 2002 require us to report to you if, in our opinion;

- a satisfactory system of control over transactions has not been maintained; or
- the Association has not kept proper accounting records; or
- the financial statements are not in agreement with the books of account; or
- we have not received all the information and explanations we need for our audit.

Mazars LLP

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

Date 15 August 2011

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 13 and 14. 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 13 and 14, 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 13 and 14 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 15 August 2011

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Income and Expenditure Account
for the year ended 31 March 2011

	<i>Notes</i>	2011	2010
		£'000	£'000
Turnover	2	17,519	17,249
Less: operating costs	2	(17,356)	(18,364)
Operating surplus/(deficit)	7	163	(1,115)
(Loss)/Profit on sale of fixed assets		(15)	182
Interest receivable and other income		14	6
Interest payable and other charges	8	(381)	(307)
Deficit for the year		(219)	(1,234)
Transfer from reserves		317	1,327
Surplus after transfer		98	93

The Association has no recognised gains and losses other than those included in the surpluses for the years ended 31 March 2010 and 31 March 2011. All operations are continuing.

The notes on pages 22 to 41 form part of these Financial Statements.

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Balance Sheet as at 31 March 2011

	Notes	2011		2010	
		£'000	£'000	£'000	£'000
Tangible fixed assets					
Housing properties	9		120,771		115,788
Less: HAG	9		(95,977)		(93,751)
Less: Other public grants	9		(4,286)		(3,798)
			20,508		18,239
Other	9		3,196		3,273
Total fixed assets			23,704		21,512
Current assets					
Debtors	10	832		1,182	
Cash at bank and in hand		2,324		1,116	
		3,156		2,298	
Creditors: amounts falling due within one year	11	3,287		3,169	
Net current liabilities			(131)		(871)
Total assets less current liabilities			23,573		20,641
Creditors: amounts falling due after more than one year	12		(12,129)		(8,973)
Net assets			11,444		11,668
Capital and reserves					
Share capital	14		1		1
Restricted reserves	15	113		117	
Designated reserves	16	6,898		7,215	
			7,011		7,332
Revenue reserve	17		4,432		4,335
			11,444		11,668

The Financial Statements were approved by the Board of Management on 28 July 2011 and were signed on its behalf:



P Russell, Vice Chair



R McDougall, Secretary

28 July 2011

The notes on pages 22 to 41 form part of these Financial Statements.

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Cash Flow Statement for the year ended 31 March 2011

		2011		2010	
	Notes	£'000	£'000	£'000	£'000
Reconciliation of operating surplus/(deficit) to net cash inflow from operating activities					
Operating surplus/(deficit)			163		(1,115)
Depreciation charges			580		453
Impairment charge			-		1,012
Provision for Bad Debts			23		
Service and Heating Equalisation Accounts			(44)		
Decrease/(Increase) in debtors			349		(527)
(Decrease)/Increase in creditors			(92)		167
Net cash inflow/(outflow) from operating activities			<u>979</u>		<u>(10)</u>
Returns on investments and Servicing of finance					
Capital expenditure	(i)		(367)		(301)
	(i)		(2,771)		(63)
			(2,159)		(374)
Financing	(i)		<u>3,367</u>		<u>158</u>
Increase/(Decrease) in cash			<u>1,208</u>		<u>(216)</u>
(Cash is defined as cash in hand and deposits repayable on demand)					
Reconciliation of net cash flow to Movement in net debt					
Increase/(Decrease) in cash in the period	(ii)		1,208		(216)
Cash to repay housing loans		633			(158)
Cash acquired as housing loan		(4,000)	(3,367)		-
Change in net debt			(2,159)		(374)
Net debt at 1 April 2010			<u>(8,465)</u>		<u>(8,091)</u>
Net debt at 31 March 2011			<u>(10,624)</u>		<u>(8,465)</u>

**Notes to the Cash Flow Statement
for the year ended 31 March 2011**

(i)	Gross cash flows	2011		2010	
		£'000	£'000	£'000	£'000
	Returns on investments and servicing of finance				
	Interest received	14		6	
	Interest paid	(381)		(307)	
			<u>(367)</u>		<u>(301)</u>
	Capital expenditure				
	Payments to acquire tangible fixed assets	(5,537)		(3,659)	
	Receipt of HAG and other grants	2,714		2,797	
	Receipts from sales of shared ownership properties	-		-	
	Receipts from sale of development	-		-	
	Receipts from sale of right to buy	52		-	
	Repayment of HAG on sale of shared ownership properties	-		-	
	Repayment of HAG on sales of development	-		-	
	Receipts from sales of other fixed assets	-		799	
			<u>(2,771)</u>		<u>(63)</u>
	Financing				
	Loans acquired	4,000		1,500	
	Loans repaid	(633)		(1,342)	
			<u>3,367</u>		<u>158</u>
(ii)	Analysis of changes in net debt				
		At			At
		1 April	Cash	Other	31 March
		2010	Flows	Changes	2011
		£'000	£'000	£'000	£'000
	Bank and short term deposits	1,116	1,208	-	2,324
	Debt due within 1 year	(608)	(210)	-	(818)
	Debt due after 1 year	(8,973)	(3,157)	-	(12,130)
	Total	<u>(8,465)</u>	<u>(2,159)</u>	<u>-</u>	<u>(10,624)</u>

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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 are assumed to have 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. Depreciation is charged from the date of purchase to the date of disposal.

Notes to the Accounts (continued)

The rates are as follows:

- Office Properties are 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

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

The Restricted Reserve has been created mainly from charitable donations and bequests and is used for development specific projects.

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 and furniture 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

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Notes to the Accounts (continued)

under charges which are carried forward in these equalisation accounts are 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
	£'000	£'000	£'000	£'000
Social letting	14,528	13,642	886	823
Other activities	2,991	3,397	(406)	(611)
Total	17,519	17,039	480	212
Total for previous period of account	17,249	17,037	212	

Operating costs are shown net of a transfer from reserves amounting to £317k.

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Notes to the Accounts (continued)

3. Lettings and Other Related Information

Particulars of turnover, operating costs and surplus before taxation.

	Grants from Scottish Ministers £'000	Other revenue grants £'000	Supporting People income £'000	Other income £'000	Total Turnover £'000	Operating costs – bad debts £'000	Other operating costs £'000	Operating surplus or deficit £'000	Operating surplus or deficit for previous period of account £'000
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	-	-	2,712	-	2,712	-	2,933	(221)	(430)
Care activities	-	-	-	-	-	-	-	-	-
Agency/management services for registered social landlords	-	-	-	-	-	-	-	-	-
Other agency/management services	-	-	-	-	-	-	-	-	-

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	Grants from Scottish Ministers £'000	Other revenue grants £'000	Supporting People income £'000	Other income £'000	Total Turnover £'000	Operating costs – bad debts £'000	Other operating costs £'000	Operating surplus or deficit £'000	Operating surplus or deficit for previous period of account £'000
Development for sale to registered social landlords	-	-	-	-	-	-	-	-	-
Developments and improvements for sale to non registered social landlords	-	-	-	-	-	-	-	-	-
Other activities									
Other activities : Equal Opportunities		245			245		436	(191)	(178)
Other activities : Overhead charges on housing support and floating support	-	-	-	-	-	-	-	-	-
Other activities : Recoverable VAT	-	-	-	-	-	-	(32)	32	26
Other activities : Arran Care and Repair	-	34	-	-	34	-	60	(26)	(27)
Other activities : Donations	-	-	-	-	-	-	-	-	(2)
Total from other activities		279	2,712		2,991		3,397	(406)	(611)
Total from other activities for the previous period of account		296	2,751	(2)	3,046		3,657	(611)	

Trust Housing Association Limited

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Notes to the Accounts (*continued*)

4. Income from Lettings

	General Needs Housing £'000	Supported Housing Accommodation £'000	Shared Ownership £'000	2011 Total £'000	2010 Total £'000
Rent receivable net of identifiable Services charges	793	6,209	79	7,081	6,842
Service charges receivable (eligible for housing benefit)	20	5,351	1	5,372	5,157
Service charges receivable (not eligible for housing benefit)	9	2,464	-	2,473	2,427
Gross rents receivable	822	14,024	80	14,926	14,426
Less: Rent losses from voids	(11)	(491)	-	(502)	(329)
Net rents receivable	811	13,533	80	14,424	14,097
Revenue grants from local authorities & other agencies	-	104	-	104	106
Total turnover from social letting activities	811	13,637	80	14,528	14,203
Expenditure on letting activities					
Service costs	8	6,292	-	6,300	6,755
Planned and cyclical maintenance including major repairs costs	-	376	-	376	434
Management	112	3,734	5	3,851	3,767
Reactive maintenance	39	1,072	-	1,111	975
Bad debts – rents and service charges	-	-	-	-	(13)
Depreciation of social housing	-	344	-	344	219
Impairment of social housing	-	-	-	-	-
Major repairs expenditure	-	1,333	-	1,333	1,005
Stock condition surveys	-	12	-	12	24
Miscellaneous costs	-	306	9	315	214
Operating costs for social letting activities	159	13,469	14	13,642	13,380
Operating surplus for social lettings	652	168	66	886	823
Operating surplus for 2010	596	166	61	823	

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Notes to the Accounts (*continued*)

5. Officers' Emoluments

	2011 £'000	2010 £'000
Aggregate emoluments payable to Officers (excluding pension contributions and benefits in kind).		
Total emoluments (including pension contributions and benefits in kind)	502	576
Payments as compensation for loss of office	17	
	519	576
	2011 £'000	2010 £'000
Emoluments (excluding pension contribution) of the Chief Executive Officer amounted to:	75	75
Pension Contributions of the highest paid Officer amounted to:	12	12
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	2
£70,001 to £80,000	1	1
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 £59,290 (2010 £66,273).		
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.	6	10

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Notes to the Accounts (continued)

6. Employee Information

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

	2011 Number of staff	2010 Number of staff (restated)
Office staff	83	82
Development based staff	200	215
	<u>283</u>	<u>297</u>

The average number of staff employed during the year was:

	Number of staff	Number of staff
Office staff	88	88
Development based staff	356	344
	<u>444</u>	<u>432</u>

	£'000	£'000
Staff costs (including directors emoluments):		
Wages and salaries	7,425	7,981
Social Security costs	441	471
Pension costs	489	508
	<u>8,355</u>	<u>8,960</u>

7. Operating Surplus/(Deficit)

	£'000	£'000
Operating surplus/(deficit) is stated after charging:		
Depreciation	580	454
Impairment	-	1,012
Repairs: cyclical, planned and day to day	2,820	2,408
Auditors' remuneration – audit services	16	11
Auditors' remuneration – non-audit services	-	-
	<u>-</u>	<u>-</u>

8. Interest Payable and Other Charges

	£'000	£'000
On loans payable wholly or partly in more than 5 years:		
Amounts payable to Banks and Building Societies	<u>381</u>	<u>307</u>

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	2011 Total £'000	2010 Total £'000
Cost										
At beginning of year	113,191	512	3,826	117,529	3,955	75	1,360	5,390	122,919	120,007
Additions during year	-	-	5,482	5,482	-	-	159	159	5,641	3,659
Disposals during year	(157)	-	-	(157)	-	-	-	0	(157)	(747)
Transfers	5,984	-	(5,984)	-	-	-	-	-	-	-
At end of year	119,018	512	3,324	122,854	3,955	75	1,519	5,549	128,403	122,919
Depreciation										
At beginning of year	1,731	9	-	1,740	1,156	55	906	2,117	3,857	2,519
Charge for year	343	1	-	344	45	10	181	236	580	453
Impairment Charge	-	-	-	-	-	-	-	-	-	1,012
Disposals during year	(1)	-	-	(1)	-	-	-	-	(1)	(127)
At end of year	2,073	10	-	2,083	1,201	65	1,087	2,353	4,436	3,857
Net Book Value										
At beginning of year	111,460	503	3,826	115,789	2,799	20	454	3,273	119,062	117,488
At end of year	116,945	502	3,324	120,771	2,754	10	432	3,196	123,967	119,062
Housing Association Grants and other grants										
At beginning of year	94,523	469	2,558	97,550	-	-	-	-	97,550	94,753
Additions during year	1,699	-	1,104	2,803	-	-	-	-	2,803	2,797
Disposals during year	(89)	-	-	(89)	-	-	-	-	(89)	(0)
Transfers	-	-	-	-	-	-	-	-	-	-
At end of year	96,133	469	3,662	100,264	-	-	-	-	100,264	97,550

Development allowances received in the year amounted to £45,541 (2010: £92,971).

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Notes to the Accounts (*continued*)

10. Debtors

	2011 £'000	2010 £'000
Amounts falling due within one year:		
Rental debtors	244	365
Development funding receivable	-	324
Other debtors	426	356
Heating equalisation a/c	54	112
Prepayments and accrued income	108	25
	<u>832</u>	<u>1,182</u>

11. Creditors due within one year

	2011 £'000	2010 £'000
Rent in advance	132	84
Housing loans	818	608
Other taxation and social security	132	139
Creditors and accruals	2,129	2,160
Service Equalisation Account	76	178
	<u>3,287</u>	<u>3,169</u>

12. Creditors due out with one year

	2011 £'000	2010 £'000
Housing loans	<u>12,129</u>	<u>8,973</u>

Housing loans:

	2011 £'000	2010 £'000
In one year or less	818	608
Between one and two years	818	608
Between two and five years	2,454	1,824
In five years or more	8,857	6,541
	<u>12,947</u>	<u>9,581</u>

Housing loans are secured by legal charges against certain housing properties. The loan debt at 31 March 2011 comprised a 20 part loan with Dunfermline Building Society, with repayments concluding from 2019 to 2035.

The majority of loan parts (approx £4.4m) 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 there are 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%, a loan of £1m with repayments concluding in 2024 at a variable rate based on LIBOR plus 2.23% and a further loan of £4m with repayments concluding in 2031 at a variable rate based on LIBOR plus 2.13%

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Notes to the Accounts (continued)

13. Rent Arrears and Rent

	2011	2010
Rent arrears	£286,649	£152,249
Average monthly rent	£249	£235
Average rental increase	2.0%	6.0%

14. Called Up Share Capital

	£	£
Shares of £1 each issued and fully paid:		
At beginning of year	941	911
Movement during year	34	30
At end of year	<u>975</u>	<u>941</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.

15. Restricted Reserves

	Opening Balance £'000	Income in Year £'000	Expended in Year £'000	Closing Balance £'000
Restricted reserves	117	8	(12)	113
	<u>117</u>	<u>8</u>	<u>(12)</u>	<u>113</u>

16. Designated Reserves

	Opening Balance £'000	Transfer to Revenue Reserve £'000	Expended In Year £'000	Closing Balance £'000
Replacement of equipment & furnishings	1,140	(187)	-	953
Planned maintenance	6,075	(130)	-	5,945
	<u>7,215</u>	<u>(317)</u>	<u>-</u>	<u>6,898</u>

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Notes to the Accounts (*continued*)

17. Reconciliation of Movement in Accumulated Surplus

	£,000	£,000
Revenue reserve brought forward		4,335
Deficit		(219)
		<u>4,116</u>
Transfer from restricted reserves	4	
Expenditure	(4)	
Transfer from restricted reserves		-
Transfer from designated reserves	317	
Expenditure	-	
Transfer from designated reserves		317
Revenue reserve carried forward		<u>4,433</u>

18. Units in Management

	2011	2010
	No. of Units	No. of Units
Housing accommodation	334	293
Supported accommodation	2,137	2,179
Shared ownership	13	13
Total number of units	<u>2,484</u>	<u>2,485</u>

19. Accommodation Managed by Others

Name of Managing Body	2011	2010
Leonard Cheshire Foundation	16	16
The Richmond Fellowship	-	8
Glasgow (Pollock) Bield	15	15
North Lanarkshire Council	-	5
Stirling (awaiting conversion – not let)	12	
Total number of units	<u>43</u>	<u>44</u>

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 £38,000, operating costs were £38,000, gross assets are £74,000 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

Capital Expenditure that has been contracted for but has not been provided for in the accounts

£'000	£'000
<u>2,543</u>	<u>4,726</u>

22. Pensions – SFHA

Trust participates in the Scottish Housing Associations' Pension Scheme.

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

The Scheme now 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.

Notes of the Accounts (*continued*)

- 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.

Trust has elected to operate the final salary with a 1/60th accrual rate benefit option for active members up to 31st March 2011.

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 162 active members of the Scheme employed by Trust. Trust continues to offer membership of the Scheme to its employees, from April 2011 this is on the basis of CARE 1/80th benefits.

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

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

The last formal valuation of the Scheme was performed as at 30 September 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 £295 million. The valuation revealed a shortfall of assets compared with the value of liabilities of £160 million (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 30 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

Notes of the Accounts (*continued*)

funding level of 67.4%.

23. Pensions - Financial Assumptions

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

	% pa
- 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	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
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Mortality Tables	
Non- pensioners	SAPS (S1PA) All Pensioners Year of Birth Long Cohort with 1% p.a. minimum improvement.
Pensioners	SAPS (S1PA) All Pensioners Year of Birth Long Cohort with 1% p.a. minimum improvement.

Notes of the Accounts (continued)**Contribution rates for Future Service (payable from 1 April 2011)**

Benefit structure	Long-term joint contribution rate (% of pensionable salaries per annum)
Final salary 60ths	19.2
Career average 1/60ths	17.1
Career average 1/70ths	14.9
Career average 1/80ths	13.2
Career average 1/120ths	9.4
Additional rate for deficit contributions*	10.4

(*Expressed in nominal pound terms (for each employer) increasing each 1 April in line with the rate of salary increases assumption. Earnings as at 30 September 2009 are used as the reference point for calculating the additional contributions.)

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

Notes of the Accounts (*continued*)

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 162 active members of the Plan employed by Trust. Trust 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. 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 were completed in 2009 and have been formalised. The valuation of the Plan was performed by a professionally qualified actuary using the Projected Unit Method. The market value of the Plan'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

Notes of the Accounts (*continued*)

- 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 2010. The market value of the Plan's assets at that date was £780 million and the Plan's Technical Provisions (i.e. past service liabilities) were £825 million. The valuation therefore revealed a shortfall of assets compared with the value of liabilities of £45 million, equivalent to a funding level of 95%.

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 (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).

The Pensions 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 Plan (which would effectively amend the terms of the recovery plan). A copy of the recovery plan in respect of the September 2008

Notes of the Accounts (*continued*)

valuation was forwarded to the Pensions Regulator on 18 December 2009, as is required by legislation.

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 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 the 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 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.

25. Contingent Liabilities

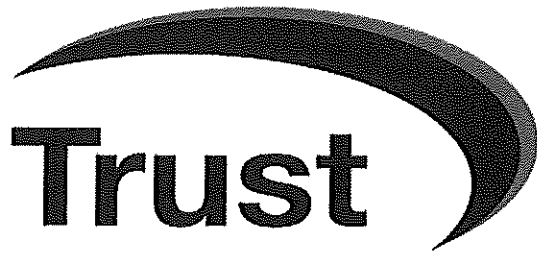
Trust has been notified by The Pensions Trust of the estimated employer debt on withdrawal from the SFHA Pension Scheme based on the financial position of the Scheme as at 30 September 2010. As of this date the estimated employer debt for Trust was £19.02m for the main scheme and £0.048m for the Growth Plan. At this time the Board have no plans for leaving the Scheme.

26. Post Balance Sheet Events

There are no post balance sheet events.

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