

**ARGYLL COMMUNITY HOUSING
ASSOCIATION LIMITED**

**Report of the Board of Management
and Financial Statements
For the
Period from 27 May 2005 to
31 March 2006**

Registration Particulars:

Communities Scotland:

Registered Number: 360

Industrial and Provident Societies Act 1965

Registered Number: 2661R (S)

ARGYLL COMMUNITY HOUSING ASSOCIATION LIMITED

REPORT OF THE BOARD OF MANAGEMENT AND FINANCIAL STATEMENTS

For the period ended 31 March 2006

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ARGYLL COMMUNITY HOUSING ASSOCIATION LIMITED

BOARD OF MANAGEMENT, EXECUTIVES AND ADVISERS

For the period ended 31 March 2006

The Board of Management

The Board of Management and the Executive Officers who held office during the period follow:

| <i>Board of Management members</i> | | Appointed | Resigned |
|------------------------------------|-------------------|--------------------|-----------------------------------|
| Andy Birnie | | 27 May 2005 | |
| Norman Beaton | Chair | 27 May 2005 | |
| Carole Anne Shields | | 27 May 2005 | September 2005 |
| Gail Dow | | 27 May 2005 | |
| Christine Williams | | 27 May 2005 | |
| Alex Smith – Co-opted | | 27 May 2005 | |
| Bill McIntyre | | 27 May 2005 | |
| Duncan McCallum – Co-opted | Vice Chair | 27 May 2005 | 29 January 2007 (Deceased) |
| Prof. Colin Davidson | Secretary | 27 May 2005 | |
| Simon Roberts | | 27 May 2005 | |
| Bill Pirnie | | 27 May 2005 | |
| Margaret MacGregor | | 27 May 2005 | |
| Linda Brown | | 27 May 2005 | |
| Moyra Stewart | | 27 May 2005 | |
| Bruce Robertson | | 27 May 2005 | |
| Gordon McKinven | | 27 May 2005 | |
| Sidney McDougall | | 27 May 2005 | |
| Stewart McGregor | | 27 May 2005 | October 2005 |
| Isobel Strong | | 27 May 2005 | |

Executive Officers:

| | |
|---------------------------|---|
| Alistair MacGregor | Chief Executive |
| Nick Pollard | Director of Finance and IT |
| Christine Johnston | Director of Housing and Neighbourhood Services |
| Collete Benhan | Director of Human Resources and Corporate Services |

Registered Office: 63-65 Chalmers Street
Ardrishaig
Argyll
PA30 8DX

Auditors: Baker Tilly UK Audit LLP
Registered Auditors
Chartered Accountants
Floor 1 Quay 2
139 Fountainbridge
Edinburgh
EH3 9QG

Solicitors: Brechin Tindal Oatts
48 St. Vincent Street
Glasgow
G2 5HS

ARGYLL COMMUNITY HOUSING ASSOCIATION LIMITED

REPORT OF THE BOARD OF MANAGEMENT

For the period ended 31 March 2006

The Board of Management present their report and audited financial statements for the period ended 31st March 2006. The Association was incorporated on 27th May 2005 as an Industrial and Provident Society. The financial statements therefore represent the period from incorporation to 31st March 2006.

Principal activities

The principal activity of the Housing Association was to establish a suitable vehicle to take receipt of the housing stock from the transferring authority Argyll and Bute Council and thereafter to provide and manage quality affordable housing accommodation for people in housing need across the Argyll & Bute region.

Housing stock

The Association owned no housing stock during the financial period to 31st March 2006. The stock transfer occurred on 21st November 2006 when 5,398 homes were transferred from Argyll & Bute Council.

Income and Expenditure

The Association did not operate any bank accounts nor did it operate any financial recording systems during the period. Argyll & Bute Council incurred transfer support costs on behalf of the Association during the period. All of these costs were funded by grant by Communities Scotland. In addition some further professional fees were incurred.

Balance Sheet

At the year end the Association had a debtor balance of £525k relating to accrued grant income relating to the transfer support costs and a corresponding short term creditor balance of £525k. Short term creditors also contains an accrual for other professional fees.

Staffing

The Association had four permanent full time members of staff during the period, the Chief Executive who was appointed on 29th August 2005 and the Director of Housing and Neighbourhood Services who was appointed on 12th February 2006 and the Director of Finance and IT and Director of Human Resources and Corporate Services, appointed on 20th March 2006. Prior to the appointment of the Chief Executive and Director all other staff were seconded from Argyll and Bute Council and in the case of the Chief Executive who was seconded from Queens Cross Housing Association on a full time basis to the Association during the period. All these staff and their costs during the period were met by Argyll and Bute Council as part of the transfer support costs for which they received a grant from Communities Scotland.

Risk Management

The Association had no formal risk management policy in place during this financial period to 31st March 2006 although the Association recognised the need to develop this in future in the run up to transfer.

Treasury Management Policy

The Association had no Treasury Management Policy in place during this financial period to 31st March 2006 although the Association recognised the need to develop this in future.

Auditors

On 6 November 2006 the Association appointed Baker Tilly as auditors. The members, having been notified of the cessation of the partnership known as Baker Tilly, resolved that Baker Tilly UK Audit LLP has indicated its willingness to continue in office. A resolution for the reappointment of Baker Tilly UK Audit LLP, as auditors, will be proposed at the Annual General Meeting.

By order of the Board of Management

Norman Beaton
Chairman

Date: 19 September 2007

ARGYLL COMMUNITY HOUSING ASSOCIATION LIMITED

STATEMENT OF BOARD OF MANAGEMENT'S RESPONSIBILITIES

For the period ended 31 March 2006

Statute requires the Board of Management to prepare financial statements for each financial period which give a true and fair view of the affairs of the Association and of the surplus or deficit for that period. In preparing those financial statements, the Board of Management is required to fulfil the following obligations:

- select suitable accounting policies and apply them consistently;
- make reasonable and prudent judgements and estimates;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group will continue in business.

The Board of Management confirms that the financial statements comply with these requirements.

The Board of Management is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Association and to enable them to ensure that the financial statements comply with the Industrial and Provident Societies Act 1965 to 2002, the Housing (Scotland) Act 2001 and the Registered Housing Associations (Accounting Requirements) (Scotland) Order 1999. 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.

By order of the Board of Management

Norman Beaton
Chairman

Date: 19 September 2007

ARGYLL COMMUNITY HOUSING ASSOCIATION LIMITED

Independent Auditor's report to the members of

Argyll Community Housing Association Limited

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. 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 Board of Management's responsibility to establish and maintain systems of internal financial control. During this period, all costs and income were subject to the control of Argyll and Bute Councils financial systems with overview monitoring by the Association's Board of Management. However during the pre-transfer period they were ensuring that their own systems and rules were established. This was still in progress at 31 March 2006 as the stock transfer did not occur until 21 November 2006. Such systems can only provide reasonable and not absolute assurance against material financial mis-statement or loss. Key elements will 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 Board 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 Board of Management members and Co-optees;
- the Board of Management reviews reports from their Senior Management Team, staff and from the external auditors, and from specialised consultants 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.

The Board of Management has reviewed the system of internal financial control in the Association for the period ended 31 March 2006 and until the below date and are satisfied that, taking account of the fact that these costs and related income all related to transfer support costs and were controlled on their behalf by the Council, no significant weaknesses were found which could result 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 Board of Management

Norman Beaton
Chairman

Date: 19 September 2007

ARGYLL COMMUNITY HOUSING ASSOCIATION LIMITED

Independent Auditor's report to the members of

Argyll Community Housing Association Limited

We have audited the financial statements on pages 6 to 14, which have been prepared under the accounting policies set out on page 8.

This report is made solely to the Association's members, as a body, in accordance with section 9 of the Friendly and Industrial and Provident Societies Act 1968. Our audit work has been undertaken so that we might state to the Association's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept responsibility to anyone other than the Association and the Association's members as a body, for our audit work, for this report and for the opinion we have formed.

Respective responsibilities of Board of Management and Auditors

The Board of Management'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 Board of Management'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 Housing Associations (Accounting Requirements) (Scotland) Order 1999. We also report to you if, in our opinion, the Board of Management'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 directors' remuneration and other transactions is not disclosed.

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

Basis of 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 Board of Management in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Association's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material 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.

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 2006 and of its loss for the period 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 Housing Associations (Accounting Requirements)(Scotland) Order 1999.

Baker Tilly UK Audit LLP

20 September 2007

Baker Tilly UK Audit LLP
Registered Auditors
Chartered Accountants
Floor 1 Quay 2
139 Fountainbridge
Edinburgh
EH3 9QG

ARGYLL COMMUNITY HOUSING ASSOCIATION LIMITED

INCOME AND EXPENDITURE ACCOUNT

For the period from 27 May 2005 to 31 March 2006

| | <i>Note</i> | 2006 £000 |
|---|-------------|----------------------------|
| Turnover | | - |
| Operating costs | 3 | (1,092) |
| Other operating income | 2 | 1,086 |
| | | <hr/> |
| Operating deficit | 6 | (6) |
| Interest receivable | | - |
| Interest payable | | - |
| | | <hr/> |
| Deficit on ordinary activities before Taxation | | (6) |
| Taxation on result of ordinary activities | 7 | - |
| | | <hr/> |
| Deficit on ordinary activities after Taxation for the financial period | 12 | (6) |
| | | <hr/> <hr/> |

All figures relate to continuing operations.

The Association has no recognised surpluses or deficits other than those included in the result above, and therefore no separate statement of total recognised surpluses and deficits has been presented.

ARGYLL COMMUNITY HOUSING ASSOCIATION LIMITED

BALANCE SHEET

As at 31 March 2006

| | <i>Note</i> | 2006 £000 |
|--|-------------|----------------------|
| Current assets | | |
| Debtors | 9 | 525 |
| Creditors: amounts falling due within one year | 10 | 531 |
| | | <hr/> |
| Net current liabilities | | (6) |
| | | <hr/> |
| Net liabilities | | (6) |
| | | <hr/> <hr/> |
| Capital and reserves | | |
| Share capital | 11 | - |
| Revenue reserves | 12 | (6) |
| | | <hr/> |
| Shareholders' funds | 12 | (6) |
| | | <hr/> <hr/> |

These financial statements were approved by the Board of Management on 13th September 2007 and authorised for issue and signed on their behalf by:

| | | |
|-------------------------------------|---------------------------------|---------------------------------------|
| Chairman of the Board of Management | Norman Beaton | 19th September 2007 |
| Board Member | Rory Colville | 19th September 2007 |
| Secretary | Professor Colin Davidson | 19th September 2007 |

ARGYLL COMMUNITY HOUSING ASSOCIATION LIMITED

NOTES TO THE ACCOUNTS

As at 31 March 2006

The Association is incorporated under the Industrial and Provident Societies Act 1965 and is registered by the Financial Services Authority. The Association did not start operating as a Registered Social Landlord until 21st November 2006. All costs prior to that date were transfer support costs to establish the Association for transfer and to facilitate the transfer.

1. Accounting policies

Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards, and under the historical cost accounting rules. They comply with the Registered Housing Associations (Accounting Requirements) (Scotland) Order 1999 and with the Statement of Recommended Practice (SORP), Accounting by Registered Social Landlords 2005.

Turnover

There was no turnover in the period.

Other Grant Income

Represents grants for transfer support costs received and receivable from Communities Scotland.

Cash Flow Statement

The directors have not prepared a cash flow statement due to there being no cash transactions occurring in the Association during the period.

Pensions

In the period the Association participated in the Scottish Federation of Housing Associations pension scheme which is a multi employer defined benefit scheme managed by the Pension Trust. It is not possible in the normal course of events to identify 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.

Taxation

The charge or credit for taxation is based on the surplus or deficit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Deferred tax is recognised without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19.

Loans and Grants

Loans are advanced by private or public lenders under the terms of individual mortgage deeds in respect of each development or under a global facility secured on existing developments. Grants from Communities Scotland or local authorities are payable to subsidise the capital cost of housing developments. Grants from Communities Scotland take the form of Housing Association Grant (HAG) funding. Advances are generally available only in respect of those developments which have been given approval by Communities Scotland.

Grants in respect of revenue expenditure are credited to the income and expenditure account in the same period as the expenditure to which they relate.

Operating leases

Operating lease rentals are charged to the income and expenditure account on a straight line basis over the period of the lease.

VAT

The Association is not VAT registered as the Association has no turnover or related expenditure.

ARGYLL COMMUNITY HOUSING ASSOCIATION LIMITED

NOTES TO THE ACCOUNTS

As at 31 March 2006

2. Other Operating Income

This comprises grants payable to Argyll & Bute Council by Communities on behalf of the Association to fund transfer support costs incurred by them on behalf of the Association.

3. Operating Costs

These comprise:

| | Total £000's |
|---------------------------|-------------------------|
| Administration | 688 |
| Business Plan | 105 |
| Communications Consultant | 2 |
| Legal Advisors | 163 |
| Board of Management | 42 |
| Tenants Ballot | 6 |
| Other Professional Fees | 6 |
| Training & Governance | <u>80</u> |
| | <u>1,092</u> |

4. Remuneration of members of Board of Management and directors

No members of the Board of Management received any remuneration from the Association.

Directors are defined to include the Chief Executive and any other person reporting directly to the Chief Executive or the Board of Management whose total emoluments including pension contributions exceed £40,000 per year (or the equivalent pro rata for period of employment). This excludes all seconded staff.

| | 2006 £000 |
|--|----------------------|
| Total emoluments payable to directors (excluding pension contributions and NI) | 50 |
| Pension contributions | 7 |
| | <u>57</u> |
| Emoluments payable to the highest paid director (the Chief Executive) | 39 |
| Pension contributions | 5 |
| | <u>44</u> |

The Chief Executive is a member of the Association's defined contributions pension scheme as disclosed in note 16.

The directors' annual emoluments (excluding pension contributions) fell within the following band distributions. The directors were not in post for the entire period of these financial statements and so the bandings below do not represent their actual emoluments for this period but their annual emoluments had they been in post for a year.

| | 2006 No |
|---|--------------------|
| More than £40,000 but not more than £45,000 | - |
| More than £45,000 but not more than £50,000 | 3 |
| More than £50,000 but not more than £55,000 | - |
| More than £55,000 but not more than £60,000 | - |
| More than £65,000 but not more than £70,000 | 1 |
| More than £70,000 but not more than £75,000 | - |
| More than £75,000 but not more than £80,000 | - |

ARGYLL COMMUNITY HOUSING ASSOCIATION LIMITED

NOTES TO THE ACCOUNTS

As at 31 March 2006

5. Staff numbers and costs

The full time equivalent number of persons employed and seconded to the Association (excluding Board members, including Directors) in the year, analysed by category, was as follows:

| | Number of employees 2006 |
|------------------------------------|---|
| Housing and Neighbourhood Services | 1 |
| Investment and Regeneration | 1 |
| HR and Corporate Services | 2 |
| Administration (seconded staff) | 7 |
| | <hr/> 11 |

The aggregate payroll costs of these persons were as follows:

| | 2006 £000 |
|-----------------------|----------------------|
| Wages and salaries | 341 |
| Social security costs | 27 |
| Other pension costs | 47 |
| | <hr/> 415 |

6. Operating Deficit on ordinary activities

| | 2006 £000 |
|---|----------------------|
| <i>Operating Deficit on ordinary activities before taxation is stated after charging:</i> | |
| Auditors' remuneration: | |
| Audit | 4 |
| Other services | 2 |
| | <hr/> |

ARGYLL COMMUNITY HOUSING ASSOCIATION LIMITED

NOTES TO THE ACCOUNTS

As at 31 March 2006

7. Taxation

Analysis of charge in period

| | 2006 |
|------------------------------------|-------------|
| | £000 |
| <i>UK corporation tax</i> | |
| Current tax on income for the year | - |
| | <hr/> |
| Total current tax | - |
| | <hr/> |

Factors affecting the tax charge for the current period

The current tax charge for the period is less than the standard rate of corporation tax in the UK (30%). The differences are explained below:

| | 2006 |
|---|-------------|
| | £000 |
| <i>Current tax reconciliation</i> | |
| Deficit on ordinary activities before tax | (6) |
| | <hr/> |
| Current tax at 30% | (2) |
| | <hr/> |
| <i>Effects of:</i> | |
| Tax losses carried forward | 2 |
| | <hr/> |
| Total current tax charge (see above) | - |
| | <hr/> |

ARGYLL COMMUNITY HOUSING ASSOCIATION LIMITED

NOTES TO THE ACCOUNTS

As at 31 March 2006

8. Cash at bank and in hand

The Association did not operate a bank account during the financial period 27 May 2005 to 31 March 2006. As a result there was no cash at bank or in hand and no cash flow statement has been prepared for this period.

9. Debtors

| | 2006 |
|-------------------|-------------|
| | £000 |
| Grants receivable | 525 |
| | 525 |

10. Creditors: amounts falling due within one year

| | 2006 |
|------------------------------|-------------|
| | £000 |
| Accruals and deferred income | 531 |
| | 531 |

11. Share capital

| | 2006 | 2006 |
|-------------------------------------|---------------|-------------|
| | Number | £ |
| Shares of £1 each fully paid | | |
| At 27 May 2005 | - | - |
| Issued in period | - | - |
| Withdrawn in period | - | - |
| | - | - |
| At 31 March 2006 | - | - |
| | - | - |
| Shares of £1 due but unpaid | | |
| At 27 May 2005 | - | - |
| Issued in period | 23 | 23 |
| Cancelled in period | (6) | (6) |
| | 17 | 17 |
| At 31 March 2006 | 17 | 17 |
| | 17 | 17 |
| Total | 17 | 17 |

12. Reconciliation of movements in shareholders' funds

| | Revenue Reserve | Share Capital | Total shareholders funds |
|---------------------------------|------------------------|----------------------|---------------------------------|
| | £000 | £000 | £000 |
| Balance at 27 May 2005 | - | - | - |
| Accumulated deficit for period | (6) | - | (6) |
| | (6) | - | (6) |
| Balance at 31 March 2006 | (6) | - | (6) |

ARGYLL COMMUNITY HOUSING ASSOCIATION LIMITED

NOTES TO THE ACCOUNTS

As at 31 March 2006

13. Commitments

- (a) Capital commitments authorised and contracted for at 31 March 2006 amounted to £nil.
- (b) Annual commitments under non-cancellable operating leases are as follows:

| | 2006 | |
|---------------------------------------|-------------------------------|---------------|
| | Land and Buildings £000 | Other £000 |
| Operating leases which expire: | | |
| In second to fifth years inclusive | - | - |
| Over five years | - | - |
| | <hr/> | <hr/> |
| | - | - |
| | <hr/> <hr/> | <hr/> <hr/> |

14. Group structure

The Association is a registered Housing Association, incorporated in Scotland and has no subsidiaries.

15. Contingent Liability

At 31 March 2006, there were no contingent liabilities.

16. Pension scheme

The defined benefit scheme in which the Association participates in is the SFHA Pension Scheme (the "Scheme"). The Scheme is a multi-employer defined benefit scheme. The Scheme is funded and is contracted out of the state scheme.

The Trustee commissions an actuarial valuation of the Scheme every 3 years. The main purpose of the valuation is to determine the financial position of the Scheme in order to determine the level of future contributions required so that the Scheme can meet its pension obligations as they fall due.

The actuarial valuation assesses whether the Scheme's assets at the valuation date are likely to be sufficient to pay the 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 Argyll Community Housing Association Limited paid contributions at the rate of 12.2%. Member contributions were 7.0%.

It is not possible in the normal course of events to identify 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 2003 by a professionally qualified actuary using the "projected unit credit" method. The market value of the Scheme's assets at the valuation date was £143 million. The valuation revealed a shortfall of assets compared to liabilities of £37 million.

ARGYLL COMMUNITY HOUSING ASSOCIATION LIMITED

NOTES TO THE ACCOUNTS

As at 31 March 2006

16. Pension scheme (cont)

Financial assumptions:

The financial assumptions underlying the valuation at 30 September 2003 were as follows:

| | %pa |
|---|------|
| Investment return pre retirement | 7.80 |
| Investment return post retirement | 5.20 |
| Rate of salary increases | 4.00 |
| Rate of pension increases (for leavers before 1 October 1993 pension increases are 5.00% pa) | 2.50 |
| Rate of price inflation | 2.50 |

The valuation revealed a shortfall of assets compared with the value of liabilities of some £37 million (equivalent to a past service funding level of 80%). The employer's ongoing future service contribution rate, after allowing for changes in benefits, was assessed as 9.3% of pensionable salaries.

Following consideration of the results of the actuarial valuation it was agreed that, with effect from 1 April 2005 the standard employer contribution rate would be increased from 12.2% to 14.0% of pensionable salaries and member contributions would be increased from 6.0% to 7.0% of pensionable salaries.

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 30 September 2015.

17. Related party disclosures

There were no related party disclosures for the financial period 27 May 2005 to 31 March 2006.

18. Post balance Sheet Events

On 21st November 2006 the Association received 5,398 Houses from Argyll & Bute Council at £nil value following submission of a business plan showing committed future spend of £602m.