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Accounts for the year ended 31 March 2012

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Board of Management and Directors as at 31 March 2012

Chair: P Russell FCCA
Vice-Chair: H Pearson

Board Members:

W R Clarkson MCMI
L Dunlop MA (Hons) MSc MCIH
A P L Harper LLB (Hons) DipLP WS
B Irvine DPA
A Martin
K Vincent BA (Hons)
S Islam (resigned July 2011)
D F Blair FRICS (resigned September 2011)
E Ptolomey MSc BSc (resigned July 2011)
W R Palmer MCinstM MIIM MiMgt FFB (resigned September 2011)
I R M Crawford MA (Hons) MHSM
A Flynn
J C Howie CPFA
P Kinloch AMRSH
J Sillars
L Ross MA (Hons) (resigned July 2011)
D Inskip (Co-opted December 2011)
E Davidson (Co-opted December 2011)

Isle of Arran Homes Sub Committee Members:

Chair: J Sillars
Vice-Chair: S Alison

T Barr
L Dunlop
E McMaster
L Ross MA (Hons)
J Nichols
W R Palmer MCInstM MIIM MiMgt FFB (resigned August 2011)
B Cameron
J Hunter
A Martin
P Russell

Directors:

R McDougall FCIH	Chief Executive and Company Secretary
G Veryan MCIH	Deputy 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), FCIPD	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)
Scott Moncrieff, Chartered Accountants and Registered Auditors, Exchange Place, 3 Semple Street, Edinburgh EH3 8BL (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 initially known as Kirk Care Housing Association.

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. Specialist accommodation is subject to a minimum age restriction.

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.

(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 many of 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 Plans for 2012/13

We face unprecedented financial challenges with the severest cuts to housing support funding ever experienced. Faced with the prospect of "death by a thousand cuts" caused by continual annual reductions in funding support, the Board determined it wished to proactively plan for the future.

So what does this mean in practice?

In future, the housing support services within each council area must at least break even financially. Councils will be asked to contract housing support services for three years at a time in order to provide continuity and certainty, and at real/true cost funding level. Meetings will be held with each Council, with priority being given to those Councils in whose area we are expecting housing support losses by 31 March 2013.

Where Councils are unable or unwilling to fund services to the required levels, then sheltered services will be changed to retirement housing. Retirement housing will no longer deliver housing support services and will be deregistered with the Care Inspectorate.

Below we provide an outline of our responses to the main strategic challenges facing Trust as an organisation. These are our priorities for 2012/13.

- **Defining Quality**

  We believe as an organisation we should attempt to lay down a marker now for the future of quality homes and services we provide. We 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.

- **Redesigning Services**

  As stated earlier, we are embarking on a two year journey which will see us reconfigure services across many of our developments. The move from Sheltered Services to Retirement Housing will not be easily achieved. Residents may perceive a reduction in service and at the same time no obvious advantages in cost. For staff, they will see their terms and conditions diminish as the services provided locally, reduce.

  Regrettably however the need for change is vital. We cannot continue to lose money by providing services which are not sufficiently funded, to do so would be merely to ignore the realities all around us. We need to cut our cloth accordingly and ensure we operate within financial parameters where income covers our costs.

- **Asset Management**
  Our Asset Management Strategy aims to prioritise our housing stock by helping us determine those properties requiring the greatest urgency for attention. 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.
- Continuing to review the potential for acquiring additional housing stock through stock transfer where such proposals would offer advantages to Trust in the future

- **Trust Enterprises Limited (TEL)**
  In tandem with the move away from our traditional role with Sheltered Housing, we are developing opportunities for Trust Enterprises Limited to help meet the gap.

  As the availability of public funding makes some services increasingly difficult to deliver, it is possible that TEL might be able to provide those services on a rechargeable costs basis. It is our hope that not only can we provide quality services to customers who might otherwise lose familiar local support, but can also offer staff the option of alternative employment where service cuts threaten possible cuts in employment terms and conditions.

- **Public Relations and Marketing**
  The number of people aged 75 and over is projected to increase 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.

  As well as lobbying actively for appropriate policies at national level, we will continue to develop our brand identity and aim to promote and enhance the Trust name at all levels. We are, and will continue to be, much more active in this role.

1.4 Results

Trust Housing Association is pleased to report the results for the year ended 31 March 2012. 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 £1,297,814.

1.5 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 533 members (2011 – 509).

1.6 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 he 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.

1.7 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 2011-12 in various subjects. These included Alcohol and Older People and a six part Management Programme for line managers and supervisors to find out their personal management style and how to interact and improve communication with their staff team, as well as numerous regulatory courses. We are progressing extremely well with our SVQ qualification programme and currently have 65% of staff who have achieved their award and a further 8% currently studying. E-Learning continues to be a popular option and we have added Food Hygiene to our current options list. In addition our training programme for Board Members has been well received.

1.8 Equal Opportunities programme – Funding (2011-12)

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.

LOTTERY FUNDED

The project is funded by the Big Lottery Fund, to continue the project for a further five years for restricted grant funding of £476,796. The project started from July 2011 and has received £67,550 in the financial year 2011-12.

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

- Funded by the **Heritage Lottery Fund** for an amount of £48,700 for two years to complete the project starting from September 2011. Fifty per cent of the grant (£24,350) was received in year 2011-12.

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 finished in July 2011 and final payment of £3,000 was received in year 2011-12.

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 but have also been fortunate to have new members join the Board. As a result we are currently in the happy position of having a full Board Member complement with 13 full time and 2 co-opted members on the Board, including two tenants of the Association.

During the year ahead we aim to update our Board Members Information Pack and as part of that process introduce a new and revamped Board Member Appraisal process carried out by the Chair and Vice Chair of the association.

We have also been informed that we have been reclassified from low to medium risk by the Scottish Housing Regulator as a result of which we are required to complete a Regulation Plan. The Board will work closely with the Regulator to ensure we comply with all aspects of the regulatory requirements expected of us.

The Board has overall authority and accountability for the operation of the business. The Board 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 7 times during the year.

2.2 Statement of Responsibilities of the Board of Management

The Industrial and Provident Societies Acts 1965 to 2003 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 2003, the Housing (Scotland) Act 2001, the Registered Social Landlords Accounting Requirements (Scotland) Order 2007 and the Statement of Recommended Practice (SORP) 2010. 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 (2011 – 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 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.

Internal Audit Services have been provided to Trust by Scott Moncreiff, Chartered Accountants and Registered Auditors during 2011/12. During the year Scott Moncrieff reviewed the following key areas of the Association's work; Core Financial Systems Health-Check (Payroll and Expenses), Strategic and Financial Planning, Corporate Governance Arrangements, Legal and Regulatory Compliance. A number of recommendations have been accepted and if not already done so, will be implemented during 2012/13. We are pleased to report that the audits highlighted no major weaknesses in controls.

The Board of Management has reviewed the effectiveness of the system of internal financial controls for the year ended 31 March 2012, 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 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

Paul Russell

P Russell **19 July 2012**
Vice 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 2012 which comprise the Income and Expenditure Account, the Balance Sheet, the Statement of Total Recognised Gains and Losses, 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 11, 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

IIn our opinion the financial statements;

- give a true and fair view of the state of the Association's affairs as at 31 March 2012 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 2003, 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 2003 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 23 July 2012

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 page 6. 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 page 6, 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 page 6 appropriately reflects the Association's compliance with the SFHA "Raising Standards" specified for our review

Mazars LLP

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

Date 23 July 2012

Income and Expenditure Account
for the year ended 31 March 2012

	Notes	2012 £'000	2011 Restated £'000
Turnover	*2*	**17,537**	17,032
Less: operating costs		**(15,853)**	(16,516)
Operating surplus	*7*	**1,684**	516
Profit/(Loss) on sale of fixed assets		**19**	(15)
Interest receivable and other income		**12**	14
Interest payable and other charges	*8*	**(423)**	(381)
Surplus for the year		**1,292**	134

All operations are continuing

Statement of Total Recognised Gains and Losses
for the year ended 31 March 2012

		2012 £'000	2011 £'000
Surplus for the year		**1,292**	134
Prior year adjustment	26	**701**	-
Total recognised gains and losses		**1,993**	134

The notes on pages 14 to 30 form part of these Financial Statements.

Balance Sheet
as at 31 March 2012

	Notes	2012 £'000	2012 £'000	2011 Restated £'000	2011 Restated £'000
Tangible fixed assets					
Housing properties	*9*		**118,338**		115,875
Less: HAG	*9*		**(95,898)**		(95,977)
Less: Other public grants	*9*		**(5,905)**		(5,371)
			16,535		14,527
Other	*9*		**3,376**		3,468
Total fixed assets			**19,911**		17,995
Current assets					
Debtors	*10*	**744**		832	
Cash at bank and in hand		**3,178**		2,324	
		3,922		3,156	
Creditors: amounts falling due Within one year	*11*	**4,479**		3,774	
Net current liabilities			**(557)**		(618)
Total assets less current liabilities			**19,354**		17,377
Creditors: amounts falling due after more than one year	*12*		**(12,815)**		(12,129)
Net assets			**6,539**		5,248
Capital and reserves					
Share capital	*14*		1		1
Restricted reserves	*15*	**107**		113	
Designated reserves as 31 March 2011	*16*	-		6,898	
Prior year adjustment		-		(6,898)	
Balance as at 31 March 2011		-		-	
			107		113
Revenue reserve as at 31 March 2011	*17*	-		4,432	
Prior year adjustment		-		702	
Revenue reserve			**6,431**		5,134
Balance as at 31 March 2012			**6,539**		5,248

The Financial Statements were approved by the Board of Management on 19 July 2012 and were signed on its behalf:

Paul Russell R. McDougall

P Russell, Vice Chair **R McDougall, Secretary**

19 July 2012

The notes on pages 14 to 30 form part of these Financial Statements.

Cash Flow Statement
for the year ended 31 March 2012

	Notes	2012 £'000	2012 £'000	2011 Restated £'000	2011 Restated £'000
Reconciliation of operating surplus to net cash inflow from operating activities					
Operating surplus			**1,684**		516
Depreciation charges			**1,370**		1,023
Provision for Bad Debts			**-**		23
Service and Heating Equalisation Accounts			**958**		(531)
Decrease in debtors			**88**		349
Increase in creditors			**705**		395
Net cash inflow from operating activities			**4,805**		1,775
Returns on investments and Servicing of finance	*(i)*		**(411)**		(367)
Capital expenditure	*(i)*		**(4,219)**		(3,567)
			175		(2159)
Financing	*(i)*		**679**		3,367
Increase in cash			**854**		1,208
(Cash is defined as cash in hand and deposits repayable on demand)					
Reconciliation of net cash flow to Movement in net debt	*(ii)*				
Increase in cash in the period			**854**		1,208
Cash to repay housing loans		**821**		633	
Cash acquired as housing loan		**(1,500)**	**(679)**	(4,000)	(3,367)
Change in net debt			**175**		(2,159)
Net debt at 1 April 2011			**(10,633)**		(8,474)
Net debt at 31 March 2012			**(10,458)**		(10,633)

Notes to the Cash Flow Statement
for the year ended 31 March 2012

(i) **Gross cash flows**

	2012		2011Restated	
	£'000	£'000	£'000	£'000
Returns on investments and servicing of finance				
Interest received	**12**		14	
Interest paid	**(423)**		(381)	
		(411)		(367)
Capital expenditure				
Payments to acquire tangible fixed assets	**(4,292)**		(6,333)	
Receipt of HAG and other grants	**24**		2,714	
Receipts from sales of shared ownership properties	**46**		–	
Receipts from sale of right to buy	**–**		52	
Receipts from sales of other fixed assets	**4**		–	
		(4,219)		(3,567)
Financing				
Loans acquired	**1,500**		4,000	
Loans repaid	**(821)**		(633)	
		679		3,367

(ii) **Analysis of changes in net debt**

	At 1 April 2011 £'000	Cash Flows £'000	Other Changes £'000	At 31 March 2012 £'000
Bank and short term deposits	2,324	854	–	**3,178**
Debt due within 1 year	(821)	–	–	**(821)**
Debt due after 1 year	(12,136)	(679)	–	**(12,815)**
Total	(10,633)	(175)	–	**(10,458)**

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 2010: Accounting by Registered Social Housing Providers.

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, are split by component category and include the cost of acquiring the land, site clearance costs and construction. In addition to this the costs also include replacement components and medical adaptations.

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.

When a component is replaced the grant associated with a component is written off. This becomes a contingent liability where the grant is repayable.

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.

Housing properties held for letting;

Structure	50 years
Kitchens	20 years
Central heating systems	20 to 30 years
Roofs	50 years
Windows	30 years
Lifts	30 years
Electrics	30 years
Doors	30 years
Common facilities	15 to 30 years
Bathrooms	30 years
External fabric	35 years
Shared Ownership	50 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, furniture and computer hardware and software. Depreciation is charged from the date of purchase to the date of disposal.

Office properties	50 years
Office equipment	5 years
Computer hardware & software	5 years
Motor vehicles	4 years
Furniture & equipment	10 years

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

Following the implementation of component accounting the planned maintenance reserve balance has been transferred to the revenue reserve

Replacement of Equipment and Furnishings

Following a change of accounting policy, furniture will no longer be expensed through revenue and will be capitalised to maintain consistency with the treatment of equipment costs under component accounting. This has resulted in the replacement of equipment and furnishings reserve being transferred to the revenue reserve.

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 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.

1.12 Contingent Liability

Where grant is allocated to components that are then replaced, the grant will be written off and a contingent liability created to recognise the potential repayment of the grant, where the grant may be repayable.

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 Restated
	£'000	£'000	£'000	£'000
Social letting	14,797	12,946	1,851	922
Other activities	2,740	2,907	(167)	(406)
Total	17,537	15,853	1,684	516

3. Lettings and Other Related Information

Particulars of turnover, operating costs and surplus before taxation.

	Grants from Scottish Ministers	Other revenue grants	Supporting People income	Other income	Total Turnover	Operating costs – bad debts	Other operating costs	Operating surplus or deficit	Operating surplus or deficit for previous period of account
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'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	–	–	2,537	–	2,537	–	2,475	62	(221)
Care activities	–	–	–	–	–	–	–	–	–
Agency/management services for registered social landlords	–	–	–	–	–	–	–	–	–
Other agency/management services	–	–	–	–	–	–	–	–	–
Development for sale to registered social landlords	–	–	–	–	–	–	–	–	–
Developments and improvements for sale to non registered social landlords	–	–	–	–	–	–	–	–	–
Other activities	–	–	–	–	–	–	–	–	–
Other activities : Equal Opportunities	–	149	–	–	149	–	386	(237)	(191)
Other activities : Overhead charges on housing support and floating support	–	–	–	–	–	–	–	–	–
Other activities : Recoverable VAT	–	–	–	–	–	–	(20)	20	32
Other activities : Arran Care and Repair	–	42	–	–	42	–	66	(24)	(26)
Other activities : Donations	–	–	–	12	12	–	–	12	–
Total from other activities	–	**191**	**2,537**	**12**	**2,740**	–	**2,907**	**(167)**	**(406)**
Total from other activities for the previous period of account Restated	–	**279**	**2,712**	**–**	**2,991**	**–**	**3,397**	**(406)**	–

For further details of the prior year adjustment please refer to Note 26

4. Income from Lettings

	General Needs Housing £'000	Supported Housing Accommodation £'000	Shared Ownership £'000	**2012 Total £'000**	2011 Restated Total £'000
Rent receivable net of identifiable Services charges	910	6,505	101	**7,516**	7,081
Service charges receivable (eligible for housing benefit)	31	4,592	1	**4,624**	5,372
Service charges receivable (not eligible for housing benefit)	10	2,900	–	**2,910**	2,473
Gross rents receivable	951	13,997	102	**15,050**	14,926
Less: Rent losses from voids	(7)	(352)	(1)	**(360)**	(502)
Net rents receivable	944	13,645	101	**14,690**	14,424
Revenue grants from local authorities & other agencies	–	107	–	**107**	104
Total turnover from social letting activities	944	13,752	101	**14,797**	14,528
Expenditure on letting activities					
Service costs	9	6,119	–	**6,128**	6,617
Planned and cyclical maintenance including major repairs costs	25	389	8	**422**	376
Management	155	4,099	5	**4,259**	3,851
Reactive maintenance	72	1,281	13	**1,366**	1,111
Bad debts – rents and service charges	–	–	–	**–**	–
Depreciation of social housing	107	677	23	**808**	670
Impairment of social housing	–	–	–	**–**	–
Major repairs expenditure	–	(316)	–	**(316)**	654
Stock condition surveys	–	5	–	**5**	12
Miscellaneous costs	–	270	5	**275**	315
Operating costs for social letting activities	368	12,524	54	**12,946**	13,606
Operating surplus for social lettings	576	1,228	47	**1,851**	922
Operating surplus for 2011 Restated	652	204	66	922	

5. Officers' Emoluments

	2012	2011
	£'000	£'000
Aggregate emoluments payable to Officers (excluding pension contributions and benefits in kind).		
Total emoluments		
(including pension contributions and benefits in kind)	**437**	502
Payments as compensation for loss of office	**–**	17
	437	519

	2012	2011
	£'000	£'000
Emoluments (excluding pension contribution) of the Chief Executive Officer amounted to:	**76**	75
Pension Contributions of the highest paid Officer amounted to:	**5**	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 £24,745 (2011 £59,290).

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.	**5**	6

6. Employee Information

The average number of full-time equivalent persons employed during the year was:	**2012 Number of Staff**	2011 Number of Staff
Office staff	**81**	83
Development based staff	**200**	200
	281	283

The average number of staff employed during the year was:	**Number of staff**	Number of staff
Office staff	**90**	88
Development based staff	**324**	356
	414	444

	£'000	£'000
Staff costs (including directors emoluments):		
Wages and salaries	**7,590**	7,425
Social Security costs	**450**	441
Pension costs	**564**	489
	8,604	8,355

7. Operating Surplus

	£'000	£'000
Operating surplus is stated after charging:		Restated
Depreciation	**1,370**	1,023
Impairment	**–**	–
Repairs: cyclical, planned and day to day	**1,467**	1,825
Auditors' remuneration – audit services	**18**	16
Auditors' remuneration – non-audit services	**–**	–

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	**423**	381

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**	**2012 Total £'000**	2011 Restated Total £'000
Cost						
At beginning of year						
Restated	122,186	512	3,326	**126,024**	**126,024**	120,697
Additions	-	-	1,848	**1,848**	**1,848**	5,484
Additions: New Properties	669	-	-	**669**	**669**	-
Additions: Existing Properties	308	-	-	**308**	**308**	-
Additions: Components	1,558	-	-	**1,558**	**1,558**	-
Additions: Adaptations	526	-	-	**526**	**526**	-
Disposals during year	(498)	(34)	-	**(532)**	**(532)**	(157)
Transfers	-	-	(1,503)	**(1,503)**	**(1,503)**	-
At end of year	124,749	478	3,671	**128,898**	**128,898**	126,024
Depreciation						
At beginning of						
year Restated	10,139	7	-	**10,146**	**10,146**	1,740
Charge for year	832	3	-	**835**	**835**	8,409
Impairment Charge	-	-	-	**-**	**-**	-
Disposals during year	(421)	-	-	**(421)**	**(421)**	(1)
At end of year	10,550	10	-	**10,560**	**10,560**	10,148
Net Book Value						
At beginning of year						
Restated	112,048	502	3,326	**115,876**	**115,876**	118,957
At end of year	114,199	468	3,671	**118,338**	**118,338**	115,876
Housing Association Grants and other grants						
At beginning of year						
Restated	97,218	469	3,662	**101,349**	**101,349**	97,550
Additions during year	534	-	24	**558**	**558**	3,888
Disposals during year	(77)	(27)	-	**(104)**	**(104)**	(89)
Transfers	-	-	-	**-**	**-**	-
At end of year	97,675	442	3,686	**101,803**	**101,803**	101,349

	Office Properties £'000	Motor Vehicles £'000	Office Equipment £'000	Development Furniture £'000	**Total Other Assets £'000**	**2012 Total £'000**	2011 Restated Total £'000
Cost							
At beginning of year	3,955	75	1,519	287	**5,836**	**5,836**	5,390
Additions during year	–	–	166	279	**445**	**445**	446
Disposals during year	–	(12)	–	–	**(12)**	**(12)**	–
Transfers	–	–	–	–	**-**	**-**	–
At end of year	3,955	63	1,685	566	**6,269**	**6,269**	5,836
Depreciation							
At beginning of year	1,201	65	1,087	16	**2,369**	**2,369**	2,117
Charge for year	288	7	197	44	**536**	**536**	252
Disposals during year	–	(12)	–	–	**(12)**	**(12)**	–
At end of year	1,489	60	1,284	60	**2,893**	**2,893**	2,369
Net Book Value							
At beginning of year	2,754	10	432	271	**3,467**	**3,467**	3,273
At end of year	2,466	3	401	506	**3,376**	**3,376**	3,467

Development allowances received in the year amounted to £76,193 (2011: £45,541).
The depreciation charge for this year on Development Furniture is £44,123 and would have been zero had the change in accounting policy to capitalise development furniture not been implemented. The impact on the results for the year is a nil effect as any over or under charges which are carried forward in the service charge equalisation account is taken into account when service charges are calculated for the following year. For further details of the prior year adjustments please refer to Note 26

10. Debtors

	2012	2011
	£'000	£'000
Amounts falling due within one year:		
Rental debtors	246	244
Other debtors	358	426
Heating equalisation a/c	-	54
Prepayments and accrued income	140	108
	744	832

11. Creditors due within one year

	2012	2011 Restated
	£'000	£'000
Rent in advance	166	132
Housing loans	821	818
Other taxation and social security	140	132
Creditors and accruals	1,885	2,129
Service Equalisation Account	1,467	563
	4,479	3,774

12. Creditors due out with one year

	2012	2011
	£'000	£'000
Housing loans	12,815	12,129

	2012	2011
	£'000	£'000
Housing loans		
In one year or less	821	821
Between one and two years	821	821
Between two and five years	2,946	2,463
In five years or more	9,048	8,842
	13,636	12,947

Housing loans are secured by legal charges against certain housing properties. The loan debt at 31 March 2012 comprised a 20 part loan with Dunfermline Building Society with a balance of £6.68m, with repayments concluding from 2019 to 2035. This is now all at fixed interest rates for the duration of the loan.

In addition there are loans with The Royal Bank of Scotland, a loan with a balance of approx £0.8m, with repayments concluding in 2019, a loan of £0.85m with repayments concluding in 2024 and a further loan of £3.8m with repayments concluding in 2031 all now at fixed rates for the duration of the loan.

There is also a loan with Unity Trust Bank of £1.5m which is at a variable interest rate.

13. Rent Arrears and Rent

	2012	2011
Rent arrears	**£289,885**	£286,649
Average monthly rent	**£251**	£249
Average rental increase	**3.5%**	2.0%

14. Called Up Share Capital

	£	£
Shares of £1 each issued and fully paid:		
At beginning of year	**975**	941
Movement during year	**24**	34
At end of year	**999**	975

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

	£'000
Reserves as at 1 April 2011	113
Transfer to revenue reserve	(6)
Closing balance as at 31 March 2012	**107**

16. Designated Reserves

	£,000 Replacement of equipment and furnishings	**£,000** Planned Maintenance
Reserves as at 1 April 2011 as previously reported	953	5,945
Prior Year adjustment	(953)	(5,945)
Balance as at 1 April 2011 Restated	-	-
Income in the year	-	-
Expenditure in the year	-	-
Closing balance as at 31 March 2012	-	-

For further details of the prior year adjustment please refer to Note 26

17. Reconciliation of Movement in Accumulated Surplus

	£,000	£,000
Revenue reserve as at 1 April 2011 as previously reported	£4,432	
Prior year adjustment	701	
Surplus Restated		5,133
Surplus		1,298
Transfer from restricted reserves	6	
Expenditure	(6)	
Transfer from restricted reserves		–
Revenue reserve carried forward		**6,431**

For further details of the prior year adjustment please refer to Note 26

18. Units in Management

	2012	2011
	No. of Units	No. of Units
Housing accommodation	**347**	334
Supported accommodation	**2,142**	2,137
Shared ownership	**12**	13
Total number of units	**2,501**	2,484

19. Accommodation Managed by Others

Name of Managing Body	**2012**	2011
Leonard Cheshire Foundation	**16**	16
Glasgow (Pollock) Bield	**15**	15
Stirling (awaiting conversion – not let)	**12**	12
Total number of units	**43**	43

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 £68,082, operating costs were £69,438, gross assets are £78,924 and the net assets are (£1,356).

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	**1,489**	2,543

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.
- 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 career average revalued earnings with 1/80th accrual rate (from 1 April 2011) benefit option for active members as at 31st March 2012.

During the accounting period Trust paid contributions at the rate of 17% of pensionable salaries. Member contributions were 6.6%.

As at the balance sheet date there were 136 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 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 2011. 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 £341 million and indicated an increase in the shortfall of assets compared to liabilities to approximately £207 million, equivalent to a past service funding level of 62.2%.

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

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.

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 Plan or by the purchase of an annuity.

The rules of the 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 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 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 17% during the accounting period. Members paid contributions at the rate of 6.6% during the accounting period.

As at the balance sheet date there were 136 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 thevaluation 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 preliminary triennial valuation results as at 30 September 2011 were received in March 2012 but, as the valuation will not be finalised until later this year, this disclosure note must still refer to the 2008 valuation results as the last completed valuation.

The Scheme Actuary's preliminary results for 30 September 2011 show that the Plan's assets at that date were £780 million and the Plan's Technical Provisions (i.e. past service liabilities) were £928 million. The valuation therefore revealed a shortfall of assets compared with the value of liabilities of £148 million, equivalent to a funding level of 84%.

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.

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

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 and The Pensions Act 2011 has more recently altered the definition of Series 3 of the Growth Plan so that a liability arises to employers for membership of any Series except Series 4. (Our recent correspondence to all employers refers.) 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 liability attributable to employment with the leaving employer compared to the total amount of the Plan's liabilities (relating to employment with all the currently participating employers). The leaving employer's debt therefore includes a share of any 'orphan' liabilities in respect of previously participating employers. The amount of the debt therefore depends on many factors including total 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 2011. As of this date the estimated employer debt for Trust was £22.24m for the main scheme and £0.068m for the Growth Plan. At this time the Board have no plans for leaving the Scheme.

The contingent liability from component replacements is £186,914 as at 31st March 2012. The restated liability as at 31st March 2011 is £109,847.

For further details of the prior year adjustment please refer to Note 26.

26. Prior year adjustment

Trust Housing Association Limited has adopted the Statement of Recommended Practice (SORP): Accounting by registered social housing providers Update 2010 in this current year ended 31st March 2012. This has resulted in the provisions for component accounting being implemented this year. Major components are now treated as separable assets and depreciated over their expected useful economic lives or the lives of the properties to which they relate, if shorter. Significant costs referring to the replacement of major components were previously treated as revenue expenditure. Comparative figures have been restated to reflect this change in accounting policy.

	2011
	£0,000
Costs previously treated as revenue expenditure now capitalised	3,440
Capitalised grants	(1,085)
Increase accumulated depreciation charged on net costs capitalised	(8,065)
Adjustment to creditors brought forward	(487)
	(6,197)
Prior year adjustments to revenue reserves brought forward	701
Prior year adjustments to designated reserves brought forward	(6,898)
	(6,197)

27. Post Balance Sheet Events

There are no post balance sheet events.

This information is available in Braille, tape,
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