

CLYDEBANK HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2008

Registered Housing Association No. HAL86

Financial Services Authority No. 2191 R(S)

Charity No. SCO33962

BAKER TILLY UK AUDIT LLP
Chartered Accountants

Glasgow

CLYDEBANK HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2008

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Registration Particulars

Financial Services Authority	Industrial and Provident Societies Act 1965 Registered Number 2191 R(S)
Scottish Housing Regulator	Housing (Scotland) Act 2001 Registered Number HAL86
Scottish Charities	Charity and Trustee Investment (Scotland) Act 2005 Scottish Charity Number SC033962

CLYDEBANK HOUSING ASSOCIATION LIMITED

REPORT OF COMMITTEE OF MANAGEMENT

31 MARCH 2008

The Committee of Management present their report and audited financial statements for the year ended 31 March 2008.

Principal activity

The principal activity of Clydebank Housing Association is the development, management and maintenance of housing for people in housing need.

Clydebank Housing Association is registered with the Financial Services Authority as an Industrial and Provident Society, The Office of the Scottish Charities Regulator (OSCR) as a charity and Scottish Housing Regulator as a Registered Social Landlord

Our Strategic Aims

We aim to be an excellent landlord and factor, providing good quality, affordable homes within the Clydebank area.

We promote the involvement of tenants in our decision making, so that we can be sure our services meet their needs.

We work with the community and other partners to help to improve Clydebank as a place to live.

Our Aims are to:

1. Manage, build and maintain our housing stock to a high standard.
- We strive for both quality and value for money in all our services, so that rents remain affordable to people in work but with low wages.
2. Continually promote tenant involvement in how we work and perform. - We try to ensure tenants views and priorities are taken into account in our policy reviews and service delivery.
3. Meet the specific housing needs of individuals where we can - as far as our existing stock allows and ensuring unmet needs are addressed.
4. Ensure we work in partnership with the community, the Council, other agencies and voluntary groups to make Clydebank more attractive as a place to live.
5. Encourage membership of the organisation among residents.
6. Support and develop the Management Committee, to ensure the objectives of the organisation are met.
7. Ensure the work of the support teams, Finance and IT, help to maximise the productiveness of the core business teams.
8. Support and develop staff to achieve their maximum potential in their jobs.
9. Comply with legislation and best practice in all that we do.

CLYDEBANK HOUSING ASSOCIATION LIMITED

REPORT OF COMMITTEE OF MANAGEMENT

31 MARCH 2008

Business review

The Association made a surplus of £116,381 in the year, as a result of our Major Repairs programme in the year not progressing as expected. The Association remains in a strong financial position with almost £4.5m deposited as cash funds, and has loan facilities available to it on demand. Clydebank continues to have a substantial major repair investment programme with door replacements, central heating and lift renewals due in a substantial proportion of properties over the next few years. We have also provided substantial funds over the next five years to meet our commitments under the Scottish Housing Quality Standards. Cash surpluses will continue to be made, subject to our planned major repair programme over the next few years.

Surplus for the year and transfers

The results for the year are shown in the Income and Expenditure Account on page 14.

Transfers to designated reserve:	£
- Major repairs reserve	116,381
Transfer to revenue reserve	-
Surplus for the year	<u>116,381</u>

Members of Committee of Management

The Members of the Management Committee of the Association during the year to 31 March 2008 were as follows:

Mr J B Hearn (Chairperson)	Mr N Crilley
Miss E Mackie (Secretary)	Miss P Rice
Mr J Hillhouse (Vice Chairperson)	Mr T P Winter
Mr J Mooney	Mrs M Reid
Mr A Hamilton	Mr D Muir (appointed August 2007)
Mr S Hynds (resigned June 2007)	Mrs C Hynds (resigned June 2007)
Mr D McKinlay (appointed September 2007, resigned March 2008)	
Mr P Carruth (appointed August 2007, expelled February 2008)	
Mr I Russell (appointed August 2007, expelled February 2008)	

Executive Officers

F Webster	Director
S Keenan	Depute Director
J Farrell	Senior Housing Officer
A MacFarlane	Senior Maintenance Officer
L Lees	Senior Finance Officer

CLYDEBANK HOUSING ASSOCIATION LIMITED

REPORT OF COMMITTEE OF MANAGEMENT

31 MARCH 2008

Operational Review

1. Corporate Governance

Our governing body is our Committee of Management, which is elected by and is responsible to the wider membership. It is the responsibility of the Committee to determine the strategy, and overall direction for the Association and its policies. They also monitor the operational activities of the Association and set standards of service delivery.

The Committee of Management members serve in a voluntary capacity and are unpaid. We recognise that this puts even more onus on us to ensure that we set and achieve high standards of professionalism in our work. We take governance very seriously and review our Governance policies and processes regularly.

The Executive Team are responsible for achieving the strategy set, undertaking the operational activities in line with the policies set.

This report details issues that have arisen during the year relating to the main activities undertaken by Clydebank Housing Association

2 Corporate Issues

Tenant involvement and participation is a major part of Clydebank's Aims and Objectives, and we continue to review how Clydebank involves tenants in its activities. Clydebank is committed to involving tenants in decision making and policy making

Performance Management

Service delivery is underpinned by staff performance. This continues to be a high priority for us. We continue to invest in our staff in terms of provision and access to training opportunities in order to ensure that a high level of performance is maintained.

Best use of resources

We regularly conduct risk assessments, and take any action necessary to reduce or limit risk. We have continued with a programme of major investment in our housing stock, which is by far our most costly asset. This includes carrying out both major repair and cyclical repairs, and also considering whether any of our schemes should be improved further to meet the changing requirements of tenants in the future. We regularly update our stock condition information, to ensure that our long-term financial planning reflects our future investment requirements.

Services

We aim to deliver high quality services, and we set ourselves the goal of achieving continuous improvement in what we do. In our housing stock, we moved ahead with some major repairs that had become necessary and introduced improved arrangements for gas servicing.

CLYDEBANK HOUSING ASSOCIATION LIMITED

REPORT OF COMMITTEE OF MANAGEMENT

31 MARCH 2008

Our rent arrears management improved, with clearer information to tenants. We continued to deliver many completed adaptations to existing properties, to meet the specific needs of our tenants.

3 Development Issues

We have spent £50,362 on developing housing stock (2007 - £111,102) during the year, of which £49,116 (2007 - £67,102) was funded by Housing Association Grants.

4 Housing Issues

Clydebank continues to work on reducing the period of time taken to re-let or let new properties, to ensure that we maximize our effectiveness in housing people in need and reduce our costs. The rent loss due to empty properties was £17,841 (2007 - £19,221). Work is continuing to improve this figure.

5. Other Areas

Risk Management Policy

The Committee has, with advice from their auditors, a formal risk management process to assess business risks and implement risk management strategies. This involves identifying the types of risks the Association faces, prioritising them in terms of potential impact and likelihood of occurrence, and identifying means of mitigating the risks. As part of this process the Committee review the adequacy of the Association's current internal controls.

In addition, the Committee have considered the guidance for directors of public listed companies contained within the Turnbull Report. They believe that although this is not mandatory for the Association it should, as a public interest body, adopt these guidelines as best practice. Accordingly they have set policies on internal controls which cover the following:

- consideration of the type of risks the Association faces;
- the level of risks which they regard as acceptable;
- the likelihood of the risks concerned materialising;
- the Association's ability to reduce the incidence and impact on the business of risks that do materialise; and the costs of operating particular controls relative to the benefit obtained.
- clarified the responsibility of management to implement the Committee's policies and to identify and evaluate risks for their consideration.
- communicated that employees have responsibility for internal control as part of their accountability for achieving objectives.
- embedded the control system in the charity's operations so that it becomes part of the culture of the Association.
- developed systems to respond quickly to evolving risks arising from factors within the charity and to changes in the external environment.
- included procedures for reporting failings immediately to appropriate levels of management and the Committee together with details of corrective action being undertaken.

CLYDEBANK HOUSING ASSOCIATION LIMITED

REPORT OF COMMITTEE OF MANAGEMENT

31 MARCH 2008

Treasury Management

The Association has an active treasury management function, which operates in accordance with the Treasury Management Policy approved by the Committee of Management. In this way the Association manages its borrowing arrangements to ensure that it is always in a position to meet its financial obligations as they fall due, whilst minimising excess cash and liquid resources held.

The Association, as a matter of policy, does not enter into transactions of a speculative nature. At 31 March 2008, the Association has a mix of fixed and variable rate finance, which it considers appropriate at this time.

Maintenance policies

The Association seeks to maintain its properties to the highest standard. To this end programmes of cyclical repairs are carried out in the medium term to deal with the gradual and predictable deterioration of building components. It is expected that the cost of all these repairs would be charged to the Income and Expenditure account.

In addition, the Association has a long-term programme of major repairs to cover for works which have become necessary since the original development was completed, including works required by subsequent legislative changes. This includes replacement or repairs to features of the properties, which have come to the end of their economic lives. The cost of these repairs would be charged to the Income and Expenditure account, unless it was agreed they could be capitalised within the terms outlined in the SORP.

Internal Financial Control

The Committee of Management is responsible for establishing and maintaining the Association's system of internal control. Internal control systems are designed to meet the particular needs of the Association and the risks to which it is exposed, and by their nature can provide reasonable but not absolute assurance against material misstatement or loss. The key procedures which the Committee of Management has established with a view to providing effective internal financial are outlined on pages 9 and 10.

Management Structure

The Committee of Management has overall responsibility for the Association and there is a formal schedule of matters specifically reserved for decision by the Committee.

Quality and Integrity of Personnel

The integrity and competence of personnel are ensured through high recruitment standards and subsequent training courses. High quality personnel are seen as an essential part of the control environment and the ethical standards expected are communicated through the Director.

Budgetary Process

Each year the Committee of Management approves the annual budget and rolling five-year strategic plan. Key risk areas are identified. Performance is monitored and relevant action taken throughout the year through quarterly reporting to the Committee of variances from the budget, updated forecasts for the year together with information on the key risk areas. Approval procedures are in place in respect of major areas of risk such as major contract tenders, expenditure and treasury management.

CLYDEBANK HOUSING ASSOCIATION LIMITED

REPORT OF COMMITTEE OF MANAGEMENT

31 MARCH 2008

Rental Income

The Association's Rent Policy is a points system based on the size, type and facilities of the accommodation. The policy ensures that the rent structure is easy to administer and covers the wide variations within the Association's properties. This policy follows the generally accepted practice/principles of the Housing Movement.

Employee Involvement and Health & Safety

The Association encourages employee involvement in all major initiatives.

Disabled Employees

Applications for employment by disabled persons are given full and fair consideration for all vacancies in accordance with their particular aptitudes and abilities. In the event of employees becoming disabled, every effort is made to retrain them in order that their employment with the Association may continue. It is the policy of the Association that training, career development and promotion opportunities should be available to all employees.

Credit Payment Policy

The Association's policy concerning the payment of its trade creditors complies with the Confederation of British Industry guidelines. The average payment period is thirty days.

General Reserves Policy

The Committee members have reviewed the reserves of Clydebank. This review encompassed the nature of the income and expenditure streams, the need to match variable income with fixed commitments and the nature of the reserves. To allow Clydebank to be managed efficiently and to provide a buffer for uninterrupted services, a general reserve equivalent to at least two months operating cost is being maintained. During the year the charity's general reserve remained constant at £500,000 (see note 7).

The Association has one other designated fund, the major repairs reserve. The purpose of this fund is detailed in note 1 in the financial statements. During the year this reserve increased from £4,802,875 to £4,919,256. The Association will continue to add to the reserve in line with its long term plans.

Sales of housing properties

Properties are disposed of under the appropriate legislation and guidance. All costs, first tranche sales, and grants relating to the share of property sold are removed from the financial statements at the date of sale. Any grants received that cannot be repaid from the proceeds of sale are abated and the grants removed from the financial statements

We sold 4 (2007: - 8) properties under right to buy and 1 (2007: - 4) shared ownership tranche up sales in the year, thereby allowing some tenants to achieve their aspiration of becoming home owners.

CLYDEBANK HOUSING ASSOCIATION LIMITED

REPORT OF COMMITTEE OF MANAGEMENT

31 MARCH 2008

Future developments

The Association after the year end successfully completed the development of 36 new Homestake flats which were handed over in June 2008 and a new Regeneration Centre, "Centre 81", was completed in April 2008. Both projects will contribute towards the regeneration of the Whitecrook area.

On the Riverside, tenders have been invited for a further 40 new flats at Cart Street, which will be available for rent and proposals for a further 150 flats on the site of the former John Brown's shipyard are at the early stages of design development, with a view to providing further opportunities for affordable rent and low-cost home ownership.

Information for Auditors

As far as the Committee members are aware there is no relevant audit information of which the auditors are unaware and the Committee members have taken all the steps they ought to have taken to make themselves aware of any relevant audit information and to ensure that the auditors are aware of any such information.

Auditors

Baker Tilly UK Audit LLP has indicated its willingness to continue in office.

On behalf of the Committee of Management

J B Hearn
(Chairperson)

Date: 24 June 2008

CLYDEBANK HOUSING ASSOCIATION LIMITED

STATEMENT OF COMMITTEE RESPONSIBILITIES

31 MARCH 2008

Under the legislation relating to Industrial and Provident Societies we are required to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Association and of the surplus or deficit of the Association of that period. In preparing those financial statements we are required to:

- select suitable accounting policies and apply them consistently;
- make reasonable and prudent judgements and estimates;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Association will continue in business.

We are also responsible for:

- keeping proper accounting records;
- safeguarding the Association's assets;
- taking reasonable steps for the prevention and detection of fraud.

By order of the Committee of Management

Date: 24 June 2008

J B Hearn
(Chairperson)

CLYDEBANK HOUSING ASSOCIATION LIMITED

COMMITTEE OF MANAGEMENT'S STATEMENT ON INTERNAL FINANCIAL CONTROLS

31 March 2008

The Committee 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. These controls are designed to give reasonable assurance with respect to:

- the reliability of financial information used within the Association or for publication;
- the maintenance of proper accounting records; and
- the safeguarding of assets (against unauthorised use or disposition).

It is the Committee of Management's responsibility to establish and maintain systems of internal financial control. Such systems can only provide reasonable and not absolute assurance against material financial mis-statement or loss. Key elements include ensuring that;

- formal policies and procedures are in place, including the documentation of key systems and rules relating to the delegation of authorities, which allow the monitoring of controls and restrict the unauthorised use of the Association's assets.
- experienced and suitably qualified staff take responsibility for important business functions. Annual appraisal procedures have been established to maintain standards of performance.
- forecasts and budgets are prepared regularly which allow the Committee of Management and staff to monitor the key business risks and financial objectives, and progress towards financial plans set for the year and the medium term; regular management accounts are prepared promptly, providing relevant, reliable and up-to-date financial and other information and significant variances from budgets are investigated as appropriate.
- all significant new initiatives, major commitments and investment projects are subject to formal authorisation procedures, through relevant sub-committees comprising Committee of Management members and others.
- the Committee of Management review reports from management, from directors, staff and from the internal and external auditors to provide reasonable assurance that control procedures are in place and are being followed. This includes a general review of the major risks facing the Association
- formal procedures have been established for instituting appropriate action to correct weaknesses identified from the above reports.

CLYDEBANK HOUSING ASSOCIATION LIMITED

COMMITTEE OF MANAGEMENT'S STATEMENT ON INTERNAL FINANCIAL CONTROLS

**31 March 2008
(Continued)**

The Committee of Management have reviewed the effectiveness of the system of internal financial control in existence in the Association for the year ended 31 March 2008 and until the below date. No weaknesses were found in internal financial controls which resulted in material losses, contingencies, or uncertainties which require disclosure in the financial statements or in the auditors' report on the financial statements.

By order of the Committee of Management

J B Hearn
(Chairperson)

Date: 24 June 2008

CLYDEBANK HOUSING ASSOCIATION LIMITED

AUDITORS' REPORT ON CORPORATE GOVERNANCE MATTERS

31 MARCH 2008

Corporate Governance

In addition to our audit of the financial statements, we have reviewed the Committee of Management's statement on pages 9 and 10 concerning the Association's compliance with the information required by the section on Internal Financial Control within SFHA's publication "Raising Standards in Housing".

Basis of Opinion

We carried out our review having regard to Bulletin 1999/5 that was issued by the Auditing Practices Board. The Bulletin does not require us to review the effectiveness of the Association's procedures for ensuring compliance with the guidance notes, nor to investigate the appropriateness of the reasons given for non-compliance.

Opinion

In our opinion the statement on internal financial control on pages 9 and 10 has provided the disclosures required by the section on Internal Financial Control within SFHA's publication "Raising Standards in Housing" and is consistent with the information which came to our attention as a result of our audit work on the financial statements.

Baker Tilly UK Audit LLP
Registered Auditors
Chartered Accountants
Glasgow

Date: 25 June 2008

CLYDEBANK HOUSING ASSOCIATION LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF CLYDEBANK HOUSING ASSOCIATION LIMITED

We have audited the financial statements on pages 14 to 34, which have been prepared under the accounting policies set out on pages 17 to 20.

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 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 opinion we have formed.

Respective responsibilities of Committee of Management and auditors

The Management Committee's responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards are set out in the Statement of Management Committee's Responsibilities.

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

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Industrial and Provident Societies Acts 1965 to 2002, the Housing (Scotland) Act 2001 and the Registered Social Landlords Accounting Requirements (Scotland) Order 2007. We also report to you if, in our opinion, the Management Committee's Report is not consistent with the financial statements, if the Association has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding director's remuneration and other transactions with the Association is not disclosed.

We read the Management Committee's Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of opinion

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

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

CLYDEBANK HOUSING ASSOCIATION LIMITED

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
CLYDEBANK HOUSING ASSOCIATION LIMITED (contd)**

Group accounts Section 14 (2) of the Friendly and Provident Societies Act 1968

We agree with the opinion of the Committee of Management of the Association that it would be of no real value to the members of the Association to consolidate or include the accounts of the Association's subsidiary, in the group accounts required to be prepared under Section 13 of the Friendly and Industrial and Provident Societies Act 1968 for the year ended 31 March 2008, because the business of the Association and that of the subsidiary are so different they cannot be treated as a single undertaking.

Opinion

In our opinion the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Association's affairs as at 31 March 2008 and of its surplus for the year then ended and have been properly prepared in accordance with the Industrial and Provident Societies Acts 1965 to 2002, the Housing (Scotland) Act 2001 and the Registered Social Landlords Accounting Requirements (Scotland) Order 2007.

Baker Tilly UK Audit LLP
Registered Auditors
Chartered Accountants
Glasgow

Date: 25 June 2008

CLYDEBANK HOUSING ASSOCIATION LIMITED

INCOME & EXPENDITURE ACCOUNT

FOR THE YEAR ENDED 31 MARCH 2008

	Notes	2008 £	2007 £
Turnover	2	3,045,877	2,895,785
Less: Operating costs	2	<u>(2,942,597)</u>	<u>(2,608,899)</u>
Operating surplus	2	103,280	286,886
Gain on sale of fixed assets	2	35,046	181,188
Impairment	9	(22,394)	21,127
Interest receivable	2	276,725	237,084
Interest payable and other charges	2	<u>(276,276)</u>	<u>(271,394)</u>
Surplus on ordinary activities before tax	2	116,381	454,891
Taxation on surplus on ordinary activities	6	<u>-</u>	<u>-</u>
Surplus for year	7	<u>116,381</u>	<u>454,891</u>

All activities relate to continuing activities within the year.

There have been no other recognised surpluses or deficits apart from those noted above.

CLYDEBANK HOUSING ASSOCIATION LIMITED

BALANCE SHEET

AS AT 31 MARCH 2008

	Notes	2008		2007	
		£	£	£	£
Tangible Fixed Assets					
Housing properties					
- gross cost less depreciation	8		21,861,584		21,976,911
Less: HAG	8		<u>(17,710,596)</u>		<u>(17,720,057)</u>
			4,150,988		4,256,854
Other Assets	8		<u>531,872</u>		<u>528,403</u>
			4,682,860		4,785,257
Investment	9		320,122		342,516
			<u>5,002,982</u>		<u>5,127,773</u>
Current Assets					
Debtors	10	1,599,284		494,508	
Cash at hand and in bank		<u>4,451,459</u>		<u>5,287,947</u>	
		6,050,743		5,782,455	
Current Liabilities					
Creditors due within one year	11	<u>(937,250)</u>		<u>(782,731)</u>	
Net Current Assets					
			<u>5,113,493</u>		<u>4,999,724</u>
			10,116,475		10,127,497
Creditors due after one year	12		<u>(4,696,955)</u>		<u>(4,824,366)</u>
Net Assets					
			<u>5,419,520</u>		<u>5,303,131</u>
Capital and Reserves					
Share capital	15		264		256
Designated reserves	7		4,919,256		4,802,875
Revenue reserves	7		<u>500,000</u>		<u>500,000</u>
			<u>5,419,520</u>		<u>5,303,131</u>

These financial statements were approved by the Committee of Management on and authorised for issue on 24 June 2008 and signed on their behalf by:

Committee Member J B Hearn (Chairperson)

Committee Member Margaret Reid

Secretary Elizabeth Mackie

CLYDEBANK HOUSING ASSOCIATION LIMITED

CASH FLOW STATEMENT

YEAR TO 31 MARCH 2008

	Notes	2008		2007	
		£	£	£	£
Net cash (outflow)/inflow from operating activities	16		(702,656)		290,534
Returns on investments and servicing of finance					
Interest received		276,725		237,084	
Interest paid		<u>(276,276)</u>		<u>(271,394)</u>	
Net cash inflow/(outflow) from returns on investments and servicing of finance			449		(34,310)
Taxation					
Corporation tax paid		-		-	
Less: Grants received		<u>-</u>		<u>-</u>	
Net cash inflow on taxation			-		-
Investing activities					
Cash received on Sale of other fixed assets		7,839		-	
Cash paid for construction and purchases		(50,362)		(111,102)	
Housing association grant received		49,116		67,102	
Other grants received		2,264,886		-	
Sales of housing properties		135,239		484,129	
Purchase of other fixed assets		(2,337,859)		(10,603)	
Housing Association Grant repaid		<u>(58,577)</u>		<u>(107,372)</u>	
Net cash inflow from investing activities			10,282		322,154
Net cash (outflow)/inflow before financing			(691,925)		578,378
Financing					
Loan received		-		-	
Loan principal repayments		(144,578)		(192,346)	
Increase in share capital		14		22	
Net cash (outflow) on financing			<u>(144,564)</u>		<u>(192,324)</u>
(Decrease)/increase in cash			<u><u>(836,488)</u></u>		<u><u>386,054</u></u>

Further details are given in note 16.

CLYDEBANK HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 MARCH 2008

(Continued)

1. Accounting Policies

(a) Introduction and accounting basis

The principal accounting policies of the Association are set out in the paragraphs (b) to (q) below.

The Association is incorporated under the Industrial and Provident Societies Act 1965 and is registered by The Financial Services Authority. These financial statements are prepared under the historical cost convention and are based on the Registered Social Landlords Accounting Requirements (Scotland) Order 2007 and the Statement of Recommended Practice "Accounting by Registered Social Landlords", and in accordance with applicable accounting standards.

(b) Finance

The financial statements have been prepared on the basis that the capital expenditure referred to in note 8 will be grant aided, funded by loans or met out of reserves, or from proceeds of sales.

(c) Mortgages

Mortgage loans are advanced by private lenders under the terms of the individual mortgage deeds in respect of each property or housing scheme. Advances are available only in respect of those developments which have been given approval for Housing Association Grant.

(d) Housing Association Grants

Housing Association Grants (HAG) are utilised to reduce the amount of mortgage loan in respect of an approved scheme to the amount which it is estimated can be serviced by the net annual income of the scheme. The amount of HAG is calculated on the qualifying cost of the scheme in accordance with instructions issued from time to time by the grant awarding body. HAG and other grants are repayable under certain circumstances. These include the disposal of the properties to which the grants relate.

(e) Housing Association Grant - Acquisition and Development Allowances receivable

Acquisition and Development Allowances are advanced as grants. They are intended to finance certain internal administrative costs relating to the acquisition and development of housing land and buildings for approved schemes. Development allowances become available in instalments according to the progress of work on the scheme. These allowances are credited to development costs when they are receivable.

CLYDEBANK HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 MARCH 2008

(Continued)

(f) **Fixed assets - Housing land and buildings** (note 8)

Properties included in housing properties are stated at cost. The cost of such properties includes the following:

- (i) cost of acquiring land and buildings
- (ii) development expenditure including applicable overheads
- (iii) interest charged on the loans raised to finance the scheme

These costs are either termed "qualifying costs" for approved HAG schemes and are considered for mortgage loans by the relevant lending authorities or they are met out of the Association's reserves.

All invoices and architects' certificates relating to capital expenditure incurred in the year at gross value before retentions are included in the financial statements for the year, provided that the dates of issue or valuations are prior to the year end.

Development costs are capitalised to the extent that they are attributable to specific schemes, where such costs are not felt to be excessive.

Expenditure on schemes which are subsequently aborted is written off in the year in which it is recognised that the scheme will not be developed to completion.

Interest on the loan financing the development is capitalised up to the relevant date of HAG completion.

(g) **Depreciation**

(i) **Housing Properties**

Housing Properties are stated at cost, less social housing and other public grants and less accumulated depreciation. Depreciation is charged on a straight-line basis over the expected economic useful lives of the properties, which is stated to be 50 years.

No depreciation is charged on the cost of land.

CLYDEBANK HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 MARCH 2008

(Continued)

(ii) **Other fixed assets**

The Association's assets are written off evenly over their expected useful lives as follows:

Office Property	-	over 20 years
Furniture & equipment	-	between 3 and 5 years

A full year's depreciation is charged on these assets in the year of purchase, but no charge is made in the year of disposal.

(h) **Impairment of fixed assets**

Reviews for impairment of housing properties are carried out on an annual basis and any impairment in an income-generating unit is recognised by a charge to the income and expenditure account. Impairment is recognised where the carrying value of an income-generating unit exceeds the higher of its net realisable value or its value in use. Value in use represents the net present value of expected future cash flows from these units.

Impairment of assets would be recognised in the income and expenditure account.

(i) **Improvements**

Improvements are capitalised where these result in an enhancement of the economic benefits of the property. Such enhancement can occur if the improvements result in:-

- an increase in rental income or
- a material reduction in future maintenance costs or
- a significant extension of the life of the property.

Works to existing properties, which fail to meet the above criteria, are charged to the income and expenditure account.

(j) **Reserve**

Designated reserve - reserve for major repairs (note 7)

Accrued major repair expenditure, being the Association's commitment to undertake major repairs to its properties, is set-aside in a designated reserve to the extent that it is not met from HAG.

(k) **Apportionment of management expenses**

Direct employee administration and operating costs have been apportioned to the income and expenditure account on the basis of costs of the staff to the extent that they are directly engaged in each of the operations dealt with in those accounts.

CLYDEBANK HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 MARCH 2008

(Continued)

(l) **Sale of housing properties**

Properties are disposed of under the appropriate legislation and guidance. All costs and grants relating to the share of property sold are removed from the financial statements at the date of sale, except for first tranche sales. Any grants received that cannot be repaid from the proceeds of sale are abated and the grants removed from the financial statements.

(m) **Lease obligations**

Rentals paid under operating leases are charged to the income and expenditure account on the accruals basis.

(n) **Value added tax**

The Association is VAT registered. However, a large proportion of the income, namely rents, is exempt for VAT purposes and therefore gives rise to a partial exemption calculation. Expenditure as a result is shown inclusive of VAT

(o) **Pensions**

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

The expected cost to the Association of pensions is charged to the Income and Expenditure Account so as to spread the cost of pensions over the service lives of the employees.

(p) **Turnover**

Turnover represents rental income from tenants, development administration and other income.

(q) **Consolidation**

The Association and its subsidiary undertaking comprise a group. The accounts represent the results of the Association and not of the group.

CLYDEBANK HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 MARCH 2008

(Continued)

2. Particulars of turnover, operating costs and operating surplus and surplus before taxation by class of business

	Turnover	Operating	Operating	Gain on sale	Interest	Interest	Surplus/	2007
	£	Costs	Surplus	of Fixed	Receivable	Payable	Before	Total
		£	£	Assets	£	£	Taxation	£
				£			£	
Income and expenditure from letting	2,793,554	(2,612,276)	181,278	-	-	-	181,278	349,799
Income and expenditure from other activities (note 3b)	252,323	(330,321)	(77,998)	-	-	-	(77,998)	(62,913)
	<u>3,045,877</u>	<u>(2,942,597)</u>	103,280	-	-	-	103,280	286,886
Sale of fixed assets			-	35,046	-	-	35,046	181,188
Impairment			-	(22,394)	-	-	(22,394)	21,127
Investment income			-	-	276,725	-	276,725	237,084
Interest payable			-	-	-	(276,276)	(276,276)	(271,394)
			<u>103,280</u>	<u>12,652</u>	<u>276,725</u>	<u>(276,276)</u>	<u>116,381</u>	<u>454,891</u>
2007	<u>2,895,785</u>	<u>(2,608,899)</u>	<u>286,886</u>	<u>202,315</u>	<u>237,084</u>	<u>(271,394)</u>	<u>454,891</u>	

Included within Operating Costs is an amount of £271,552 (2007 - £157,640) in relation to spending on wider action initiatives.

Revenue funding in respect of the Whitecrook Regeneration Centre Wider Role Project of £40,342 was received in the year (£10,000 West Dunbartonshire Partnership (WDP), £18,500 Scottish Executive, £1,842 Strathclyde European Partnership and £10,000 NHS)

Capital funding in respect of the Whitecrook Regeneration Centre Wider Role Project of £745,398 was received in the year (£120,000 WDP, £373,308 Strathclyde European Partnership, £100,000 Clydebank Rebuilt, £7,000 Lloyds TSB and £145,090 Big Lottery Fund).

CLYDEBANK HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 MARCH 2008

(Continued)

3a. Particulars of turnover, operating costs and operating surplus from social letting activities

	Housing Accommodation £	Shared Ownership £	2008 Total £	2007 Total £
Income from lettings				
Rent receivable net of				
Identifiable Service charges	2,680,083	104,135	2,784,218	2,680,919
Service charges receivable	24,634	2,543	27,177	23,626
Gross Rents Receivable	2,704,717	106,678	2,811,395	2,704,545
Less: Rent Losses from Voids	(17,841)	-	(17,841)	(19,221)
	2,686,876	106,678	2,793,554	2,685,324
Revenue Grants from Energy Savings Trust	-	-	-	75,488
Total Income from Lettings	2,686,876	106,678	2,793,554	2,760,812
Expenditure on Letting Activities				
Service costs	23,589	-	23,589	22,398
Management and maintenance administration costs	421,864	31,695	453,559	518,967
Reactive maintenance costs	673,646	-	673,646	578,510
Planned and cyclical maintenance including major repairs costs	1,351,876	-	1,351,876	1,192,445
Rent losses from bad debts	20,584	-	20,584	9,274
Property depreciation	79,696	9,326	89,022	89,419
Total Expenditure on Lettings	2,571,255	41,021	2,612,276	2,411,013
Operating Surplus on Letting Activities	115,621	65,657	181,278	349,799

The amount of service charges receivable on housing accommodation not eligible for Housing Benefit was £3,082 (2007- £2,923).

The total amount of major repairs expenditure incurred in the year was £1,144,148 (2007 - £986,933). No major repairs were capitalised (2007 - £nil).

CLYDEBANK HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 MARCH 2008

(Continued)

3b – Particulars of turnover, operating costs and operating surplus or deficit from other activities

	<i>Grants from Scottish Ministers</i>	<i>Other revenue grants</i>	<i>Supporting people income</i>	<i>Other income</i>	<i>Total Turnover</i>	<i>Operating costs – bad debts</i>	<i>Other operating costs</i>	<i>Operating surplus/ (deficit)</i>	<i>2007</i>
	£	£	£	£	£	£	£	£	£
Wider action/wider role	35,000	121,240	-	72,132	228,372	-	271,552	(43,180)	(61,780)
Care and repair	-	-	-	-	-	-	-	-	-
Factoring	-	-	-	8,267	8,267	-	7,570	697	356
Development activities	4,463	-	-	-	4,463	-	38,387	(33,924)	(19,032)
Support activities	-	-	-	-	-	-	-	-	-
Care activities	-	-	-	-	-	-	-	-	-
Agency/management services for registered social landlords	-	-	-	-	-	-	-	-	-
Other agency/management services	-	-	-	-	-	-	-	-	13,463
Developments and improvements for sale, (including first tranche shared ownership sales) to non registered social landlords	-	-	-	-	-	-	-	-	-
Other activities	-	-	-	11,221	11,221	-	12,812	(1,591)	4,080
Total from other activities	39,463	121,240	-	91,620	252,323	-	330,321	(77,998)	(62,913)
2007	56,100	45,000	-	33,873	134,973	-	(197,886)	(62,913)	

CLYDEBANK HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 MARCH 2008
(Continued)

4. Sales of Housing Properties

	2008 £	2007 £
Sale proceeds	135,239	484,129
Cost of sales	<u>(100,194)</u>	<u>(302,941)</u>
Gain on disposal	<u>35,045</u>	<u>181,188</u>

The sales of housing properties have occurred under the right to buy legislation and shared ownership tranche sales.

5. Interest Payable

	2008 £	2007 £
Interest payable in the year has been charged as follows:		
Loans	276,276	271,394
Less: Capitalised	<u>-</u>	<u>-</u>
Income & expenditure account	<u>276,276</u>	<u>271,394</u>

6. Taxation

The Association was granted charitable status on 10 December 2002 and is not liable for Corporation Tax on its exempt activities.

CLYDEBANK HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 MARCH 2008
(Continued)

7. Reserves

(a) Designated reserves

	Opening Balance £	Transfer from Revenue Reserve £	Closing Balance £
Major repairs reserve	<u>4,802,875</u>	<u>116,381</u>	<u>4,919,256</u>

No restrictions are placed upon this reserve, but the Committee has designated its use for specific purposes.

(b) Revenue reserve

	2008 £	2007 £
Opening balance at 1 April 2007	500,000	500,000
Surplus for year	116,381	454,891
Transfer (to) designated reserves	<u>(116,381)</u>	<u>(454,891)</u>
Closing balance at 31 March 2008	<u>500,000</u>	<u>500,000</u>

CLYDEBANK HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 MARCH 2008

(Continued)

8. Tangible Fixed Assets

	Housing properties held for letting £	Housing properties in course of construction £	Completed shared ownership properties £	Housing properties total £	Office & commercial property £	Office fittings & equipment £	Total £
Cost							
At 1 April 2007	20,277,892	-	2,372,949	22,650,841	947,727	270,161	23,868,729
Additions during year	50,362	-	-	50,362	2,566,972	21,437	2,638,771
Transfers	-	-	-	-	-	-	-
Disposals in year	(42,528)	-	(35,869)	(78,397)	-	(7,839)	(86,236)
At 31 March 2008	<u>20,285,726</u>	<u>-</u>	<u>2,337,080</u>	<u>22,622,806</u>	<u>3,514,699</u>	<u>283,759</u>	<u>26,421,264</u>
Housing Association and other Grants							
At 1 April 2007	15,734,324	-	1,985,733	17,720,057	246,250	-	17,966,307
Additions during year	49,116	-	-	49,116	2,515,436	-	2,564,552
Transfers	-	-	-	-	-	-	-
Repaid and abated during year	(29,972)	-	(28,605)	(58,577)	-	-	(58,577)
At 31 March 2008	<u>15,753,468</u>	<u>-</u>	<u>1,957,128</u>	<u>17,710,596</u>	<u>2,761,686</u>	<u>-</u>	<u>20,472,282</u>
Depreciation							
At 1 April 2007	600,354	-	73,576	673,930	207,760	235,475	1,117,165
Provided during year	79,696	-	9,326	89,022	34,046	27,619	150,687
Eliminated on disposal	(598)	-	(1,132)	(1,730)	-	-	(1,730)
At 31 March 2008	<u>679,452</u>	<u>-</u>	<u>81,770</u>	<u>761,222</u>	<u>241,806</u>	<u>263,094</u>	<u>1,266,122</u>
Net book value							
As at 31 March 2008	<u>3,852,806</u>	<u>-</u>	<u>298,182</u>	<u>4,150,988</u>	<u>511,207</u>	<u>20,665</u>	<u>4,682,860</u>
As at 31 March 2007	<u>3,943,214</u>	<u>-</u>	<u>313,640</u>	<u>4,256,854</u>	<u>493,717</u>	<u>34,686</u>	<u>4,785,257</u>

None of the Association's properties is held under a lease. Capitalised development and interest costs in the year amounted to £nil (2007– £Nil).

CLYDEBANK HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 MARCH 2008

(Continued)

9. Investments

	2008	2007
	£	£
Opening balance	342,516	321,389
Additions in year	-	-
Impairment	<u>(22,394)</u>	<u>21,127</u>
Closing balance	<u>320,122</u>	<u>342,516</u>

Company	Holding	Turnover	Deficit	Capital and
		£	for period	reserves
			£	£
CHA Power Limited	<u>100%</u>	<u>130,574</u>	<u>(5,904)</u>	<u>320,122</u>

The difference between the deficit for the year to March 2008 and the impairment reported above, relates to a late adjustment to the subsidiary's 2007 accounts done after the Associations accounts were completed.

10. Debtors

	2008	2007
	£	£
Amounts falling due within one year:		
Gross Rents arrears	70,399	56,468
Bad debt provision	<u>(30,333)</u>	<u>(30,873)</u>
	40,066	25,595
Housing benefit due	112,823	117,366
Trade debtors	34,138	88,935
Prepayments and accrued income	340,971	228,030
Other debtors	<u>1,071,286</u>	<u>34,582</u>
	<u>1,599,284</u>	<u>494,508</u>

11. Creditors due within one year

Loans	106,642	100,224
Trade creditors	600,143	226,600
Other creditors	26,070	19,068
Accruals and deferred income	177,963	415,583
Rents in advance	<u>26,432</u>	<u>21,256</u>
	<u>937,250</u>	<u>782,731</u>

CLYDEBANK HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 MARCH 2008

(Continued)

12. Creditors due after one year

	2008	2007
	£	£
Loans	4,222,175	4,373,171
Other creditors	474,780	451,195
	<u>4,696,955</u>	<u>4,824,366</u>

Loans are secured by specific charges on the Association's properties. Loans are repayable at varying rates of interest of 5.75% to 7.14% (2007 - 5.79% to 6.34%) in instalments due as follows:

In one year or less	106,642	100,224
Between two and five years	603,142	1,398,888
In five years or more	3,619,033	2,974,283
	<u>4,328,817</u>	<u>4,473,395</u>

13. Employees

Staff costs during year

Wages and salaries	488,542	451,180
Social security costs	44,564	42,844
Other pension costs	90,091	77,633
	<u>623,197</u>	<u>571,657</u>

The average full time equivalent number of persons employed by the Association during the year were as follows:

Administration and maintenance	<u>25</u>	<u>24</u>
--------------------------------	-----------	-----------

The Directors are defined as the members of the Management Committee, the Director and any other person reporting directly to the Directors or the Management Committee whose total emoluments exceed £60,000 per year. There are no directors whose emoluments exceed £60,000 per year.

	£	£
Emoluments payable to Highest Paid Director (excluding pension contributions)	<u>55,764</u>	<u>52,225</u>

CLYDEBANK HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 MARCH 2008

(Continued)

13. Employees (contd.)

The Association's contributions for the Director in the year amounted to £7,739. (2007 - £7,244).

No member of the Committee of Management received any emoluments in respect of their services to the Association.

14. Auditors' Remuneration

	2008 £	2007 £
The remuneration of the auditors (including expenses and excluding VAT for the year)	8,554	7,943
Remuneration of the auditors in respect of services other than those of external auditors	528	429
	<u>9,082</u>	<u>8,372</u>

15. Share Capital

Shares of £1 fully paid and issued at beginning of year	256	247
Shares issued during year	14	22
Shares cancelled in year	<u>(6)</u>	<u>(13)</u>
Shares issued at end of year	<u>264</u>	<u>256</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.

16. Notes to the Cash Flow Statement

(a) Reconciliation of surplus to net cash inflow from operating activities

Surplus for year	116,381	454,891
Net interest (received)/payable	<u>(449)</u>	<u>34,310</u>
Operating surplus for the year excluding interest and tax payable	115,932	489,201
Share capital surrendered	(6)	(13)
Depreciation	150,686	153,759
Impairment	22,394	(21,127)
Gain on sale of property	(34,987)	(181,513)
(Increase)/decrease in debtors	(1,104,776)	32,561
Increase/(decrease) in creditors	148,101	(182,334)
	<u>(702,656)</u>	<u>290,534</u>

CLYDEBANK HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 MARCH 2008

(Continued)

16 Notes to the Cash Flow Statement (contd.)

	2008	2007		
	£	£		
(b) Reconciliation of net cash flow to movement in net debt				
(Decrease)/increase in cash for the year	(836,488)	386,054		
Loans received	-	-		
Loan repayments	<u>144,578</u>	<u>192,346</u>		
Change in net debt	(691,910)	578,400		
Net debt as at 1 April 2007	<u>814,552</u>	<u>236,152</u>		
Net debt as at 31 March 2008	<u><u>122,642</u></u>	<u><u>814,552</u></u>		
(c) Analysis of Changes in net debt				
	As at 31	Cash Flow	Other	As at 31
	March 2007		Changes	March 2008
	£	£	£	£
Cash at bank and in hand	5,287,947	(836,488)	-	4,451,459
Overdraft	-	-	-	-
Debt due within one year	(100,224)	(6,418)	-	(106,642)
Debt due after one year	<u>(4,373,171)</u>	<u>150,996</u>	-	<u>(4,222,175)</u>
	<u><u>814,552</u></u>	<u><u>(691,910)</u></u>	<u><u>-</u></u>	<u><u>(122,642)</u></u>

17. Capital Commitments

	2008	2007
	£	£
Expenditure authorised by the committee of management contracted less certified	<u>227,516</u>	<u>40,000</u>

18. Contingent Liabilities

As part of the transfer agreement with Communities Scotland for the LSVT properties, the Association had undertaken to spend specific amounts on major repairs, planned maintenance and reactive maintenance. The expenditure for the second five year period is to be incurred before 31 March 2010.

In addition there were conditions in the transfer agreement relating to right to buy sales. If the number of sales exceeded a stated total, there is the possibility of further sums being payable to Communities Scotland.

Clydebank Housing Association has been notified by the Pensions Trust of the estimated employer debt on withdrawal from the Scheme based on the financial position of the Scheme as at 30 September 2006. As of that date the estimated employer debt for Clydebank Housing Association was £1,610,705. The Association has no current plans to withdraw from the scheme.

At 31 March 2008, the Association had no other contingent liabilities (2007 -£Nil).

CLYDEBANK HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 MARCH 2008

(Continued)

19. Pension Commitments

General

Clydebank Housing Association Limited participates in the SFHA Pension Scheme.

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

The Scheme currently operates with a single benefit structure, final salary with a 1/60th accrual rate. From April 2008 are three benefit structures available, namely:

Final salary with a 1/60th accrual rate.

Career average revalued earnings with a 1/60th accrual rate.

Career average revalued earnings with a 1/70th accrual rate.

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

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

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

During the accounting period Clydebank Housing Association Limited paid contributions at the rate of 14.0% of pensionable salaries. Member contributions were 7.0%.

As at the balance sheet date there were twenty active members of the Scheme employed by Clydebank Housing Association Limited. Clydebank Housing Association Limited continues to offer membership of the Scheme to its employees.

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

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

The Scheme Actuary has prepared an Actuarial Report that provides an approximate update on the funding position of the Scheme as at 30 September 2007. Such a report is required by legislation for years in which a full actuarial valuation is not carried out. The funding update revealed an increase in the assets of the Scheme to £310 million and indicated a decrease in the shortfall of assets compared to liabilities to approximately £28 million, equivalent to a past service funding level of 91.8%. Annual funding updates of

CLYDEBANK HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 MARCH 2008

(Continued)

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

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

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

	% pa
- Investment return pre-retirement	7.2
- Investment return post retirement	4.9
- Rate of salary increases	4.6
- Rate of pension increases	
pension accrued pre 6 April 2005	2.6
pension accrued from 6 April 2005 (for leavers before 1 October 1993 pension increases are 5.0%)	2.25
- Rate of price inflation	2.6

The valuation was carried out using the PA92C2025 short cohort mortality table for non-pensioners and PA92C2013 short cohort mortality table for pensioners. The table below illustrates the assumed life expectancy in years for pension scheme members at age 65 using these mortality assumptions:

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

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

Benefit structure	Long-term joint contribution rate (% of pensionable salaries per annum)
Final salary 60ths	17.8
Career average 60ths	14.6
Career average 70ths	12.6

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

Following consideration of the results of the valuation it was agreed that the shortfall of £54 million would be dealt with by the payment of additional contributions of 5.3% of pensionable salaries per annum with effect from 1 April 2008. It is the Scheme policy that the joint contribution rate payable is split between

CLYDEBANK HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 MARCH 2008

(Continued)

employers and members in the ratio 2:1. Accordingly the joint contribution rates from 1 April 2008 for each of the benefit structures will be:

Benefit structure	Joint contribution rate (% of pensionable salaries per annum)
Final salary 60ths	23.1 comprising employer contributions of 15.4% and member contributions of 7.7%
Career average 60ths	19.9 comprising employer contributions of 13.3% and member contributions of 6.6%
Career average 70ths	17.9 comprising employer contributions of 11.9% and member contributions of 6.0%

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

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

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

The next full actuarial valuation will be carried out as at 30 September 2009. An Actuarial Report will be prepared as at 30 September 2008 in line with statutory regulations.

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

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

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

CLYDEBANK HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 MARCH 2008

(Continued)

Clydebank Housing Association Limited 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 2006. As of this date the estimated employer debt for was £1,610,705.

20. Housing Stock

The number of units in Management at 31 March was as follows: -

	2008	2007
	No	No
General Needs Housing	1,028	1,032
Supported Housing Accommodation	-	-
Shared Ownership Housing	65	66
	<u>1,093</u>	<u>1,098</u>

21. Related parties

Various members of the Management Committee are tenants of the Association. The transactions with the Association are all done on standard terms, as applicable to all tenants.