



NEW GORBALS HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2010

Registered Housing Association No.: HAL211

Financial Services Authority No.: 2309S

Charity No.:SC041164

BAKER TILLY UK AUDIT LLP
Chartered Accountants

Glasgow

NEW GORBALS HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2010

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Registration Particulars:

Financial Services Authority

Industrial & Provident Schemes Act 1965
Registered Number: 2309S

Scottish Housing Regulator

Housing (Scotland) Act 2001
Registered Number: HAL211

Office of Scottish Charity Regulator

Charity and Trustee Investment Act (Scotland) 2005
Scottish Charity Number: SC041164

NEW GORBALS HOUSING ASSOCIATION LIMITED

REPORT OF COMMITTEE OF MANAGEMENT

31 MARCH 2010

The Committee of Management present their 20th Annual Report together with the audited accounts for the year ended 31 March 2010.

Principal Activity

The principal activity of the Association is the provision of social housing:

- to improve the quality of the housing and management service for the people of the Gorbals area;
- to consolidate tenant control and involvement in the Association;
- to contribute to meeting the needs of people living in the Gorbals area;
- to provide housing at affordable and sustainable rent levels;
- to develop through conversions and new buildings other types of housing such as those for the elderly and single people, and for those seeking low cost home ownership.

Review

This year – our 20th since we were first constituted – has been another good year for the Association and our biggest spending year yet.

Over £13M was spent by the Association – including grant of over £9M – in building new homes and modernising the Hutchesontown Estate. We had over 165 houses on site, many of which were handed over during the year and all of which were completed by July 2009.

It was a particularly proud moment for to introduce our guest speakers – Depute First Minister Nicola Sturgeon MSP and Frank McAveety MSP – at the opening of our Hutchesontown New Build on 5th June 2009. It is our biggest project to date with over 100 units. Not only that but we have provided a new local shop and a new base for the Gorbals Credit Union which will be an assets for the local community and the wider Gorbals area. It is a truly wonderful scheme and one in which I hope all of our new tenants will be happy.

Away from the glamour of Development we have continued to improve in the delivery of our services to our tenants and factored owners. We have met all of the challenging targets set by the Management Committee at the beginning of the year and we will be looking closely at the results of our recently completed factoring survey to see where we can improve our service there.

So far as the future is concerned, there has been no big breakthrough on either the issue of the regeneration of Laurieston or the acquisition of GHA stock in the Gorbals through “Second Stage Transfer” (SST). However some progress has been made – for example with the Association acquiring the site of the Church at Cumberland and Eglinton Street – and we understand that the political difficulties which have dogged SST and the large regeneration proposals in Glasgow will be resolved this year. We certainly hope so and stand ready to play our part in bringing the same quality of regeneration to Laurieston as Hutchesontown has already experienced.

NEW GORBALS HOUSING ASSOCIATION LIMITED

REPORT OF COMMITTEE OF MANAGEMENT

31 MARCH 2010 (Continued)

Turnover

Turnover of £5,168,433 (2009 £4,513,698) relates to the income from the letting of properties at affordable rents and the provision of factoring services.

Financing and Liquidity

During the year further loans of £4,069,233 (2009 £3,308,274) were drawn down. Under the terms of the financing agreement, there are a number of financial and operational covenants that limit the Association's operating and financial flexibility. A failure to comply with any of these covenants could result in default under the agreement and an acceleration of repayment of the debt outstanding.

Treasury Management

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

The Association, as a matter of policy, does not enter into transactions of a speculative nature. At 31 March 2010 £1,315,990 (7.7%) (2009 £1.3m (9.8%)) of borrowings were subject to fixed rates of interest in excess of two years. At 31 March 2010 the Association had £nil (2009 £1,356,205) in undrawn loan facilities.

Transfers to Designated Resources

The results for the year are shown in the Income and Expenditure Account on page 11.

Transfer to designated reserves:-

	£
Major repairs reserve	-
Cyclical & current maintenance reserve	-
	<hr/>
Retained in revenue reserve	45,255
	<hr/>
	45,255

Members of Committee of Management

The Members of the Committee of the Association during the year to 2010 were as follows:

(Chairperson)	E. Bradley	(Member)	W. Sharkey
(Vice Chairperson)	S Cameron	(Member)	L. Malone
(Secretary)	J Miller	(Co-optee)	K. Adams-Mackenzie
(Member)	T Smart	(Member)	A. Graham (resigned)
(Member)	E Peden	(Member)	M. McFadden (resigned)
(Member)	C Flannagan		
(Member)	J Hewitt		
(Member)	W Muir		

NEW GORBALS HOUSING ASSOCIATION LIMITED

REPORT OF COMMITTEE OF MANAGEMENT

31 MARCH 2010 (Continued)

Fixed Assets

Changes in fixed assets in the year are set out in notes 7 and 8 of the financial statements.

Future Developments

The Association will continue with its policy of improving the quality of housing and housing services within its area of activity working with its existing and new partners.

Credit Payment Policy

The Association's policy concerning the payment of its trade creditors complies with the Confederation of British Industry guidelines. The Association's standard payment terms are 30 days.

Estate Maintenance

The Association acts as factor to over one thousand owner-occupiers in the Gorbals area. Accounts are issued each year to recover the costs of common maintenance.

Maintenance Policies

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

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

Employee Involvement and Health & Safety

The Association encourages employee involvement in all major initiatives.

Quality and Integrity of Personnel

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

NEW GORBALS HOUSING ASSOCIATION LIMITED

REPORT OF COMMITTEE OF MANAGEMENT

31 MARCH 2010 (Continued)

Budgetary Process

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

Rental income

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

Disabled employees

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

Information for auditors

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

Auditors

Baker Tilly UK Audit LLP has indicated its willingness to continue in office as auditors to the Association.

On behalf of the Committee of Management


.....
Secretary

187 Crown Street
Gorbals
Glasgow

Date: 21/9/10

NEW GORBALS HOUSING ASSOCIATION LIMITED

STATEMENT OF COMMITTEE RESPONSIBILITIES

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

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

We are also responsible for:

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

NEW GORBALS HOUSING ASSOCIATION LIMITED

COMMITTEE OF MANAGEMENT'S STATEMENT ON INTERNAL FINANCIAL CONTROL

31 MARCH 2010

The Committee of Management acknowledge their ultimate responsibility for ensuring that the Association has in place a system of controls that is appropriate to the various business environments in which it operates. These controls are designed to give reasonable assurance with respect to:

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

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

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

NEW GORBALS HOUSING ASSOCIATION LIMITED

COMMITTEE OF MANAGEMENT'S STATEMENT ON INTERNAL FINANCIAL CONTROL

31 MARCH 2010
(Continued)

The Committee of Management have implemented a system of internal financial control in the Association during the year ended 31 March 2010. This was reviewed between the year-end and the below date. The proper implementation of this will ensure that there are no weaknesses in internal financial controls, 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 Committee of Management

John M. J. J.
.....

Date: 21/9/12.....

NEW GORBALS HOUSING ASSOCIATION LIMITED

AUDITORS' REPORT ON CORPORATE GOVERNANCE MATTERS

Corporate Governance

In addition to our audit of the accounts, we have reviewed the Committee of Management's statement on pages 6 and 7 concerning the Association's compliance with the information required by the section on Internal Financial Control within SFHA's publication "Raising Standards in Housing".

Basis of Opinion

We carried out our review having regard to Bulletin 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 pages 6 and 7 has provided the disclosures required by the section on Internal Financial Control within SFHA's publication "Raising Standards in Housing" and is consistent with the information which came to our attention as a result of our audit work on the financial statements.



Baker Tilly UK Audit LLP
Registered Auditors
Chartered Accountants
Glasgow

Date: 02 September 2010

NEW GORBALS HOUSING ASSOCIATION LIMITED

AUDITORS' REPORT TO THE MEMBERS OF

NEW GORBALS HOUSING ASSOCIATION LIMITED

We have audited the financial statements on pages 11 to 30, which have been prepared under the accounting policies, set out on pages 14 to 17.

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 Committee of Management and auditors

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

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

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

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

Basis of opinion

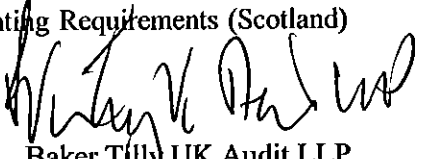
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Committee of Management. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an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

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

NEW GORBALS HOUSING ASSOCIATION LIMITED
AUDITORS' REPORT TO THE MEMBERS OF
NEW GORBALS HOUSING ASSOCIATION LIMITED
(continued)

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 2010 and of its surplus for the year then ended and have been properly prepared in accordance with the Industrial and Provident Societies Acts 1965 to 2002, the Housing (Scotland) Act 2001 and the Registered Social Landlords Accounting Requirements (Scotland) Order 2007.



Baker Tilly UK Audit LLP
Registered Auditors
Chartered Accountants
Glasgow

Date: ...22 September 2010

NEW GORBALS HOUSING ASSOCIATION LIMITED

INCOME & EXPENDITURE ACCOUNT

FOR THE YEAR ENDED 31 MARCH 2010

	Notes	2010 £	2009 £
Turnover	2	5,168,433	4,513,698
Less: Operating costs	2	(4,844,255)	(3,832,520)
Operating Surplus	2	<u>324,178</u>	<u>681,178</u>
Gain on sale of fixed assets		18,555	68,700
Interest receivable		22,231	74,770
Interest payable	4	(244,958)	(457,883)
Surplus on ordinary activities before tax		<u>120,006</u>	<u>366,765</u>
Taxation on surplus on ordinary activities	5	(74,751)	(126,550)
Surplus for year after tax		<u><u>45,255</u></u>	<u><u>240,215</u></u>

The results for 2009 and 2010 relate wholly to continuing activities.

The Association has no recognised gains and losses other than those dealt with in the Income and Expenditure Account.

NEW GORBALS HOUSING ASSOCIATION LIMITED

BALANCE SHEET

AS AT 31 MARCH 2010

	Notes	2010	2009
		£	£
Tangible Fixed Assets			
Housing properties			
- gross cost less depreciation	7	83,254,753	75,238,869
SHG and other grants	7	<u>(65,383,153)</u>	<u>(61,529,875)</u>
		17,871,600	13,708,994
Other fixed assets	8	<u>658,610</u>	<u>667,485</u>
		18,530,210	<u>14,376,479</u>
Current Assets			
Debtors	9	1,566,282	1,074,051
Cash at hand and in Bank		<u>1,502,009</u>	<u>4,387,243</u>
		3,068,291	5,461,294
Current Liabilities			
Creditors due within one year	10	<u>(2,904,318)</u>	<u>(6,352,618)</u>
Net current assets/(liabilities)		<u>163,973</u>	<u>(891,324)</u>
Total assets less current liabilities		18,694,183	13,485,155
Creditors due after more than one year	11	<u>(16,799,066)</u>	<u>(11,635,170)</u>
Net Assets		<u>1,895,117</u>	<u>1,849,985</u>
Capital and Reserves			
Share capital	15	162	285
Designated reserves	6	1,516,932	1,516,932
Revenue reserve	16	<u>378,023</u>	<u>332,768</u>
Total shareholders' funds		<u>1,895,117</u>	<u>1,849,985</u>

These financial statements were approved by the Committee of Management and authorised for issue on 01 September 2010 and signed on their behalf by:

Secretary: *Jean Miller*

Member: *Rosie Adams Mackenzie*

Member: *W. Shukry*

NEW GORBALS HOUSING ASSOCIATION LIMITED

CASH FLOW STATEMENT

YEAR TO 31 MARCH 2010

	2010	2009
	£	£
Net cash inflow from operating activities	(3,080,351)	4,168,689
Returns on investments and servicing of finance		
Interest received	22,231	74,770
Interest paid out	<u>(244,958)</u>	<u>(457,883)</u>
Net cash flow from returns on investments and servicing of finance	(222,727)	(383,113)
Taxation		
Corporation tax paid	(126,550)	(65,217)
Less: Grants received	<u>-</u>	<u>104,084</u>
Net cash (outflow)/inflow on taxation	(126,550)	38,867
Investing activities		
Payments to acquire housing properties	(8,359,186)	(13,797,702)
Purchase of other fixed assets	(41,038)	(81,405)
HAG and other grants received	3,857,971	9,110,020
Sales of tangible fixed assets – properties	18,555	68,770
Sales of tangible fixed assets – other	2,346	-
Net cash (outflow) from investing activities	<u>(4,521,352)</u>	<u>(4,700,317)</u>
Net cash (outflow) before financing	<u>(7,950,980)</u>	<u>(875,874)</u>
Financing		
Issue of share capital	16	15
Loans repaid	(495,762)	(354,807)
Loans received	5,583,539	3,308,274
Net cash inflow from financing	<u>5,087,793</u>	<u>2,953,482</u>
(Decrease)/Increase in cash	<u>(2,863,187)</u>	<u>2,077,608</u>

Further details are given in note 17.

NEW GORBALS HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 MARCH 2010

1. Principal Accounting Policies

The Association is incorporated under the Industrial and Provident Societies Act 1965 and is registered with the Financial Services Authority. The accounts have been prepared and in compliance with The Registered Social Landlords Accounting Requirements (Scotland) Order 2007 and The Statement of Recommended Practice (SORP), "Accounting by Registered Social Landlords" and applicable Accounting Standards.

a) Basis of Preparation

The accounts are prepared under the historical cost convention and on a going concern basis.

b) Turnover

Turnover relates to the income from the letting of properties at affordable rents, and the supply of factoring services.

c) Fixed assets - Housing land and buildings

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

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

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

Shared ownership properties are included in housing properties at cost, less any provisions needed for depreciation or impairment.

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

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

If expenditure does not qualify for HAG, it is nevertheless capitalised.

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

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

NEW GORBALS HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 MARCH 2010

(Continued)

d) Housing Association Grants

Housing Association Grants (HAG) are used to reduce the bank loan in respect of an approved scheme. The amount of HAG is calculated on the qualifying cost of the scheme in accordance with instructions issued by the grant awarding body. HAG and other grants are repayable under certain circumstances. These include the disposal of the properties to which the grants relate.

e) Depreciation

Housing Land and Buildings

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%. No depreciation is charged on the cost of land.

Other Fixed Assets

A full year's depreciation is charged in the year of acquisition but no charge is made in the year of disposal. Depreciation is charged at rates estimated to write off costs less the estimated residual value over the expected useful life, as follows:

Office Premises	- 2% straight line
Furniture and Fittings & equipment	- 25% straight line

f) Impairment of fixed assets

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

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

g) Major Repairs Reserve

Accrued major repair expenditure, being the Association's commitment to undertake major repairs to its properties, is set aside in a designated reserve to the extent that it was not incurred as planned.

h) Cyclical Maintenance Reserve

The reserve is based on the Associations' Liability to maintain the housing properties in accordance with a planned program of works. This is set aside in a designated reserve to the extent that it was not incurred as planned.

NEW GORBALS HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 MARCH 2010

(Continued)

i) Pension

The Association participates in the centralised Scottish Federation of Housing Association's 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 to the independently administered Pensions Trust in accordance with periodic calculations by consulting actuaries and are based on pension costs applicable across the various participating Associations taken as a whole.

The expected cost to the Association of pensions is charged to income so as to spread the cost of pensions over the service lives of the employees in the scheme taken as a whole.

j) Apportionment of Management Expenses

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

k) Allocation of Owner Occupier Income

Monies charged and received from owner-occupiers for common feu maintenance is credited into the income and expenditure account within the accounting period in which it is charged.

l) Sale of housing properties

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

First tranche Shared Ownership disposals are credited to turnover on completion, the cost of construction of these sales is taken to operating costs. Disposals of subsequent tranches are treated as fixed asset disposals with the gain or loss on disposal taken to the income and expenditure account, in accordance with the Statement of Recommended Practice.

Disposals under shared equity schemes are accounted for in the income and expenditure account. The remaining equity in properties sold before 1 April 2008 is treated as a fixed asset investment, which is matched with the grant received. For properties sold after 1 April 2008 the standard security over the remaining equity lies with the Scottish Government and is therefore not reflected in the Association's balance sheet.

NEW GORBALS HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 MARCH 2010

(Continued)

m) Improvements

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

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

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

n) Value added tax

The Association is not VAT registered. Expenditure as a result is shown inclusive of VAT.

o) Hire Purchase Agreements

Assets held under hire purchase agreements are capitalised and disclosed under tangible fixed assets at their fair value. The capital element of the future payments is treated as a liability and the interest is charged to the income and expenditure account on a straight line basis.

NEW GORBALS HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 MARCH 2010

(Continued)

2. Particulars of turnover, operating costs and operating surplus

	Turnover	Operating	Operating	2009
	£	Costs	Surplus/ (Deficit)	Total
	£	£	£	£
Social lettings	4,449,438	(4,059,032)	390,406	555,941
Other Activities	718,995	(785,223)	(66,228)	125,237
Total	<u>5,168,433</u>	<u>(4,844,255)</u>	<u>324,178</u>	<u>681,178</u>
2009	<u>4,513,698</u>	<u>(3,832,520)</u>	<u>681,178</u>	

NEW GORBALS HOUSING ASSOCIATION LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
AS AT 31 MARCH 2010
(Continued)**

3. Particulars of income and expenditure from lettings

	General Needs Housing £	Supported Housing £	Shared Ownership £	2010 Total £	2009 Total £
Income from lettings					
Rent receivable net of					
Identifiable Service Charges	3,996,192	169,030	30,011	4,195,233	3,530,340
Service Charges	224,399	33,573	5,426	263,398	216,884
Gross income from rents and service charges	4,220,591	202,603	35,437	4,458,631	3,747,224
Less: Voids	(9,193)	-	-	(9,193)	(8,908)
	4,211,398	202,603	35,437	4,449,438	3,738,316
Grants from the Scottish Ministers	-	-	-	-	-
Total Income from Social Letting Activities	4,211,398	202,603	35,437	4,449,438	3,738,316
Expenditure on Letting Activities					
Service costs	596,171	16,688	2,399	615,258	692,877
Management and maintenance administration costs	1,262,101	57,101	23,627	1,342,829	1,339,778
Planned and cyclical maintenance including major repair costs	1,103,056	31,522	-	1,134,578	444,438
Reactive maintenance costs	588,314	37,530	-	625,844	496,043
Bad debts – rents and service charges	4,007	181	74	4,262	5,864
Depreciation of social housing	202,241	6,834	127,186	336,261	203,375
Operating costs for social letting activities	3,755,890	149,856	153,286	4,059,032	3,182,375
Operating Surplus for social letting	455,508	52,747	(117,849)	390,406	555,941
Operating Surplus for social letting - 2009	550,037	(13,621)	19,525	555,941	

The amount of service charges receivable on housing accommodation not eligible for Housing Benefit was £nil (2009 - £nil).

The total amount of major repairs expenditure incurred in the year was £305,279 (2009 - £199,943). No major repairs were capitalised (2009 - £nil).

NEW GORBALS HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS
AS AT 31 MARCH 2010
(Continued)

3b 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	Other operating costs	Operating surplus or deficit	Operating surplus or deficit for previous period of account
	£	£	£	£	£	£	£	£	£
Wider Action/wider role	-	-	-	-	-	-	-	-	-
Care and repair of property	-	-	-	-	-	-	-	-	-
Factoring	-	-	-	688,431	688,431	(2,362)	(682,991)	3,078	(19,547)
Development activities	-	-	-	-	-	-	-	-	-
Support activities	-	-	-	-	-	-	-	-	-
Care activities	-	-	-	-	-	-	-	-	-
Agency services for RSL's	-	-	-	-	-	-	-	-	-
Other agency/management services	-	-	-	-	-	-	-	-	-
Developments for sale to RSL's	-	-	-	-	-	-	-	-	-
Developments and improvements for sale to non registered social landlords, (including first tranche shared ownership sales)	-	-	-	-	-	-	-	-	-
Other activities	-	13,976	-	16,588	30,564	-	(99,870)	(69,306)	144,784
Total from other activities	-	13,976	-	705,019	718,995	(2,362)	(782,861)	(66,228)	125,237
2009	-	201,376	-	574,006	775,382	(1,013)	(649,132)	125,237	

NEW GORBALS HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 MARCH 2010

(Continued)

4. Interest payable

	2010	2009
	£	£
Total interest incurred	<u>244,958</u>	<u>457,883</u>

5. Taxation

The charge in respect of corporation tax arose in respect of the Associations housing and other activities. The charge was made up as follows:

	2010	2009
	£	£
UK Corporation tax based on the results for the year at 28% (2009 – 28%)	74,751	126,550
(Over) provision in prior year	-	-
Total current tax	<u>74,751</u>	<u>126,550</u>

Factors affecting current tax charge

	2010	2009
	£	£
Surplus on ordinary activities before taxation	<u>120,006</u>	<u>366,765</u>
Surplus on ordinary activities by rate of tax	33,602	102,694
Expenses deductible for tax purposes	41,149	23,856
Adjustments in respect of prior periods	-	-
Total current tax	<u>74,751</u>	<u>126,550</u>

6. Designated Reserves

	Opening Balance	Transfer To	Closing Balance
	£	£	£
Major Repair Reserve	1,265,492	-	1,265,492
Cyclical and current maintenance reserve	251,440	-	251,440
	<u>1,516,932</u>	<u>-</u>	<u>1,516,932</u>

NEW GORBALS HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

As at 31 MARCH 2010
(Continued)

7. Tangible Assets – Housing properties

	Housing Properties held for letting £	Shared Ownership Properties £	Housing Properties under Construction	Total £
Cost				
At 1 April 2009	48,727,626	1,784,388	25,986,175	76,498,189
Additions during the year	4,035,696	-	4,323,490	8,359,186
Disposals during the year	-	-	(7,036)	(7,036)
Transfers	20,381,003	-	(20,381,003)	-
At 31 March 2010	<u>73,144,325</u>	<u>1,784,388</u>	<u>9,921,626</u>	<u>84,850,339</u>
Depreciation				
At 1 April 2009	1,145,334	113,989	-	1,259,323
Provided during the year	323,067	13,196	-	336,263
Disposals during the year	-	-	-	-
At 31 March 2010	<u>1,468,401</u>	<u>127,185</u>	<u>-</u>	<u>1,595,586</u>
Cost less depreciation	<u>71,675,924</u>	<u>1,657,203</u>	<u>9,921,626</u>	<u>83,254,753</u>
Grants				
At 1 April 2009	41,758,316	1,141,591	18,629,965	61,529,872
Additions during the year	1,544,948	-	2,313,023	3,857,971
Disposals during the year	-	-	(4,690)	(4,690)
Transfers	14,355,832	-	(14,355,832)	-
At 31 March 2010	<u>57,659,096</u>	<u>1,141,591</u>	<u>6,582,466</u>	<u>65,383,153</u>
Net Book Value				
As at 31 March 2010	<u>14,016,828</u>	<u>515,612</u>	<u>3,339,160</u>	<u>17,871,600</u>
As at 31 March 2009	<u>5,823,976</u>	<u>528,808</u>	<u>7,356,210</u>	<u>13,708,994</u>

None of the Associations properties is held under a lease.

NEW GORBALS HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 MARCH 2010

(Continued)

8. Other Fixed Assets

	Office premises £	Furniture, fittings and office equipment £	Total £
Cost			
At 1 April 2009	689,669	415,807	1,105,476
Additions during the year	5,694	35,344	41,038
At 31 March 2010	<u>695,363</u>	<u>451,151</u>	<u>1,146,514</u>
Depreciation			
At 1 April 2009	97,054	340,937	437,991
Provided during the year	13,907	36,006	49,913
At 31 March 2010	<u>110,961</u>	<u>376,943</u>	<u>487,904</u>
Net Book Value			
As at 31 March 2010	<u>584,402</u>	<u>74,208</u>	<u>658,610</u>
As at 31 March 2009	<u>592,615</u>	<u>74,870</u>	<u>667,485</u>

There are no fixed assets held under lease agreements.

9. Debtors

	2010 £	2009 £
Amounts falling due within one year:		
Gross rents arrears	397,504	323,659
Less: bad debt provision	<u>(44,230)</u>	<u>(37,605)</u>
	353,274	286,054
Prepayments and accrued income	49,541	57,461
Corporation tax recoverable	-	-
Other debtors	<u>1,163,467</u>	<u>730,536</u>
	<u>1,566,282</u>	<u>1,074,051</u>

NEW GORBALS HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 MARCH 2010

(Continued)

	2010	2009
	£	£
10. Creditors due within one year		
Capital works and retentions	655,529	566,669
Loans	522,780	287,462
Trade creditors	889,860	4,490,149
Accruals and deferred income	238,547	155,726
Other taxation and Social Security	25,484	24,369
Rents in advance	55,640	55,751
Other creditors	383,518	565,686
Corporation tax payable	74,751	126,550
Bank overdraft	58,209	80,256
	<u>2,904,318</u>	<u>6,352,618</u>
11. Creditors due after more than one year	2010	2009
	£	£
Loans	16,487,629	11,635,170
Deferred income	311,437	-
	<u>16,799,066</u>	<u>11,635,170</u>

Loans are secured by specific charges on the Association's properties at varying rates of interest ranging from 0.77% to 6.55% (2009: 0.77% to 6.55%).

In one year or less	522,780	287,462
Between one and five years	1,568,340	1,149,847
In five years or more	14,919,289	10,485,323
	<u>17,010,409</u>	<u>11,922,632</u>

NEW GORBALS HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 MARCH 2010

(Continued)

12. Employees

	2010	2009
	£	£
Staff costs during year		
Wages and salaries	1,001,732	948,150
Social security costs	82,286	77,895
Other pension costs	117,145	113,036
	<u>1,201,163</u>	<u>1,139,081</u>
The average full time number of persons employed by the Association during the year were as follows:	No	No
Housing/Administrative and Finance Staff	<u>32</u>	<u>32</u>

The Directors are defined as the members of the Management Committee, the Housing Association Director and any other person reporting directly to the Housing Association Director or the Management Committee whose total emoluments exceed £60,000 per year.

	£	£
Aggregate Emoluments payable to Directors (including pension contributions and benefits in kind)	<u>75,245</u>	<u>73,952</u>
Emoluments payable to Highest Paid Director (excluding pension contributions)	<u>65,204</u>	<u>64,083</u>

The emoluments of the directors whose emoluments, excluding pension contributions, were over £60,000

	2010	2009
	No	No
£60,001 to £70,000	1	1

The Director is an ordinary member of the Association's pension scheme described in note 13. No enhanced or special terms apply to memberships and he has no other pension arrangements to which the Association contribute. The Association's contributions for the Director in the year amounted to £10,041 (2009 - £9,869).

Total expenses reimbursed insofar as not chargeable to UK

Income Tax	-	-
- Director	-	-
- Committee of Management	<u>-</u>	<u>-</u>

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

NEW GORBALS HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 MARCH 2010

(Continued)

13. Pension Fund

New Gorbals Housing Association Limited participates in the SFHA Pension Scheme ('the Scheme'). The Scheme is funded and is contracted-out of the State Pension scheme.

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

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

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

The Scheme Actuary has prepared an Actuarial Report that provides an approximate update on the funding position of the Scheme as at 30 September 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%.

The current triennial formal valuation of the Scheme, as at 30 September 2009, is being undertaken by a professionally qualified Actuary. The results of the valuation will be available in the Autumn 2010.

Following a change in legislation in September 2005 there is a potential debt on the employer that could be levied by the Trustee of the Scheme. The debt is due in the event of the employer ceasing to participate in the Scheme or the Scheme winding up.

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

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

NEW GORBALS HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 MARCH 2010

(Continued)

13. Pension Fund (continued)

New Gorbals Housing Association Limited has been notified by The Pensions Trust of the estimated employer debt on withdrawal from the SFHA Scheme based on the financial position of the Scheme as at 30 September 2009. As of this date the estimated employer debt for New Gorbals Housing Association Limited was £3,055,600.

The SFHA Scheme is a multi-employer defined benefit 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 given time. An open benefit structure is one which new entrants are able to join.

New Gorbals Housing Association Limited has elected to continue to operate the final salary with a 1/60th accrual rate benefit structure for active members as at 1 April 2009 and the same benefit structure for any new entrants.

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

As at the balance sheet date there were 24 active members of the Scheme employed by New Gorbals Housing Association Limited. New Gorbals Housing Association Limited continues to offer membership of the Scheme to its employees.

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

2006 Valuation Assumptions	% 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 (for leavers before 1 October 1993 pension increases are 5.0%)	2.2
Rate of price inflation	2.6

NEW GORBALS HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 MARCH 2010

(Continued)

13. Pension Fund (continued)

Mortality Tables	
Non-pensioners	PA92C2025 short
Pensioners	PA92C2013 short

Contribution Rates for Future Service	%
Final Salary 1/60ths	17.8
Career average revalued earnings 1/60ths	14.6
Career average revalued earnings 1/70ths	12.6
Additional rate for deficit contributions	5.3

14. Auditors' Remuneration	2010	2009
	£	£
The remuneration of the auditors (including expenses and including VAT for the year)	10,328	10,115
Remuneration of the auditors in respect of services other than those of auditors- corporation tax	5,240	3,821
	<u>15,568</u>	<u>13,936</u>

15. Share Capital

Shares of £1 fully paid and issued at beginning of year	285	302
Shares issued during year	16	15
Shares cancelled during the year	(139)	(32)
	<u>162</u>	<u>285</u>

Each member of the Association holds one share of £1 in the Association. These shares carry no rights to dividend or distributions on a winding up. When a shareholder ceases to be a member, that person's share is cancelled and the amount paid thereon becomes the property of the Association. Each member has a right to vote at members' meetings.

16. Revenue reserve

	2010	2009
	£	£
Opening revenue reserve	332,768	269,703
Surplus for year	45,255	240,215
Transfer (to) designated reserves	-	(177,150)
	<u>378,023</u>	<u>332,768</u>

NEW GORBALS HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 MARCH 2010

(Continued)

17. Notes to the Cash Flow Statement

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

Surplus for year before taxation	120,006	366,765
Add: Interest payable	244,958	457,883
Less: Interest receivable	<u>(22,231)</u>	<u>(74,770)</u>
Operating surplus for the year	342,733	749,878
Depreciation	386,176	251,101
Cancellation of share capital	(139)	(32)
(Increase)/Decrease in debtors	(492,231)	763,374
(Decrease)/Increase in creditors	(3,298,335)	2,473,140
Profit on sale of fixed assets	<u>(18,555)</u>	<u>(68,700)</u>
Net cash inflow from operating activities	<u>(3,080,351)</u>	<u>4,168,761</u>

(b) Reconciliation of net cash flow to movement in net debt

(Decrease)/Increase in cash for the year	(2,863,187)	2,077,608
Loans received	(5,583,539)	(3,308,274)
Loan repayments	495,762	354,807
Change in net debt	<u>(7,950,964)</u>	<u>(875,859)</u>
Net debt as at 1 April 2009	<u>(7,615,645)</u>	<u>(6,739,786)</u>
Net debt as at 31 March 2010	<u>(15,566,609)</u>	<u>(7,615,645)</u>

(c) Analysis of Changes in net debt

	As at 31 March 2009 £	Cash Flow £	Other Changes £	As at 31 March 2010 £
Cash at bank and in hand	4,387,243	(2,885,234)	-	1,502,009
Bank Overdrafts	(80,256)	22,047	-	(58,209)
Debt due within one year	(287,462)	495,762	(731,080)	(522,780)
Debt due after one year	<u>(11,635,170)</u>	<u>(5,583,539)</u>	731,080	<u>(16,487,629)</u>
	<u>(7,615,645)</u>	<u>(7,950,964)</u>	-	<u>(15,566,609)</u>

NEW GORBALS HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 MARCH 2010

(Continued)

18. Capital Commitments

	2009	2008
	£	£
Expenditure authorised by the Committee of Management less certified	<u>2,000,000</u>	<u>7,715,058</u>

This will be funded by £1,500,000 of Housing Association Grant funding and £500,000 of private finance.

19. Contingent Liabilities

Communities Scotland Stock Transfer

Various financial provisions were incorporated in the legal documentation when the Association acquired housing stock from Communities Scotland in 2002. The Association is required to account for major repair, capital expenditure and sales of properties under the Right to Buy legislation. At 31 March 2010, the Association had not breached these provisions.

Pensions

New Gorbals Housing Association has been notified by the Pensions Trust of the estimated employer debt on withdrawal from the Scheme based on the financial position of the Scheme as at 30 September 2009. As of this date the estimated employer debt for New Gorbals Housing Association was £3,055,600. The Association has no current plans to withdraw from the scheme.

At 31 March 2010, the Association had no other contingent liabilities (2009 - £nil).

20. Unit numbers

	2010	2009
	£	£
General needs	1,232	1,064
Supported	104	93
Shared ownership	24	24
	<u>1,360</u>	<u>1,181</u>

21. Related Parties

Tenants, sharing owners and owners who are members of the Management Committee are not treated differently to any other tenants or owners. City Councilors who are members of the Management Committee declare their interests relating to relevant decisions taken by the Association or the City Council.