



Thenew Housing Association Ltd
Report and Financial Statements
For the year ended 31st March 2010

Registered Housing Association No. HAL193

FSA Reference No. 1993R(S)

Scottish Charity No. SC032782

THE NEW HOUSING ASSOCIATION LTD

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

MANAGEMENT COMMITTEE

Yvonne McShea	Chairperson
George Alexander	Chairperson Audit Sub Committee
Pat Bradley (Resigned 15 September 2009)	
Catherine Chalmers	
Aileen Christie (Stood Down 15 September 2009)	
Jon Cowlan (Appointed 15 September 2009)	
Barry Dagleish	
Linda Fletcher (Appointed 15 September 2009)	
Janice Hamilton (Resigned 15 September 2009)	
Charlotte Levy	Chairperson Finance and Staffing Sub Committee
Catherine Martin (Appointed 15 September 2009)	
Filbert Masau (Appointed 09 February 2010)	
Anne McIver	
James McLellan	Chairperson Housing Management Sub Committee
William McQuillan	
Huruna Musa (Appointed 15 September 2009, Resigned 09 February 2010)	
Sandra Nolan (Appointed 15 September 2009)	
William Redmond	Depute Chairperson, Chairperson Development & Technical Sub Committee
Ann Scott	
Caroline Shepherd	
Owen Stewart (Appointed 15 September 2009)	
Margaret Vass	

EXECUTIVE OFFICERS

Charles Turner	Chief Executive
Brian Gannon	Head of Housing
Beth Reilly	Head of Development and Technical
John Russell	Head of Finance

REGISTERED OFFICE

83 Green Street
Glasgow
G40 2TG

AUDITORS

Alexander Sloan, Chartered Accountants
38 Cadogan Street
Glasgow
G2 7HF

BANKERS

Clydesdale Bank PLC
Business Banking Centre, St Rollox
70 Cathedral Street
GLASGOW
G4 7HF

SOLICITORS

TC Young & Son
7 West George Street
GLASGOW
G2 1BA

THE NEW HOUSING ASSOCIATION LTD

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 a registered non-profit making organisation under the Industrial and Provident Societies Act 1965 No.1993R(S). The Association is constituted under its Rule Book. The Association is a registered Scottish Charity with the charity number SC032782.

Principal Activities

The principal activities of the Association are:

1. the development and management of housing primarily for rent;
2. the provision of services and consultancy to other housing organisations;
3. the provision of 'wider role' activities

Review of Business and Future Developments

The past year has seen challenges on a global scale with the country sliding into the worst recession since the 1930's and while the challenges to Thenew are not on the same scale they are nonetheless significant.

Thenew, like all housing providers, has to ensure that all our properties meet the Scottish Housing Quality Standard by 2015 and we have made significant progress towards achieving that objective during the year. Our investment programme of renewal and upgrading of our properties with modern double glazed windows continued during the year and we were pleased to be able to obtain assistance from the Fuel Switching Grant through EON to assist with the installation of gas into houses that were previously all electric. This allowed us to install new energy efficient gas heating to these houses.

In addition we have now secured a £34 million loan facility from Royal Bank of Scotland which has provided funding for future programmes which will see us carrying out major renewals of kitchens, bathrooms and wiring in our older properties in Bridgeton and Calton.

The future of our 1930s tenement housing in Bridgeton has now been decided with the decision to demolish some 108 properties in two blocks at Franklin St/Rumford St/Reid St/Finnart St, with the remaining properties to be brought up to the Scottish Housing Quality Standard.

We have continued to develop new housing throughout the year and are delighted with our new houses at Ruby Street in Bridgeton, a small development of 24 houses, which was both started and completed within the year. We are particularly pleased with this development for both the speed and quality of construction which has been excellent, and the fact that this is Thenew's first ever new housing development in Bridgeton.

The year also saw the completion of our first project for New Style Shared Equity in Carmyle. The 24, 2 and 3 bed roomed flats were all sold over the course of the year.

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

Review of Business and Future Developments (Contd.)

Tenders were accepted for two new projects with site starts into the new financial year. The project at London Rd/Green St includes new offices for the Association in addition to flats for rent and new premises for the Aberlour Child Care Trust. The contract for over £6 million will mean that development can start on the long derelict ground at Green St/London Rd and in the west of the city the £3 million project at Westlands Road to provide mainstream flats and a new building for the Rainbow House project will proceed.

We have also concluded the purchase of land at Monteith Row/London Road to allow the redevelopment of the Monteith Hotel to be progressed.

We continued to invest significant sums over the course of the year as our programme to achieve the Scottish Housing Quality Standard continues. The central heating upgrade programme continued and we were pleased to be able to access grant funding to assist with the installation of gas to 100 all electric properties. The window renewal programme has progressed this year with the award of a £1.2 million contract which has meant that some 560 properties will have new double glazed windows installed. In total the Association spent in excess of £2.4m on cyclical and major repairs during the year as part of our ongoing programme on investment designed to ensure we bring all of our properties up to the Scottish Housing Quality Standard by March 2015.

As an association, we are now into our 31st year of rebuilding communities. We are committed to rebuilding sustainable communities by developing, managing and maintaining a range of affordable housing. We will continue to work with our communities to maximise participation in decision-making and we involve all our partners in promoting social inclusion.

**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 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 have 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 NEW HOUSING ASSOCIATION LTD

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.

Donations

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

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


CHARLES TURNER
Secretary

17 August 2010

THE NEW HOUSING ASSOCIATION LTD

REPORT BY THE AUDITORS TO THE MANAGEMENT COMMITTEE OF
THE NEW HOUSING ASSOCIATION LTD
ON CORPORATE GOVERNANCE MATTERS

In addition to our audit of the Financial Statements, we have reviewed your statement on Page 5 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 5 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
17 August 2010

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
THE NEW HOUSING ASSOCIATION LTD**

We have audited the financial statements of The New Housing Association Ltd 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
17 August 2010

THE NEW HOUSING ASSOCIATION LTD

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

	Notes	2010 £	2009 £
TURNOVER	2.	10,765,459	8,875,332
Operating Costs	2.	<u>(8,146,853)</u>	<u>(6,471,485)</u>
OPERATING SURPLUS	9.	2,618,606	2,403,847
(Loss) / Gain on Sale of Housing Stock	7.	(2,479)	122,755
Release of Negative Goodwill	24.	(4,938)	1,445
Exceptional Items	27.	(12,253)	-
Interest Receivable and Other Income		25,721	149,384
Interest Payable and Similar Charges	8.	<u>(692,278)</u>	<u>(1,033,870)</u>
		<u>(686,227)</u>	<u>(760,286)</u>
SURPLUS FOR THE YEAR		<u><u>1,932,379</u></u>	<u><u>1,643,561</u></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.

THE NEW HOUSING ASSOCIATION LTD

BALANCE SHEET AS AT 31st MARCH 2010

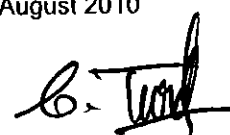
	Notes	2010		2009	
		£	£	£	£
TANGIBLE FIXED ASSETS					
Housing Properties - Depreciated Cost	11.(a)		89,628,287		83,864,921
Less: Social Housing Grant	11.(a)		(57,781,106)		(54,478,611)
: Other Public Grants	11.(a)		(2,818,331)		(2,818,331)
			<u>29,028,850</u>		<u>26,567,979</u>
Other fixed assets	11.(b)		728,102		685,614
			<u>29,756,952</u>		<u>27,253,593</u>
FIXED ASSET INVESTMENTS					
Investment in subsidiaries	22.		100		100
Shared Equity Cost	22.	2,608,260		934,213	
Shared Equity Grant	22.	(2,608,260)		(934,213)	
			<u>-</u>		<u>-</u>
CURRENT ASSETS					
Debtors	14.	1,071,500		1,496,736	
Development Cost of Housing Property	23.	-		1,871,603	
Investments	25.	2,000,000		1,700,000	
Cash at bank and in hand		1,374,410		1,370,990	
			<u>4,445,910</u>	<u>6,439,329</u>	
CREDITORS: Amounts falling due within one year	15.	(3,716,890)		(3,439,492)	
NET CURRENT ASSETS			<u>729,020</u>	<u>2,999,837</u>	
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>30,486,072</u>	<u>30,253,530</u>	
CREDITORS: Amounts falling due after more than one year	16.	(18,419,809)		(20,139,999)	
PROVISIONS FOR LIABILITIES AND CHARGES					
Supported Accommodation Provision	26.	(719,948)		(704,553)	
			<u>(719,948)</u>	<u>(704,553)</u>	
NET ASSETS			<u><u>11,346,315</u></u>	<u><u>9,408,978</u></u>	
CAPITAL AND RESERVES					
Share Capital	18.		220		200
Designated Reserves	19.(a)		6,004,199		7,012,826
Revenue Reserves	19.(b)		3,820,911		879,905
Negative Goodwill	24.		1,520,985		1,516,047
			<u>11,346,315</u>		<u>9,408,978</u>

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

17 August 2010


Chairperson


Vice-Chairperson


Secretary

THE NEW HOUSING ASSOCIATION LTD

CASH FLOW STATEMENT FOR THE YEAR ENDED
31st MARCH 2010

	Notes	2010	2009
		£	£
Net Cash Inflow from Operating Activities	17.	5,478,600	1,814,915
Returns on Investment and Servicing of Finance			
Interest Received	25,721	149,384	
Interest Paid	(763,367)	(1,033,870)	
Net Cash (Outflow) from Investment and Servicing of Finance		(737,646)	(884,486)
Capital Expenditure and Financial Investment			
Acquisition and Construction of Properties	(6,563,775)	(3,143,520)	
Purchase of Other Fixed Assets	(113,525)	(292,164)	
Social Housing Grant Received	3,935,810	1,241,370	
Social Housing Grant Repaid	-	(105,589)	
Proceeds on Disposal of Properties	61,208	315,819	
Net Cash (Outflow) from Capital Expenditure and Financial Investment		(2,680,282)	(1,984,084)
Net Cash (Outflow) / Inflow before use of Liquid Resources and Financing		2,060,672	(1,053,655)
Management of Liquid Resources			
Change in short term deposits with banks		(300,000)	(700,000)
Financing			
Loan Advances Received	-	2,380,679	
Loan Principal Repayments	(1,757,274)	(1,073,925)	
Share Capital Issued	22	50	
Net Cash Inflow from Financing		(1,757,252)	1,306,804
Increase in Cash	17.	3,420	(446,851)

THE NEW HOUSING ASSOCIATION LTD

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 Thenew 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.

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.

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 annual rates of between 2% and 7%. 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	- 2.5% to 10%
Furniture and Fittings	- 20%
Computer Equipment	- 20%
Office Equipment	- 20%
Commercial Premises	- 3.33%

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.

Social Housing Grant received in respect of revenue expenditure is 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.

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.

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**

This Reserve is based on the Association's liability to maintain housing properties in accordance with a planned programme of works. The Reserve represents amounts set aside in respect of future costs and will be released to revenue as required.

- **The Major Repairs Reserve**

This Reserve is based on the Association's liability to maintain housing properties in a state of repair which at least maintains their residual value in prices prevailing at the time of acquisition and construction. Provision is made for such repair expenditure and the actual cost of repairs is charged to the Income and Expenditure Account.

THE NEW HOUSING ASSOCIATION LTD

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2010

NOTES TO THE FINANCIAL STATEMENTS (Continued)

1 PRINCIPAL ACCOUNTING POLICIES (Continued.)

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.

Negative Goodwill

This relates to the acquisition of the assets and liabilities of Bridgeton and Dalmarnock Housing Association in April 2001.

Negative goodwill created through transfer of engagements is written off to the Income and Expenditure account as the non-cash assets acquired are depreciated or sold.

Provisions

In accordance with Financial Reporting Standard 12 provision is made in respect of the association's liability to replace furniture and flooring within special needs properties and reflects the balance of unspent service charge income relating to furniture and flooring. These amounts will be matched against related expenditure in future years.

THE NEW HOUSING ASSOCIATION LTD

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.	8,563,279	5,840,496	2,722,783	8,403,696	5,916,287	2,487,409
Other Activities	4.	2,202,180	2,306,357	(104,177)	471,636	555,198	(83,562)
Total		10,765,459	8,146,853	2,618,606	8,875,332	6,471,485	2,403,847

3. PARTICULARS OF INCOME & EXPENDITURE FROM SOCIAL LETTINGS

	General Needs Housing £	Supported Housing £	Shared ownership £	2010 Total £	2009 Total £
Income from Lettings					
Rent Receivable Net of Identifiable Service Charges	7,708,748	633,725	95,464	8,437,937	8,243,142
Service Charges Receivable	183,750	102,303	643	286,696	283,510
Gross Rents Receivable	7,892,498	736,028	96,107	8,724,633	8,526,652
Less: Rent losses from voids	91,983	68,992	379	161,354	122,956
Total Income From Social Letting	7,800,515	667,036	95,728	8,563,279	8,403,696
Expenditure on Social Letting Activities					
Service Costs	208,889	93,370	-	302,259	331,675
Management and maintenance administration costs	2,276,375	290,424	50,180	2,616,979	2,583,715
Reactive Maintenance	1,209,921	112,344	-	1,322,265	1,231,903
Bad Debts - Rents and Service Charges	66,845	3,276	199	70,320	69,304
Planned and Cyclical Maintenance, including Major Repairs	690,443	47,311	-	737,754	982,091
Depreciation of Social Housing	743,207	20,648	27,064	790,919	717,599
Operating Costs of Social Letting	5,195,680	567,373	77,443	5,840,496	5,916,287
Operating Surplus on Social Letting Activities	2,604,835	99,663	18,285	2,722,783	2,487,409
2009		2,362,930	101,468	23,011	

THE NEW HOUSING ASSOCIATION LTD

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	47,881	1,995	-	-	49,876	-	53,880	(4,004)	(10,415)
Factoring	-	-	-	57,750	57,750	23,886	59,979	(26,115)	6,179
Development and construction of property activities	-	-	-	-	-	-	71,120	(71,120)	(64,537)
Support Activities	-	-	97,651	-	97,651	-	114,941	(17,290)	(17,114)
Shared Equity sales	-	-	-	1,866,770	1,866,770	-	1,866,770	-	-
Other Income	-	-	-	130,133	130,133	-	115,781	14,352	2,325
Total From Other Activities	47,881	1,995	97,651	2,054,653	2,202,180	23,886	2,282,471	(104,177)	(83,562)
2009	19,558	-	98,907	353,171	471,636	(2,164)	557,362	(83,562)	(83,562)

THE NEW HOUSING ASSOCIATION LTD

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>64,086</u>	<u>62,236</u>
Pension contributions made on behalf on Officers with emoluments greater than £60,000	<u>9,869</u>	<u>9,494</u>
Emoluments payable to Chief Executive (excluding pension contributions)	<u>64,086</u>	<u>62,236</u>

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

	Number	Number
£60,001 to £70,000	1	1

6. EMPLOYEE INFORMATION

	2010 No.	2009 No.
The average monthly number of full time equivalent persons employed during the year was	<u>64</u>	<u>62</u>
The average total number of Employees employed during the year was	<u>70</u>	<u>70</u>

	£	£
Staff Costs were:		
Wages and Salaries	1,867,440	1,851,454
Social Security Costs	147,862	143,207
Other Pension Costs	224,381	220,504
Temporary, Agency and Seconded Staff	34,409	6,643
	<u>2,274,092</u>	<u>2,221,808</u>

THE NEW HOUSING ASSOCIATION LTD

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	61,208	315,819
Cost of Sales	<u>63,687</u>	<u>193,064</u>
(Loss)/Gain On Sale Of Housing Stock	<u>(2,479)</u>	<u>122,755</u>

8. INTEREST PAYABLE

	2010	2009
	£	£
On Bank Loans & Overdrafts	763,367	1,033,870
	<u>763,367</u>	<u>1,033,870</u>
Less: Interest Capitalised	71,089	-
	<u>692,278</u>	<u>1,033,870</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 varying rates of interest.

9. SURPLUS ON ORDINARY ACTIVITIES

	2010	2009
	£	£
Surplus on Ordinary Activities is stated after charging:-		
Depreciation - Tangible Owned Fixed Assets	861,956	802,478
Auditors' Remuneration - Audit Services	11,200	11,033
Operating Lease Rentals - Land & Buildings	59,182	91,929
Operating Lease Rentals - Other	<u>14,394</u>	<u>13,563</u>

10. TAX ON SURPLUS ON ORDINARY ACTIVITIES

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

THE NEW HOUSING ASSOCIATION LTD

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2010

NOTES TO THE FINANCIAL STATEMENTS (Continued)

11. TANGIBLE FIXED ASSETS

a) Housing Properties	Housing Properties Held for Letting £	Housing Properties In course of Construction £	Completed Shared Ownership Properties £	Shared Ownership In course of Construction £	Total £
COST					
As at 1st April 2009	83,916,084	3,064,273	1,412,082	-	88,392,439
Additions	1,641,817	4,993,047	-	-	6,634,864
Disposals	(76,588)	-	(6,706)	-	(83,294)
Schemes Completed	4,396,566	(4,396,566)	-	-	-
As at 31st March 2010	<u>89,877,879</u>	<u>3,660,754</u>	<u>1,405,376</u>	-	<u>94,944,009</u>
DEPRECIATION					
As at 1st April 2009	4,326,867	-	200,651	-	4,527,518
Charge for Year	763,855	-	27,064	-	790,919
Disposals	(1,003)	-	(1,712)	-	(2,715)
As at 31st March 2010	<u>5,089,719</u>	-	<u>226,003</u>	-	<u>5,315,722</u>
SOCIAL HOUSING GRANT					
As at 1st April 2009	51,061,960	2,993,233	423,418	-	54,478,611
Additions	(128,027)	3,500,284	-	-	3,372,257
Disposals	(69,762)	-	-	-	(69,762)
Schemes Completed	3,119,185	(3,119,185)	-	-	-
As at 31st March 2010	<u>53,983,356</u>	<u>3,374,332</u>	<u>423,418</u>	-	<u>57,781,106</u>
OTHER CAPITAL GRANTS					
As at 1st April 2009	2,818,331	-	-	-	2,818,331
Additions	-	-	-	-	-
Disposals	-	-	-	-	-
Transfers	(250,000)	250,000	-	-	-
As at 31st March 2010	<u>2,568,331</u>	<u>250,000</u>	-	-	<u>2,818,331</u>
NET BOOK VALUE					
As at 31st March 2010	<u>28,236,473</u>	<u>36,422</u>	<u>755,955</u>	-	<u>29,028,850</u>
As at 31st March 2009	<u>25,708,926</u>	<u>71,040</u>	<u>788,013</u>	-	<u>26,567,979</u>

Additions to housing properties includes capitalised development administration costs of £179,422 (2009 - £167,223) and capitalised major repair costs to existing properties of £1,707,703 (2009 £1,052,239)

Additions to social housing grant (SHG), held for letting, are "negative" due to repayable SHG of £235,864 on completion of a scheme.

All land and housing properties are freehold.

THE NEW HOUSING ASSOCIATION LTD

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2010

NOTES TO THE FINANCIAL STATEMENTS (Continued)

11. TANGIBLE FIXED ASSETS (Continued)

b) Other Tangible Assets	Commerical Premises £	Housing Accommodation Furnishings £	Office Premises £	Computer Equipment, Office Equipment & Fixtures & Fittings	Total £
				£	
COST					
As at 1st April 2009	34,286	2,537	771,943	957,056	1,765,822
Additions	-	-	107,224	6,301	113,525
Eliminated on Disposals	-	-	-	-	-
As at 31st March 2010	<u>34,286</u>	<u>2,537</u>	<u>879,167</u>	<u>963,357</u>	<u>1,879,347</u>
GRANTS RECEIVED					
As at 1st April 2009	-	-	-	-	-
Received in year	-	-	-	-	-
Repaid on Disposal	-	-	-	-	-
As at 31st March 2010	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
AGGREGATE DEPRECIATION					
As at 1st April 2009	9,143	2,537	228,120	840,408	1,080,208
Charge for year	1,143	-	11,411	58,483	71,037
Eliminated on disposal	-	-	-	-	-
As at 31st March 2010	<u>10,286</u>	<u>2,537</u>	<u>239,531</u>	<u>898,891</u>	<u>1,151,245</u>
NET BOOK VALUE					
As at 31st March 2010	<u>24,000</u>	<u>-</u>	<u>639,636</u>	<u>64,466</u>	<u>728,102</u>
As at 31st March 2009	<u>25,143</u>	<u>-</u>	<u>543,823</u>	<u>116,648</u>	<u>685,614</u>

12. CAPITAL COMMITMENTS

	2010 £	2009 £
Capital Expenditure that has been contracted for but has not been provided for in the Financial Statements	<u>7,541,000</u>	<u>3,769,000</u>

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

13. COMMITMENTS UNDER OPERATING LEASES

At the year end, the annual commitments under operating leases were as follows:-	2010 £	2009 £
Land and Buildings		
Expiring in over five years	59,182	59,182
Other		
Expiring within one year	7,222	3,073
Expiring between two and five years	-	9,503
	<u>66,404</u>	<u>71,758</u>

THE NEW HOUSING ASSOCIATION LTD

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2010

NOTES TO THE FINANCIAL STATEMENTS (Continued)

14. DEBTORS

	2010	2009
	£	£
Arrears of Rent & Service Charges	527,360	560,614
Less: Provision for Doubtful Debts	<u>(278,206)</u>	<u>(276,048)</u>
	249,154	284,566
Social Housing Grant Receivable	349,853	660,042
Other Debtors	463,762	547,410
Amounts Due from Group Undertakings	<u>8,731</u>	<u>4,718</u>
	<u><u>1,071,500</u></u>	<u><u>1,496,736</u></u>

15. CREDITORS: Amounts falling due within one year

	2010	2009
	£	£
Housing Loans	1,087,544	1,124,628
Trade Creditors	1,043,644	750,339
Rent in Advance	466,043	484,903
Social Housing Grant repayable	314,062	7,828
Other Taxation and Social Security	2,588	3,029
Consultants and Contractors	523,340	425,401
Other Creditors	32,421	304,887
Accruals and Deferred Income	<u>247,248</u>	<u>338,477</u>
	<u><u>3,716,890</u></u>	<u><u>3,439,492</u></u>

At the balance sheet date there were pension contributions outstanding of £29,103 (2009 £nil)

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

	2010	2009
	£	£
Housing Loans	<u>18,419,809</u>	<u>20,139,999</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	1,087,544	1,124,628
Between one and two years	1,057,406	1,086,512
Between two and five years	3,365,144	3,416,130
In five years or more	<u>13,997,259</u>	<u>15,637,357</u>
	19,507,353	21,264,627
Less: Amount shown in Current Liabilities	<u>1,087,544</u>	<u>1,124,628</u>
	<u><u>18,419,809</u></u>	<u><u>20,139,999</u></u>

THE NEW HOUSING ASSOCIATION LTD

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2010

NOTES TO THE FINANCIAL STATEMENTS (Continued)

17. CASH FLOW STATEMENT

<i>Reconciliation of operating surplus to net cash inflow from operating activities</i>	2010 £	2009 £
Operating Surplus	2,618,606	2,403,847
Depreciation	861,956	802,478
Change in Provisions for liabilities and charges	15,395	(47,308)
Change in properties developed for resale	1,871,603	(1,756,103)
Change in Debtors	115,047	(33,995)
Change in Creditors	8,248	446,002
Share Capital Written Off	(2)	(6)
Exceptional Costs	(12,253)	-
Net Cash Inflow from Operating Activities	5,478,600	1,814,915

<i>Reconciliation of net cash flow to movement in net debt</i>	2010 £	2009 £
Increase in Cash	3,420	(446,851)
Cash flow from management of liquid resources	300,000	700,000
Cash flow from change in debt	1,757,274	(1,306,754)
Movement in net debt during year	2,060,694	(1,053,605)
Net debt at 1st April 2009	(18,193,637)	(17,140,032)
Net debt at 31st March 2010	(16,132,943)	(18,193,637)

<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	1,370,990	3,420		1,374,410
Liquid Resources	1,700,000	(300,000)		2,000,000
Debt: Due within one year	(1,124,628)	1,757,274	(1,720,190)	(1,087,544)
Debt: Due after more than one year	(20,139,999)	-	1,720,190	(18,419,809)
Net Debt	(18,193,637)	1,460,694	-	(16,132,943)

THE NEW HOUSING ASSOCIATION LTD

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2010

NOTES TO THE FINANCIAL STATEMENTS (Continued)

18. SHARE CAPITAL

Shares of £1 each Issued and Fully Paid	£
At 1st April 2009	200
Issued in year	22
Cancelled in year	(2)
At 31st March 2010	<u>220</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.

19. RESERVES

(a) Designated Reserves	Cyclical Maintenance £	Major Repairs £	Total £
At 1st April 2009	847,914	6,164,912	7,012,826
Transfer to Revenue Reserves	(847,914)	(160,713)	(1,008,627)
At 31st March 2010	<u>-</u>	<u>6,004,199</u>	<u>6,004,199</u>

(b) Revenue Reserves	Total £
At 1st April 2009	879,905
Surplus for the Year	1,932,379
Transfer from Designated Reserves	1,008,627
At 31st March 2010	<u>3,820,911</u>

20. HOUSING STOCK

The number of units of accommodation in management at the year end was:-	2010 No.	2009 No.
General Needs	2,438	2,428
Shared Ownership	71	72
Supported Housing	35	35
	<u>2,544</u>	<u>2,535</u>

THE NEW HOUSING ASSOCIATION LTD

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2010

NOTES TO THE FINANCIAL STATEMENTS (Continued)

21. 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:

10 members are tenants of the Association
2 members are factored owners

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.

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

22. FIXED ASSET INVESTMENT

	2010 £	2009 £
Shared Equity Properties		
Development Cost of Shared Equity Property	2,608,260	934,213
Less: Grants Receivable	2,608,260	934,213
	<u>-</u>	<u>-</u>
Investments in Subsidiaries		
As at 31 March 2010 & 31 March 2009	<u>100</u>	<u>100</u>

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 Thenew Housing Services Ltd. The relationship between the Association and its subsidiary is set out in an independence agreement between both parties.

The following transactions took place between the entities during the year:

The Association incurred costs on behalf of its subsidiary Thenew Housing Services Limited of £7,681 (2009 - £18,699). These costs have been recharged to Thenew Housing Services Limited.

At the year end the amount owing by Thenew Housing Services Limited to the Association was £8,731 (2009 - £4,718).

The aggregate amount of capital and reserves and the results of Thenew Housing Services Ltd for the year ended 31 March 2010 were as follows:

	2010 £	2009 £
Capital & Reserves	<u>47,274</u>	<u>47,626</u>
(Loss)/Profit for the year	<u>(352)</u>	<u>1,293</u>

THE NEW HOUSING ASSOCIATION LTD

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2010

NOTES TO THE FINANCIAL STATEMENTS (Continued)

23. DEVELOPMENT COST OF HOUSING PROPERTY

	2010	2009
	£	£
Shared Equity Properties		
In the course of construction	-	1,175,152
Completed Properties Unsold	-	2,203,410
	<u>-</u>	<u>3,378,562</u>
Less: Grants Received from Scottish Ministers	-	(1,506,959)
	<u>-</u>	<u>1,871,603</u>
	<u><u>-</u></u>	<u><u>1,871,603</u></u>

24. NEGATIVE GOODWILL

	2010
	£
Balance as at 1 April 2009	1,516,047
Release during the year	4,938
	<u>1,520,985</u>
As at 31 March 2010	<u><u>1,520,985</u></u>

25. CURRENT ASSET INVESTMENTS

	2010	2009
	£	£
Short Term Deposits	2,000,000	1,700,000
	<u>2,000,000</u>	<u>1,700,000</u>

26. PROVISIONS FOR LIABILITIES AND CHARGES

	2010	2009
	£	£
Furniture and Flooring Replacement Provision within Special Needs Accommodation		
Balance as at 1 April 2009	704,553	751,861
Increase/(Decrease) in provision	15,395	(47,308)
	<u>719,948</u>	<u>704,553</u>
Balance as at 31 March 2010	<u><u>719,948</u></u>	<u><u>704,553</u></u>

THE NEW HOUSING ASSOCIATION LTD

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2010

NOTES TO THE FINANCIAL STATEMENTS (Continued)

27. EXCEPTIONAL ITEMS

The exceptional cost of £12,253 in the Income and Expenditure account relates to the following:

-The association incurred exceptional costs of £291,728 in relation to refinancing its loan portfolio, including redemption payments.

-In May 2010, the association terminated the 1995 LSVT contract between the association and Scottish Ministers. Consequently the association was permitted by Scottish Ministers to retain excess Right to Buy receipts on LSVT properties for reinvestment in the housing stock. The amount released to the Income and Expenditure account in respect of this was £279,475.

28. CONTINGENT LIABILITIES

In the event of a disposal of housing property that the association acquired from Bridgeton and Dalmarnock Housing Association Limited, the Association may have to repay Scottish Ministers a portion of the Housing Association Grant that Bridgeton and Dalmarnock Housing Association Limited received on that property.

The Association considers it impractical to give a realistic estimate of any liabilities that may arise as a result of this as it is dependant on a number of variable factors such as the number of properties sold and future market conditions. It should also be noted that the amount that the Association has to repay would never exceed the amount received from selling the property.

29. POST BALANCE SHEET EVENTS

On 12 May 2010 tenants of Holmyre LHO agreed to the transfer of their properties from Glasgow Housing Association to Thenew Housing Association. The transfer of this stock completed on 28 June 2010 at a cost of £600,269 to the Association.

THE NEW HOUSING ASSOCIATION LTD

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2010

NOTES TO THE FINANCIAL STATEMENTS (Continued)

30. RETIREMENT BENEFIT OBLIGATIONS

General

Thenew Housing Association Ltd 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.

Thenew Housing Association Ltd has retained the final salary 1/60th scheme for existing employees at 31 March 2010. New employees after this date will be offered the Career Average Earnings - 1/70th scheme.

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

The actuarial valuation assesses whether the Scheme's assets at the valuation date are likely to be sufficient to pay the 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 Thenew Housing Association Ltd paid contributions at the rate of 15.4% of pensionable salaries. Member contributions were 7.7%.

As at the balance sheet date there were 51 active members of the Scheme employed by Thenew Housing Association Ltd. The annual pensionable payroll in respect of these members was £1,506,737. Thenew Housing Association Ltd 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%).

THE NEW HOUSING ASSOCIATION LTD

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2010

NOTES TO THE FINANCIAL STATEMENTS (Continued)

30. 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	2.25
(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

THE NEW HOUSING ASSOCIATION LTD

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2010

NOTES TO THE FINANCIAL STATEMENTS (Continued)

30. 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%

THE NEW HOUSING ASSOCIATION LTD

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2010

NOTES TO THE FINANCIAL STATEMENTS (Continued)

30. 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.