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Maryhill Housing Association Limited
Report and Financial Statements
For the year ended 31st March 2010

Registered Housing Association No.HCB159

FSA Reference No. 1904R(S)

Scottish Charity No. SC032468

MARYHILL HOUSING ASSOCIATION LIMITED

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MARYHILL HOUSING ASSOCIATION LIMITED

MANAGEMENT COMMITTEE , EXECUTIVES AND ADVISERS YEAR ENDED 31st MARCH 2010

MANAGEMENT COMMITTEE

Lorain Mackinnon	Chairperson
Edith Ward	Vice-Chair
Rose McGowan	Secretary
Eleanor Brown	
Catherine Stylianou	
Councillor Billy McAllister	
John Kane	
Councillor Robert Winter	Corporate Representative of GCC
Councillor Mohammed Razaq	Corporate Representative of GCC
John Brown	
Roy Greatorex	
Les Currie	
Martin Rhodes	
Walter Wallace	
Frances O'Rourke	Co-opted 3 November 2009, resigned 31 March 2010

EXECUTIVE OFFICERS

Willy Briody	Director
Eleanor Biggs	Finance Manager
Donna Birrell	Development Manager
Angela Cameron	Temporary Housing Manager (from 21 July 2009)
George Gall	Maintenance Manager

REGISTERED OFFICE

45 Garrioch Road
Glasgow
G20 8RG

AUDITORS

Alexander Sloan
Chartered Accountants
38 Cadogan Street
Glasgow
G2 7HF

BANKERS

Lloyds TSB Scotland PLC
Corporate & Commercial Division
PO BOX 177
120 George Street
Edinburgh
EH2 4TS

SOLICITORS

Brechin Tindal Oatts
48 St Vincent Street
Glasgow
G2 5HS

Harper Macleod LLP
The Ca'd'oro
45 Gordon Street
Glasgow
G1 3PE

T C Young
7 West George Street
Glasgow
G2 1BA

**REPORT OF THE MANAGEMENT COMMITTEE
FOR THE YEAR ENDED 31ST MARCH 2010**

The Management Committee presents its report and the Financial Statements for the year ended 31st March 2010.

Legal Status

The Association is registered with the Financial Services Authority under the Industrial and Provident Societies Act 1965 No.1904R(S), with the Office of the Scottish Charity Regulator as a Scottish Charity with the charity number SC032468 and with the Scottish Housing Regulator as a Registered Social Landlord.

Principal Activities

The Association is a registered charity whose principal activities are the provision of low cost affordable housing for rent and the maintenance, development and regeneration of its community base of Maryhill and Ruchill.

Review of Business and Future Developments

Corporate Governance

Maryhill Housing Association is governed by its Management Committee which is elected by the members of the organisation. Its responsibility is to agree the long term strategy and approve the policies and overall direction of the organisation.

The Association's strategic objectives are to:

- meet the needs of the Community by providing housing of a suitable range and quality
- provide quality housing services
- maintain our houses in a desirable condition by providing a customer focused repair service
- ensure that we have financial resources in place to meet our present and future needs
- inform and involve Association tenants and the wider community
- participate in the social and economic development of the community

Operational objectives are identified each year as part of the internal management plan and these set out how we will deliver our core services. The Management Team is responsible for achieving the strategic objectives and undertaking the operational objectives in conjunction with the staff team.

The Management Committee is responsible to the wider membership of the Association. The Management Committee serves in a voluntary capacity and we recognise that this puts more onus on us to set and achieve high standards of professionalism. We take governance seriously and in the last year we continued to build on work from previous years which strengthened our governance arrangements.

As part of our commitment to continuous improvement an organisational review was carried out in the year. This review identified areas for improvement in the organisational structure and these will be implemented in the short to medium term.

Achievements and Performance

The results for the year are shown in the Income and Expenditure Account. In the year to 31 March 2010 the Association made a surplus of £212,624. In line with the approved planned maintenance programme, significant investment continues to be made in the Association's stock and includes the work required to ensure that all properties will meet the Scottish Housing Quality Standard (SHQS) by 2015.

The Association's financial position remains strong and we are updating long term financial projections and stock condition information to ensure that the financial plans reflect future investment needs. We will also look at improving procurement methods

REPORT OF THE MANAGEMENT COMMITTEE
FOR THE YEAR ENDED 31ST MARCH 2010

Review of Business and Future Developments (Contd.)

Development review

The Association continues to provide quality new build housing for its tenants and communities, working in partnership with the Scottish Government, Glasgow City Council, its lenders and other partner agencies.

In 2009/10 £5.2 million was spent on the new build development programme for which we received £4.7m of Social Housing Grant. At the beginning of the year the 49 unit development at Campbell Street was completed and the remaining properties were handed over by the contractor. All properties were provided for ex GHA tenants whose homes have been demolished through the re-provisioning programme.

New build schemes at Ruchill Phase 5 and The Botany started on site in the year and will provide an additional 78 properties for rent. Further developments on the site of the former Maryhill Primary School and at Maryhill Locks will see another 125 units added to our stock base. 9 units will be marketed for sale under the New Supply Shared Equity (NSSE) scheme.

Property Maintenance review

Maryhill is committed to ensuring that all its homes are maintained to a good standard and we do this through a programme of planned maintenance work and renewal. During the financial year we replaced kitchens and central heating and upgraded electrical installations. We commissioned an external fabrication survey which will be used to inform the stock condition survey and updated planned maintenance programmes.

In addition, the Association carries out a programme of cyclical maintenance which includes gas safety inspections, gutter cleaning, painterwork and servicing of fire alarms, electrical inspections and term contracts for landscape maintenance and backcourt cleaning.

Housing review

The Association maintains an active waiting list of prospective tenants and added 561 new applicants in the year. Together with partner agencies and other Registered Social Landlords we are working towards the implementation of a common housing register and hope that this will go live in the near future. This will assist in our objective to reduce re-let times and void loss, ensuring that we not only maximise our income but also our effectiveness in housing people.

Performance in respect of void management continues to improve and void loss reduced to 0.51% of gross rents receivable.

Managing rent arrears is a priority for the Association and we continue to monitor the levels of arrears closely. Total current tenant arrears at the year-end represented 3.99% of gross rent receivable.

Tenant Participation

Consultation and involvement with tenants is vital to the Association. We continue to work with the Registered Tenants Organisations and other stakeholders to seek feedback on service delivery and consult on proposals for the future.

The Association produces quarterly newsletters and an annual report which are issued to all tenants and owners. Leaflets and information guides are available at the Association's office and on our website. A tenants' focus group is set up for each new build development we undertake and we continue to work with members on specific projects.

A rolling programme of internal audit supports the Association's objective of continuous improvement. The annual audit plan for the year included reviews of payroll, allocations and development contract management. The audit results highlighted our strengths and identified some areas where we have drawn up an action plan for improvement and implementation.

REPORT OF THE MANAGEMENT COMMITTEE
FOR THE YEAR ENDED 31ST MARCH 2010

Review of Business and Future Developments (Contd.)

Treasury Management

The Association manages its borrowings and investments to ensure that it is in a position to meet its financial obligations as they fall due. At 31 March 2010 the Association had borrowings of £5.9 million on a mix of fixed and variable rates and with staggered maturity dates. The Association's borrowing capacity is currently £11 million and approximately £5 million of this facility is available to draw down.

Under the terms of the loan agreement the Association is required to meet a number of financial and operational covenants. These loan covenants were all achieved.

Risk Management

The Association has developed a risk management strategy to assess the business risks faced by the organisation and implement risk management strategies to mitigate the risk where possible. This involves identifying the types of risks, prioritising them in terms of likelihood and impact and identifying and implementing controls.

The risk management policy has been further developed in the year with assistance from the Association's internal auditors.

Second Stage Transfer (SST)

In addition to its own landlord function, Maryhill Housing Association is the designated Local Housing Organisation (LHO) appointed to manage Glasgow Housing Association (GHA) stock in its area. The Association is committed to moving towards SST and offering local GHA tenants the opportunity to transfer to a local community based housing association, with the Association as landlord.

This process is subject to a positive tenant ballot. The Association has made a business case submission to GHA and is currently finalising its business plan which sets out the details of the transfer proposal. During 2010/11 the Association will progress through the stock transfer process towards ballot.

Wider Role review

Maryhill actively promotes its role within the wider community working with partner RSLs through Maryhill Regeneration Forum. The Association has identified a need for ongoing locally based, tailored projects and we hope to build on our successes in the area with partner organisations including Glasgow North Regeneration Agency (GNRA), Culture and Sport Glasgow and Maryhill Community Council.

Learning and training opportunities were again provided in partnership with GNRA in the Association's bespoke training facility, Maryhill Online.

The Association is a partner organisation of Maryhill Burgh Halls Trust together with Cube H A and Glasgow City Council. This restoration project went on site in the year and will deliver a community facility adjacent to the recently refurbished Maryhill Leisure Centre.

**REPORT OF THE MANAGEMENT COMMITTEE
FOR THE YEAR ENDED 31ST MARCH 2010**

Management Committee and Executive Officers

The members of the Management Committee and the Executive Officers are listed on Page 1.

Each member of the Management Committee holds one fully paid share of £1 in the Association. The Executive Officers hold no interest in the Association's share capital and, although not having the legal status of Directors, they act as Executives within the authority delegated by the Management Committee.

The members of the Management Committee are also Trustees of the Charity. Members of the Management Committee are appointed by the members at the Association's Annual General Meeting.

Statement of Management Committee's Responsibilities

The Management Committee is responsible for preparing Financial Statements in accordance with the applicable law and United Kingdom Generally Accepted Accounting Practice.

The Industrial and Provident Societies Acts 1965 to 2002 require the Management Committee 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 for that period. In preparing those Financial Statements, the Management Committee is required to:-

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the Financial Statements;
- prepare the Financial Statements on the going concern basis unless it is inappropriate to presume that the Association will continue in business;
- prepare a statement on Internal Financial Control.

The Management Committee 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 Social Landlords Accounting Requirements (Scotland) Order 2007. 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. It is also responsible for ensuring the Association's suppliers are paid promptly.

The Management Committee must in determining how amounts are presented within items in the income and expenditure account and balance sheet, have regard to the substance of the reported transaction or arrangement, in accordance with generally accepted accounting practices.

In so far as the Management Committee are aware:

- There is no relevant audit information (information needed by the Housing Association's auditors in connection with preparing their report) of which the Association's auditors are unaware, and
- The Management Committee has taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the Housing Association's Auditors are aware of that information.

The Management Committee confirms that the Financial Statements comply with the above requirements.

REPORT OF THE MANAGEMENT COMMITTEE
FOR THE YEAR ENDED 31ST MARCH 2010

Statement on Internal Financial Control

The Management Committee acknowledges its ultimate responsibility for ensuring that the Association has in place a system of controls that is appropriate for the business environment 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;
- the safeguarding of assets against unauthorised use or disposition.

It is the Management Committee'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 of the Association's systems include ensuring that:

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

The Management Committee has reviewed the effectiveness of the system of internal financial control in place at 31 March 2010. No significant weaknesses were found in the internal financial controls which resulted in material losses, contingencies or uncertainties which require disclosure in the Financial Statements. The continuing programme of internal audit will further strengthen and improve these controls.

Donations

During the year the Association made charitable donations amounting to £200 (2009 £390)

Auditors

A resolution to re-appoint the Auditors, Alexander Sloan, Chartered Accountants, will be proposed at the Annual General Meeting.

By order of the Management Committee



ROSE MCGOWAN

Secretary

03 August 2010

REPORT BY THE AUDITORS TO THE MANAGEMENT COMMITTEE OF
MARYHILL HOUSING ASSOCIATION LIMITED
ON CORPORATE GOVERNANCE MATTERS

In addition to our audit of the Financial Statements, we have reviewed your statement on Page 6 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 the requirements relating to corporate governance matters within Bulletin 2006/5 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 page 6 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.

Through enquiry of certain members of the Management Committee and Officers of the Association, and examination of relevant documents, we have satisfied ourselves that the Management Committee's Statement on Internal Financial Control appropriately reflects the Association's compliance with the information required by the section on Internal Financial Control within SFHA's "Raising Standards in Housing".



ALEXANDER SLOAN
Chartered Accountants

GLASGOW
03 August 2010

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
MARYHILL HOUSING ASSOCIATION LIMITED**

We have audited the financial statements of Maryhill Housing Association Limited for the year ended 31st March 2010 which comprise an income and expenditure account, balance sheet, cash flow statement and related notes. These financial statements have been prepared in accordance with the accounting policies set out therein.

This report is made solely to the Association's members, as a body, in accordance with Section 9 of the Friendly 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 or assume responsibility to anyone other than the Association and the Association's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective Responsibilities of Management Committee and Auditors

As described in the Statement of Management Committee's Responsibilities the Association's Management Committee are responsible for the preparation of the Financial Statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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 Act 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 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 Management Committee's remuneration and 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 judgments made by the Management Committee in the preparation of the Financial Statements, and of whether the accounting policies are appropriate to the Association's circumstances, consistently applied and adequately disclosed.

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

Opinion

In our opinion the Financial Statements:

give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice of the state of the Association's affairs as at 31st March 2010 and of its income and expenditure and cash flow 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.

In our opinion, the information given in the Management Committee's Report is consistent with the financial statements.

In our opinion the exemption granted by the Financial Services Authority from the requirement to prepare Group Accounts is applicable as the amounts involved are not material.



ALEXANDER SLOAN
Chartered Accountants
Statutory Auditors
GLASGOW
03 August 2010

MARYHILL HOUSING ASSOCIATION LIMITED

INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED 31st MARCH 2010

	Notes	2010 £	2009 £
TURNOVER	2.	2,886,723	2,561,807
Operating Costs	2.	(2,503,690)	(2,818,746)
OPERATING SURPLUS / (DEFICIT)	9.	383,033	(256,939)
Profit on Sale of Housing Stock	7.	38,968	73,344
Interest Receivable and Other Income		1,430	42,147
Interest Payable and Similar Charges	8.	(210,807)	(214,390)
		<u>(170,409)</u>	<u>(98,899)</u>
SURPLUS / (DEFICIT) ON ORDINARY ACTIVITIES		<u>212,624</u>	<u>(355,838)</u>

All amounts relate to continuing activities. All recognised surpluses and deficits have been included in the Income & Expenditure Account. Historical cost surpluses and deficits are identical to those shown in the accounts.

MARYHILL HOUSING ASSOCIATION LIMITED

BALANCE SHEET AS AT 31st MARCH 2010

	Notes	£	2010 £	£	2009 £
TANGIBLE FIXED ASSETS					
Housing Properties - Depreciated Cost	10.(a)		46,248,769		41,250,573
Less: Social Housing Grant	10.(a)		(39,867,556)		(35,187,250)
: Other Public Grants	10.(a)		(618,900)		(618,900)
			<u>5,762,313</u>		<u>5,444,423</u>
Other fixed assets	10.(b)		476,439		481,122
			<u>6,238,752</u>		<u>5,925,545</u>
FIXED ASSET INVESTMENTS					
Investment in subsidiaries	21.		-		-
CURRENT ASSETS					
Stock		946		1,424	
Debtors	13.	1,970,564		978,594	
Development Cost of Housing Property	22.	30,164		186	
Cash at bank and in hand		815,614		1,529,228	
		<u>2,817,288</u>		<u>2,509,432</u>	
CREDITORS: Amounts falling due within one year	14.	<u>(807,378)</u>		<u>(1,257,664)</u>	
NET CURRENT ASSETS			<u>2,009,910</u>		<u>1,251,768</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>8,248,662</u>		<u>7,177,313</u>
CREDITORS: Amounts falling due after more than one year	15.		<u>(5,976,038)</u>		<u>(5,117,309)</u>
NET ASSETS			<u><u>2,272,624</u></u>		<u><u>2,060,004</u></u>
CAPITAL AND RESERVES					
Share Capital	17.		264		268
Designated Reserves	18.(a)		511,397		511,397
Revenue Reserves	18.(b)		1,760,963		1,548,339
			<u>2,272,624</u>		<u>2,060,004</u>

The Financial Statements were approved by the Management Committee and signed on their behalf on 03 August 2010

Chairperson

E. Mackinnon

Vice-Chairperson

Edith Ward

Secretary

R. McGowan

MARYHILL HOUSING ASSOCIATION LIMITED

CASH FLOW STATEMENT FOR THE YEAR ENDED
31st MARCH 2010

	Notes	2010 £	2009 £
Net Cash Inflow from Operating Activities	16.	1,424,070	29,661
Returns on Investment and Servicing of Finance			
Interest Received		1,430	45,655
Interest Paid		(228,449)	(271,826)
Net Cash (Outflow) from investment and Servicing of Finance		(227,019)	(226,171)
Capital Expenditure and Financial Investment			
Acquisition and Construction of Properties		(5,523,541)	(4,432,005)
Purchase of Other Fixed Assets		(32,302)	(8,991)
Social Housing Grant Received		3,742,130	2,650,785
Social Housing Grant Repaid		(75,696)	(451,043)
Other Grants Received		(991,825)	-
Proceeds on Disposal of Properties		112,495	475,420
Net Cash (Outflow) from Capital Expenditure and Financial Investment		(2,768,739)	(1,765,834)
Net Cash (Outflow) before use of Liquid Resources and Financing		(1,571,688)	(1,962,344)
Financing			
Loan Advances Received		1,020,000	3,820,000
Loan Redemption Payments		(161,473)	(1,919,869)
Loan Principal Repayments		(460)	(60,212)
Share Capital Issued		7	18
Net Cash Inflow from Financing		858,074	1,839,937
Decrease in Cash	16.	(713,614)	(122,407)

MARYHILL HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2010

NOTES TO THE FINANCIAL STATEMENTS

1 PRINCIPAL ACCOUNTING POLICIES

Basis Of Accounting

The Financial Statements have been prepared in accordance with applicable Accounting Standards, the Statement of Recommended Practice - Accounting by Registered Social Landlords 2008, and on the historical cost basis. They also comply with the Registered Social Landlords Accounting Requirements (Scotland) Order 2007. A summary of the more important accounting policies is set out below.

Basis Of Consolidation

The Association has obtained exemption from the Financial Services Authority from producing Consolidated Financial Statements as provided by Section 14(2A) of the Friendly and Industrial and Provident Societies Act 1968. The Financial Statements for Maryhill Housing Association Limited present information about it as an individual undertaking and not about its Group.

Turnover

Turnover represents rental and service charge income receivable, fees receivable and revenue grants receivable relating to the Association's charitable activities.

Retirement Benefits

The Association participates in the S.F.H.A. Defined Benefits Pension Scheme and retirement benefits to employees of the Association are funded by the 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.

Contributions to the scheme are charged to the Income and Expenditure Account in the year in which they are due.

Valuation Of 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 at an annual rate of 2%. Land is not depreciated. Housing Properties are reviewed for impairment if events or circumstances indicate that the carrying value is higher than the recoverable amount.

Depreciation And Impairment Of Other Fixed Assets

Other Fixed Assets are stated at cost less accumulated depreciation. Depreciation is charged on a straight line basis over the expected economic useful lives of the assets at the following annual rates:-

Office Premises	- 2%
Furniture and Fittings	- 20%
Computer Equipment	- 50%
Office Equipment	- 25%

The carrying value of tangible fixed assets are reviewed for impairment in periods if events or changes in circumstances indicate the carrying value may not be recoverable.

Social Housing Grant And Other Grants In Advance/Arrears

Where developments have been financed wholly or partly by Social Housing Grant or other capital grant, the cost of those developments has been reduced by the amount of the grant receivable. The amount of the grants receivable is shown separately on the Balance Sheet.

Grants received in respect of revenue expenditure are credited to the Income and Expenditure Account in the same period as the expenditure to which it relates.

Although Social Housing Grant is treated as a grant for accounting purposes, it may nevertheless become repayable in certain circumstances, such as the disposal of certain assets. The amount repayable would be restricted to the net proceeds of sale.

MARYHILL HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2010

NOTES TO THE FINANCIAL STATEMENTS (Continued)

1 PRINCIPAL ACCOUNTING POLICIES (Continued.)

Sales Of Housing Properties

First tranche Shared Ownership disposals are credited to turnover on completion. The cost of construction of these sales is taken to operating cost. In accordance with the Statement of Recommended Practice, disposals of subsequent tranches are treated as fixed asset disposals with the gain or loss on disposal shown in the Income and Expenditure Account.

Disposals of housing property under the Right to Buy scheme are treated as a fixed asset disposal and any gain and loss on disposal accounted for in the Income and Expenditure Account.

Disposals under shared equity schemes are accounted for in the Income and Expenditure Account. The remaining equity in the property is treated as a fixed asset investment, which is matched with the grant received.

Leases/Leased Assets

Costs in respect of operating leases are charged to the Income and Expenditure Account on a straight line basis over the lease term. Assets held under finance leases and hire purchase contracts are capitalised in the Balance Sheet and are depreciated over their useful lives.

Works to Existing Properties

The Association capitalises major repairs expenditure where these works result in an enhancement of economic benefits by increasing the net rental stream over the life of the property.

Capitalisation Of Development Overheads

Directly attributable development administration costs relating to development activities are capitalised in accordance with the Statement of Recommended Practice.

Development Interest

Interest incurred on financing a development is capitalised up to the date of practical completion of the scheme.

Designated Reserves

The Association has designated part of its reserves to meet its long term obligations.

The Cyclical Maintenance Reserve has been designated to meet future repair and maintenance obligations which are cyclical in nature. These are carried out in accordance with a planned programme of works.

The Major Repairs Reserve is based on the Association's liability to maintain housing properties in a state of repair which at least maintains their residual values in prices prevailing at the time of acquisition and construction. Repairs and maintenance obligations are carried out in accordance with a planned programme of works.

Service Charge Sinking Funds

The Association deposits part of its service charge income in a sinking fund account in order to meet future obligations.

Stock

Stock of maintenance supplies is stated at the lower of cost and net realisable value.

Mortgage loans

Mortgage loans are advanced by private lenders under the terms of the individual loan agreements for each property or development. Advances are only available in respect of those developments which have been given approval for Social Housing Grants.

Property Development Cost

The proportion of the development cost of shared ownership properties expected to be disposed of as a first tranche sale is held in current assets until it is disposed of. The remaining part of the development cost is treated as a fixed asset. Surpluses made on the disposal of first tranche sales are taken to the Income and Expenditure Account in accordance with the Statement of Recommended Practice.

Property developments that are intended for resale are included in current assets until disposal.

MARYHILL HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2010

NOTES TO THE FINANCIAL STATEMENTS (Continued)

2. PARTICULARS OF TURNOVER, COST OF SALES, OPERATING COSTS AND OPERATING SURPLUS

	Notes	2010			2009		
		Turnover	Operating Costs	Operating Surplus / (Deficit)	Turnover	Operating Costs	Operating Surplus / (Deficit)
		£	£	£	£	£	£
Social Lettings	3.	2,506,027	1,803,307	702,720	2,349,772	2,248,067	101,705
Other Activities	4.	380,696	700,383	(319,687)	212,035	570,679	(358,644)
Total		2,886,723	2,503,690	383,033	2,561,807	2,818,746	(256,939)

3. PARTICULARS OF INCOME & EXPENDITURE FROM SOCIAL LETTINGS

	General Needs Housing £	Shared ownership £	2010 Total £	2009 Total £
Income from Lettings				
Rent Receivable Net of Identifiable Service Charges	2,349,380	29,397	2,378,777	2,188,569
Service Charges Receivable	93,118	-	93,118	89,932
Gross Rents and Service Charges Receivable	2,442,498	29,397	2,471,895	2,278,501
Less: Rent losses from voids	12,165	-	12,165	17,206
Net Rents and Service Charges Receivable	2,430,333	29,397	2,459,730	2,261,295
Revenue Grants from Scottish Ministers	46,297	-	46,297	87,259
Revenue Grants From Local Authorities and Other Agencies	-	-	-	1,218
Total Income From Social Letting	2,476,630	29,397	2,506,027	2,349,772
Expenditure on Social Letting Activities				
Service Costs	92,279	-	92,279	80,329
Management and maintenance administration costs	667,569	7,948	675,517	609,266
Reactive Maintenance	351,278	-	351,278	415,403
Bad Debts - Rents and Service Charges	20,976	-	20,976	26,724
Planned and Cyclical Maintenance, including Major Repairs	502,369	-	502,369	999,209
Depreciation of Social Housing	160,888	-	160,888	117,136
Operating Costs of Social Letting	1,795,359	7,948	1,803,307	2,248,067
Operating Surplus on Social Letting Activities	681,271	21,449	702,720	101,705
2009		74,087	101,705	

MARYHILL HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2010

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4. PARTICULARS OF TURNOVER, OPERATING COSTS AND OPERATING SURPLUS OR DEFICIT FROM OTHER ACTIVITIES

	Grants From Scottish Ministers	Other Revenue Grants	Supporting People Income	Other Income	Total Turnover	Operating Costs Bad Debts	Operating Costs Other	Operating Surplus / (Deficit) 2010	Operating Surplus / (Deficit) 2009
	£	£	£	£	£	£	£	£	£
Wider Role Activities	17,815	-	-	-	17,815	-	157,463	(139,648)	(164,597)
Property Management Services	-	-	-	33,039	33,039	5,970	65,886	(38,817)	(44,110)
Development and construction of property activities	-	-	-	-	-	-	241	(241)	(146)
Sundry Activities	-	-	-	1,025	1,025	-	-	1,025	-
Maryhill Burgh Halls Trust	276,511	26,305	-	-	302,816	-	344,145	(41,329)	(40,904)
Maryhill Online	-	-	-	1,890	1,890	-	2,562	(672)	(2,455)
Commercial Properties	-	-	-	10,135	10,135	-	2,023	8,112	9,282
LHO Stock Transfer	-	-	-	13,976	13,976	-	58,454	(44,478)	(34,553)
Ruchill Park Adventure Play Centre	-	-	-	-	-	-	63,639	(63,639)	(81,161)
Total From Other Activities	294,326	26,305	-	60,065	380,696	5,970	694,413	(319,687)	(358,644)
2009	132,261	25,511	-	54,263	212,035	5,841	564,838	(358,644)	

MARYHILL HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2010

NOTES TO THE FINANCIAL STATEMENTS (Continued)

5. OFFICERS' EMOLUMENTS

The Officers are defined in s74 of the Industrial and Provident Societies Act 1965 as the members of the Management Committee, managers or servants of the Association.

2010	2009
£	£

Aggregate Emoluments payable to Officers with Emoluments greater than £60,000 (excluding Pension Contributions)

<u>62,427</u>	<u>-</u>
---------------	----------

Pension contributions made on behalf on Officers with emoluments greater than £60,000

<u>9,181</u>	<u>-</u>
--------------	----------

Emoluments payable to Chief Executive (excluding pension contributions)

<u>62,427</u>	<u>57,798</u>
---------------	---------------

The number of Officers, including the highest paid Officer, who received emoluments (excluding pension contributions) over £60,000 was in the following ranges:-

£60,001 to £70,000

Number	Number
1	-

6. EMPLOYEE INFORMATION

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

2010	2009
------	------

No.	No.
-----	-----

<u>25</u>	<u>26</u>
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Staff Costs were:

Wages and Salaries
Social Security Costs
Other Pension Costs
Temporary, Agency and Seconded Staff

£	£
824,847	803,458
65,194	62,612
110,178	117,509
50,117	72,562
<u>1,050,336</u>	<u>1,056,141</u>

MARYHILL HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2010

NOTES TO THE FINANCIAL STATEMENTS (Continued)

7. GAIN ON SALE OF HOUSING STOCK

	2010	2009
	£	£
Sales Proceeds	112,495	475,420
Cost of Sales	73,527	402,077
Gain On Sale Of Housing Stock	<u>38,968</u>	<u>73,344</u>

8. INTEREST PAYABLE

	2010	2009
	£	£
On Bank Loans & Overdrafts	202,618	184,427
On Other Loans	14,656	55,877
	<u>217,274</u>	<u>240,304</u>
Less: Interest Capitalised	6,467	25,914
	<u>210,807</u>	<u>214,390</u>

Interest incurred in the development period of housing properties which has been written off to the income and expenditure account amounted to £Nil (2009 £Nil).

Interest capitalised was incurred at 3.401%.

9. SURPLUS ON ORDINARY ACTIVITIES BEFORE TAXATION

The Association is a Registered Scottish Charity and is not liable to United Kingdom Corporation Tax on its charitable activities.

MARYHILL HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2010

NOTES TO THE FINANCIAL STATEMENTS (Continued)

10. TANGIBLE FIXED ASSETS

a) Housing Properties	Housing Properties Held for Letting £	Housing Properties In course of Construction £	Completed Shared Ownership Properties £	Total £
COST				
As at 1st April 2009 *	37,394,190	4,494,233	706,537	42,594,960
Additions	294	5,232,317	-	5,232,611
Disposals	(19,677)	-	(57,962)	(77,639)
Schemes Completed	2,549,339	(2,549,339)	-	-
As at 31st March 2010	39,924,146	7,177,211	648,575	47,749,932
DEPRECIATION				
As at 1st April 2009 *	1,344,387	-	-	1,344,387
Charge for Year	160,888	-	-	160,888
Disposals	(4,112)	-	-	(4,112)
As at 31st March 2010	1,501,163	-	-	1,501,163
SOCIAL HOUSING GRANT				
As at 1st April 2009 *	30,849,825	3,781,277	556,148	35,187,250
Additions	-	4,744,727	-	4,744,727
Disposals	(19,436)	-	(44,985)	(64,421)
Schemes Completed	1,718,577	(1,718,577)	-	-
As at 31st March 2010	32,548,966	6,807,427	511,163	39,867,556
OTHER CAPITAL GRANTS				
As at 1st April 2009	618,900	-	-	618,900
Additions	-	-	-	-
Disposals	-	-	-	-
Schemes Completed	-	-	-	-
As at 31st March 2010	618,900	-	-	618,900
NET BOOK VALUE				
As at 31st March 2010	5,255,117	369,784	137,412	5,762,313
As at 31 March 2009 *	4,581,078	712,956	150,389	5,444,423

* As restated

Additions to housing properties includes capitalised development administration costs of £114,529 (2009 - £106,654) and capitalised major repair costs to existing properties of £Nil (2009 £Nil)

All land and housing properties are freehold.

MARYHILL HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2010

NOTES TO THE FINANCIAL STATEMENTS (Continued)

10. TANGIBLE FIXED ASSETS (Continued)

b) Other Tangible Assets	Motor Vehicle £	Office Premises £	Furniture & Equipment £	Total £
COST				
As at 1st April 2009	4,988	750,636	296,678	1,052,302
Additions	-	-	32,302	32,302
Eliminated on Disposals	-	-	(89,782)	(89,782)
As at 31st March 2010	<u>4,988</u>	<u>750,636</u>	<u>239,198</u>	<u>994,822</u>
AGGREGATE DEPRECIATION				
As at 1st April 2009	4,988	302,315	263,877	571,180
Charge for year	-	14,013	22,972	36,985
Eliminated on disposal	-	-	(89,782)	(89,782)
As at 31st March 2010	<u>4,988</u>	<u>316,328</u>	<u>197,067</u>	<u>518,383</u>
NET BOOK VALUE				
As at 31st March 2010	<u>-</u>	<u>434,308</u>	<u>42,131</u>	<u>476,439</u>
As at 31 March 2009	<u>-</u>	<u>448,321</u>	<u>32,801</u>	<u>481,122</u>

11. CAPITAL COMMITMENTS

	2010 £	2009 £
Capital Expenditure that has been contracted for but has not been provided for in the Financial Statements	<u>5,925,714</u>	<u>4,433,210</u>

The above commitments will be financed by a mixture of public grant, private finance and the Association's own resources.

12. COMMITMENTS UNDER OPERATING LEASES

At the year end, the annual commitments under operating leases were as follows:-	2010 £	2009 £
Other		
Expiring within one year	1,283	-
Expiring between two and five years	<u>1,340</u>	<u>2,567</u>

MARYHILL HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2010

NOTES TO THE FINANCIAL STATEMENTS (Continued)

13. DEBTORS

	2010	2009
	£	£
Arrears of Rent & Service Charges	131,636	134,684
Less: Provision for Doubtful Debts	(78,322)	(70,722)
	<u>53,314</u>	<u>63,962</u>
Social Housing Grant Receivable	1,830,610	839,288
Other Debtors	86,640	75,344
	<u><u>1,970,564</u></u>	<u><u>978,594</u></u>

14. CREDITORS: Amounts falling due within one year

	2010	2009
	£	£
Housing Loans	32,131	32,793
Trade Creditors	311,875	713,339
Rent in Advance	66,662	63,410
Social Housing Grant in Advance	-	11,275
Other Taxation and Social Security	21,895	19,901
Other Creditors	270,414	156,682
Accruals and Deferred Income	104,401	260,264
	<u><u>807,378</u></u>	<u><u>1,257,664</u></u>

At the balance sheet date there were pension contributions outstanding of £13,738 (2009 £14,248)

15. CREDITORS: Amounts falling due after more than one year

	2010	2009
	£	£
Housing Loans	<u><u>5,976,038</u></u>	<u><u>5,117,309</u></u>
Housing Loans are secured by specific charges on the Association's housing properties and are repayable at varying rates of interest in instalments, due as follows:-		
Within one year	32,131	32,793
Between one and two years	39,092	39,844
Between two and five years	2,096,946	1,139,979
In five years or more	3,840,000	3,937,486
	<u>6,008,169</u>	<u>5,150,102</u>
Less: Amount shown in Current Liabilities	32,131	32,793
	<u><u>5,976,038</u></u>	<u><u>5,117,309</u></u>

MARYHILL HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2010

NOTES TO THE FINANCIAL STATEMENTS (Continued)

16. CASH FLOW STATEMENT

<i>Reconciliation of operating surplus to net cash inflow from operating activities</i>	2010 £	2009 £
Operating Surplus/(Deficit)	383,033	(256,939)
Depreciation	197,873	150,826
Change in Stock	478	(79)
Change in properties developed for resale	(29,978)	(186)
Change in Debtors	991,177	32,190
Change in Creditors	(118,502)	103,864
Share Capital Written Off	(11)	(15)
Net Cash Inflow from Operating Activities	<u>1,424,070</u>	<u>29,661</u>

<i>Reconciliation of net cash flow to movement in net debt</i>	2010 £	£	2009 £	£
Decrease in Cash	(713,614)		(122,407)	
Cash flow from change in debt	<u>(858,067)</u>		<u>(1,839,919)</u>	
Movement in net debt during year		(1,571,681)		(1,962,326)
Net debt at 1st April 2009		<u>(3,620,874)</u>		<u>(1,658,548)</u>
Net debt at 31st March 2010		<u><u>(5,192,555)</u></u>		<u><u>(3,620,874)</u></u>

<i>Analysis of changes in net debt</i>	At 01.04.09 £	Cash Flows £	Other Changes £	At 31.03.10 £
Cash at bank and in hand	1,529,228	(713,614)	-	815,614
Bank Overdrafts	-	-	-	-
	<u>1,529,228</u>	<u>(713,614)</u>	-	<u>815,614</u>
Liquid Resources	-	-	-	-
Debt: Due within one year	(32,793)	662	-	(32,131)
Debt: Due after more than one year	<u>(5,117,309)</u>	<u>(858,729)</u>	-	<u>(5,976,038)</u>
Net Debt	<u><u>(3,620,874)</u></u>	<u><u>(1,571,681)</u></u>	-	<u><u>(5,192,555)</u></u>

MARYHILL HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2010

NOTES TO THE FINANCIAL STATEMENTS (Continued)

17. SHARE CAPITAL

Shares of £1 each Issued and Fully Paid	£
At 1st April 2009	268
Issued in year	7
Cancelled in year	(11)
At 31st March 2010	<u>264</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.

18. RESERVES

(a) Designated Reserves	Major	Total
	Repairs	
	£	£
At 1st April 2009	511,397	511,397
Transfer to / (from) Revenue Reserves	-	-
At 31st March 2010	<u>511,397</u>	<u>511,397</u>

(b) Revenue Reserves	Total
	£
At 1st April 2009	1,548,339
Surplus for the Year	212,624
Transfer (to) / from Designated Reserves	-
At 31st March 2010	<u>1,760,963</u>

19. HOUSING STOCK

The number of units of accommodation in management at the year end was:-	2010	2009
	No.	No.
General Needs - New Build	368	347
General Needs - Rehabilitation	465	466
Shared Ownership	18	20
Supported Housing	-	-
	<u>851</u>	<u>833</u>

MARYHILL HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2010

NOTES TO THE FINANCIAL STATEMENTS (Continued)

20. RELATED PARTY TRANSACTIONS

Members of the Management Committee are related parties of the Association as defined by Financial Reporting Standard 8.

The related party relationships of the members of the Management Committee is summarised as follows:

- 5 members are tenants of the Association
- 2 members are factored owners
- 2 members are relevant local councillors

Those members that are tenants of the Association have tenancies that are on the Association's normal tenancy terms and they cannot use their positions to their advantage.

Committee Members cannot use their position to their advantage. Any transactions between the Association and any entity with which a Committee Member has a connection with is made at arm's length and is under normal commercial terms.

21. FIXED ASSET INVESTMENT

Investments in Subsidiaries

As at 31 March 2010 & 31 March 2009

- -
===== =====

In the opinion of the Management Committee the aggregate value of the assets of the subsidiary is not less than the aggregate of the amounts at which those assets are stated in the Association's balance sheet.

The Association has a 100% owned subsidiary Maryhill Workspace Limited. The relationship between the Association and its subsidiary is set out in an independence agreement between both

There were no transactions between the parent and subsidiary in the current or previous years.

The aggregate amount of capital and reserves and the results of Maryhill Workspace Limited for the year ended 31 March 2010 were as follows:

	2010	2009
	£	£
Capital & Reserves	-	-
Loss for the year	-	-

MARYHILL HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2010

NOTES TO THE FINANCIAL STATEMENTS (Continued)

22. DEVELOPMENT COST OF HOUSING PROPERTY

	2010 £	2009 £
Shared Equity Properties		
In the course of construction	172,925	13,073
Completed Properties Unsold	-	-
	<u>172,925</u>	<u>13,073</u>
Less: Grants Received from Scottish Ministers	<u>(172,925)</u>	<u>(13,073)</u>
	<u>-</u>	<u>-</u>
Other Properties for Sale		
In the course of construction	605,729	93,989
Completed Properties Unsold	-	-
	<u>605,729</u>	<u>93,989</u>
Less: Grants Received from Scottish Ministers	<u>(575,565)</u>	<u>(93,803)</u>
	<u>30,164</u>	<u>186</u>
Total Development Cost of Housing Properties	<u>30,164</u>	<u>186</u>

23. COMPARATIVE FIGURES

It has been identified that costs and Social Housing Grant received for Shared Ownership properties have not been correctly classified as such in prior years, necessitating a prior year restatement.

No figures in the Balance Sheet have changed

There were no changes to the Income and Expenditure Account or deficit reported last year. As a result of this no Statement of Recognised Gains or Losses has been prepared.

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2010

NOTES TO THE FINANCIAL STATEMENTS (Continued)

24. RETIREMENT BENEFIT OBLIGATIONS

General

Maryhill 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 offers three benefit structures to employers, namely:

- Final salary with a 1/60th accrual rate.
- Career average revalued earnings with a 1/60th accrual rate
- Career average revalued earnings with a 1/70th accrual rate

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.

Maryhill Housing Association Limited has elected to operate the final salary with a 1/60th accrual rate benefit structure for active members as at 31 March 2010 and the final salary with a 1/60th accrual rate benefit structure for new entrants from 1 April 2010.

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

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

During the accounting period Maryhill Housing Association Limited paid contributions at the rate of 15.4% of pensionable salaries. Member contributions were 7.7%.

As at the balance sheet date there were 23 active members of the Scheme employed by Maryhill Housing Association Limited. The annual pensionable payroll in respect of these members was £729,660. Maryhill 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 the share of underlying assets and liabilities belonging to individual participating employers. SFHA is a multi-employer scheme where the scheme assets are co-mingled for investment purposes, benefits are paid from the total scheme assets, and the contribution rate for all employers is set by reference to the overall financial position of the scheme rather than by reference to individual employer experience. Accordingly, due to the nature of the Plan, the accounting charge for the period under FRS17 represents the employer contribution payable.

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

MARYHILL HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2010

NOTES TO THE FINANCIAL STATEMENTS (Continued)

24. RETIREMENT BENEFIT OBLIGATIONS (Continued)

The Scheme Actuary has prepared an Actuarial Report that provides an approximate update on the funding position of the Scheme as at 30 September 2008. Such a report is required by legislation for years in which a full actuarial valuation is not carried out. The funding update revealed a decrease in the assets of the Scheme to £265 million and indicated an increase in the shortfall of assets compared to liabilities to approximately £149 million, equivalent to a past service funding level of 63.9%. Annual funding updates of the SFHA Pension Scheme are carried out using approximate actuarial techniques rather than member by member calculations, and will therefore not produce the same results as a full actuarial valuation. However they will provide a good indication of the financial progress of the scheme since the last full valuation.

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

Financial Assumptions

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

	% p.a.
- Investment return pre-retirement	7.2
- Investment return post-retirement	4.9
- Rate of Salary increases	4.6
- Rate of pension increases:	
pension accrued pre 6 April 2005	2.6
pension accrued from 6 April 2005	2.2
(for leavers before 1 October 1993 pension increases are 5.0%)	
- Rate of price inflation	2.6

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

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

MARYHILL HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2010

NOTES TO THE FINANCIAL STATEMENTS (Continued)

24. RETIREMENT BENEFIT OBLIGATIONS (Continued)

Valuation Results

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

<i>Benefit Structure</i>	<i>Long-term joint contribution rate (% of pensionable salaries)</i>
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 £54m would be dealt with by the payment of additional contributions of 5.3% of pensionable salaries per annum with effect from 1 April 2008. It is the Scheme policy that the joint contribution rate payable is split between employers and members in the ratio 2:1. Accordingly the joint contribution rates from 1 April 2008 for each of the benefit structures will be:

<i>Benefit Structure</i>	<i>Joint contribution rate (% of pensionable salaries)</i>
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%

MARYHILL HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2010

NOTES TO THE FINANCIAL STATEMENTS (Continued)

24. RETIREMENT BENEFIT OBLIGATIONS (Continued)

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

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 current triennial valuation, as at 30 September 2009, is being undertaken by a professionally qualified actuary. The provisional results of this valuation were issued by the SFHA Pension Scheme in May 2010. These figures show that the deficit on the scheme has increased from £53.6million to £160million. The funding level of liabilities, based on these figures, would be 64.8% (2006 - 83.4%).

As a result of this valuation the total contribution rate must increase on average by 7% of pensionable earnings for all existing benefit options structures from April 2011.

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 buyout basis i.e. the cost of securing benefits by purchasing annuity policies from an insurer, plus an allowance for expenses) with the assets of the Scheme. If the liabilities exceed assets there is a buy-out debt.

The leaving employer's share of the buy-out debt is the proportion of the Scheme's liability attributable to employment with the leaving employer compared to the total amount of the Scheme's liabilities (relating to employment with all the 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.

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2010

NOTES TO THE FINANCIAL STATEMENTS (Continued)

24. RETIREMENT BENEFIT OBLIGATIONS

Growth Plan

Maryhill Housing Association Limited participates in the Pension Trust's Growth Plan. The Plan is funded and is not contracted-out of the State Scheme. The Plan is a multi-employer pension plan.

Contributions paid into the Growth Plan up to and including September 2001 were converted to defined amounts of pension payable from Normal Retirement Date. From October 2001 contributions were invested in personal funds which have a capital guarantee and which are converted to pension on retirement, either within the Growth Plan or by the purchase of an annuity.

The rules of the Growth Plan 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.

The Trustee commissions an actuarial valuation of the Growth Plan every 3 years. The purpose of the actuarial valuation is to determine the financial position of the Plan by comparing the assets with the past service liabilities as at the valuation date. Asset values are calculated by reference to market levels. Accrued past service liabilities are valued by discounting expected future benefit payments using a discount rate calculated by reference to the expected future investment returns.

The rules of the Growth Plan 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/investments credits are not guaranteed and are declared at the discretion of the Plan's Trustee.

If the actuarial valuation reveals a deficit, the Trustee will agree a recovery plan to eliminate the deficit over a specified period of time either by way of additional contributions from employers, investment returns or a combination of these.

The rules of the Growth Plan state that the proportion of obligatory contributions to be borne by the Member and the Member's Employer shall be determined by way of 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.

Maryhill Housing Association Limited paid contributions of £NIL during the accounting period. Members paid contributions of £120 during the accounting period.

As at the Balance Sheet date there was 1 active member(s) of the Plan employed by Maryhill Housing Association Limited. Maryhill Housing Association Limited 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. Accordingly, due to the nature of the Plan, the accounting charge for the period under FRS17 represents the employer contribution payable.

The valuation results at 30 September 2008 have now been completed and 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%.

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2010

NOTES TO THE FINANCIAL STATEMENTS (Continued)

24. RETIREMENT BENEFIT OBLIGATIONS

Growth Plan (Contd.)

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

Since the contribution rates payable to the Plan have been determined by reference to the last full actuarial valuation the following notes relate to the formal actuarial valuation as at 30 September 2008.

Financial Assumptions

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

	% p.a.
Investment return pre retirement	7.6
Investment return post retirement	
- Activities / 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.

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

In view of the small funding deficit and the level of prudence implicit in the assumptions used to calculate the Plan liabilities the Trustee has prepared a recovery plan on the basis that no additional contributions from participating employers are required at this point in time. In reaching this decision the Trustee has taken actuarial advice and has been advised that the shortfall of £29 million will be cleared within 10 years if the investment returns from assets are in line with the "best estimate" assumptions. "Best estimate" means that there is a 50% expectation that the return will be in excess of that assumed and a 50% expectation that the return will be lower than that assumed over the next 10 years. These "best estimate" assumptions are 8.4% per annum pre retirement and 5.1% per annum post retirement (actives and deferreds) and 5.6% per annum post-retirement (pensioners).

A copy of the recovery plan must be sent to the Pensions regulator. The Regulator has the power under Part 3 of the Pensions Act 2004 to issue scheme funding directions where it believes that the actuarial valuation assumptions and/or recovery plan are inappropriate. For example, the Regulator could require that the Trustee strengthens the actuarial assumptions (which would increase the scheme liabilities and hence impact on the recovery plan) or impose a schedule of contributions on the Scheme (which would effectively amend the terms of the recovery plan). A copy of the recovery plan in respect of the September 2008 valuation was forwarded to the Pension Regulator on 18 December 2009.

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2010

NOTES TO THE FINANCIAL STATEMENTS (Continued)

24. RETIREMENT BENEFIT OBLIGATIONS

Growth Plan (Continued)

The Regulator has reviewed the recovery plan for the Growth Plan and confirmed that, in respect of the September 2008 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 2011.

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 assets there is a buy-out debt.

The leaving employer's share of the buy-out debt is the proportion of the Plan's pre October 2001 liability attributable to employment with the leaving employer compared to the total amount of the Plan's pre October 2001 liabilities (relating to employment with all the currently participating employers). The leaving employer's debt therefore includes a share of any "orphan" liabilities in respect of previously participating employers. The amount of the debt therefore depends on many factors including total Plan liabilities, Plan investment performance, the liabilities in respect of current and former employees of the employer, financial conditions at the time of the cessation event and the insurance buy-out market. The amounts of debt can therefore be volatile over time.