

**Thenew Housing Association Ltd**  
**Report and Financial Statements**  
**For the year ended 31st March 2011**

**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 2011**

**MANAGEMENT COMMITTEE**

Yvonne McShea  
George Alexander

Chairperson  
Joint Vice-chairperson  
Chairperson Audit Sub Committee and Housing Management  
Sub Committee

Catherine Chalmers  
Jon Cowlan (Resigned 22 March 2011)  
Barry Dalgleish (Resigned 14 September 2010)  
Linda Fletcher (Resigned 19 October 2010)  
Louise Irving (Appointed 14 September 2010)  
Charlotte Levy  
Catherine Martin  
Anne McIver  
James McLellan  
William McQuillan (Resigned 25 May 2010)  
Filbert Musau  
Sandra Nolan  
William Redmond  
Ann Scott  
Caroline Shepherd  
Owen Stewart  
Margaret Vass

Chairperson Finance and Staffing Sub Committee

Chairperson Development Sub Committee

Joint Vice-chairperson

**EXECUTIVE OFFICERS**

Charles Turner  
Brian Gannon  
Beth Reilly  
John Russell

Chief Executive  
Head of Housing  
Head of Development and Technical  
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

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### REPORT OF THE MANAGEMENT COMMITTEE FOR THE YEAR ENDED 31ST MARCH 2011

The Management Committee presents its report and the Financial Statements for the year ended 31st March 2011.

#### 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

This past twelve months have seen some significant external factors that will begin to feature on how the association will change, whilst at the same time ensure that every one of its customers receives a service from the association that is second to none. During the year, the UK Coalition Government's comprehensive spending review, the emergency budget, the increase in Value Added Tax, the response to the prevailing economic conditions and ultimately the Scottish Government's review of how investment in social housing will change, makes the association very aware that increasing its own efficiency and focussing on value for money services is vitally important.

The association's main development work during the year has been over two projects. The first being a mix of family housing, supported housing, new regional offices for the Aberlour Trust and a new office for the association, on the corner of London Road and Green Street in Calton. The overall cost of this prestigious development is £11 million of which £2.7 million was incurred in 2010/2011. Over in Scotstoun, the development of supported housing at 'Rainbow House' and the conversion of a 'grade B' listed building at Westland Drive into 13 flats for rent has progressed well. The overall anticipated cost of this project is some £5.3 million with £1.8 million of this being spent during the year.

The association also spent in the year, a record £4.6 million maintaining, improving, modernising and helping to bring its properties up to the Scottish Housing Quality Standard. Most of the planned expenditure in 2010/2011 concentrated on replacing kitchen units, bathroom appliances and rewiring in 274 properties in Calton. During the year all properties benefited from a programme of replacing television aerials which meant that the new digital signal can be received by all 3,200 properties owned and factored by the association.

Acquiring 119 houses in Castlemilk through a ballot of what were Glasgow Housing Association tenants in the summer of 2010, was a particular highlight of the year, but progress made in emptying over 100 properties in Bridgeton, (ready for demolition next year), Community Regeneration activities aimed at working with young people in Castlemilk, helping people back into employment and giving over 400 tenants the benefit of the Financial Inclusion service were also significant achievements.

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REPORT OF THE MANAGEMENT COMMITTEE  
FOR THE YEAR ENDED 31ST MARCH 2011

**Review of Business and Future Developments (Contd.)**

Controlling overheads and becoming more efficient over time is an important priority for Thenew. The association's void performance, (time taken to re-let properties in between tenancies), was 9% better than last year. Factoring arrears were down by 15% and 2010/2011 saw the fourth consecutive year reducing overall rent arrears. Tenancy sustainment over the year improved from 79% to 85% and tenancy turnover reduced from 9% to 6%. All of these factors have a bearing on the future, as the association is very clear that keeping efficiencies on the agenda, is important not just for itself, but for its customers over the years to come. Three-quarters of the association's customers are in receipt of some form of Housing Benefit, and these are the people who will be hit the hardest should all of the planned welfare reforms be implemented by the Government in 2013. The work carried out at Thenew during the past 12 months is aimed at ensuring that all the association's customers get the best deal possible in years to come.

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REPORT OF THE MANAGEMENT COMMITTEE  
FOR THE YEAR ENDED 31ST MARCH 2011

**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 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

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### REPORT OF THE MANAGEMENT COMMITTEE FOR THE YEAR ENDED 31ST MARCH 2011

#### 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 of 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.

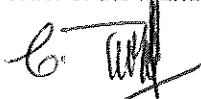
#### Donations

During the year the Association made charitable donations amounting to £nil (2010 £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  
16 August 2011

THE NEW HOUSING ASSOCIATION LTD

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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 4 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  
16 August 2011



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

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We have audited the financial statements of Thenew Housing Association Limited for the year ended 31st March 2011 which comprise an income and expenditure account, balance sheet, cash flow statement and related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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 explained more fully in the Statement of Management Committee's Responsibilities the Association's Management Committee are responsible for the preparation of the Financial Statements that give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

### **Scope of the audit on the Financial Statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Association's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Management Committee; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Management Committee's report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications of our report.

### **Opinion on the financial statements**

In our opinion the Financial Statements:

- give a true and fair view of the state of the Association's affairs as at 31st March 2011 and of its income and expenditure for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; 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 exemption granted by the Financial Services Authority from the requirement to prepare Group Accounts is applicable as the amounts involved are not material.

### **Matters on which we are required to report by exception**

We are required to report to you under the Industrial and Provident Societies Acts 1965 to 2002 if, in our opinion:

- proper books of account have not been kept by the Association in accordance with the requirements of the legislation.
- a satisfactory system of control over transactions has not been maintained by the Association in accordance with the requirements of the legislation.

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

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Matters on which we are required to report by exception (contd.)

- the Income and Expenditure Account to which our report relates, and the Balance Sheet are not in agreement with the books of the Association.
- we have not received all the information and explanations necessary for the purposes of our audit.

We have nothing to report in respect of these matters.



ALEXANDER SLOAN  
Chartered Accountants  
Statutory Auditors  
GLASGOW  
16 August 2011

THE NEW HOUSING ASSOCIATION LTD

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INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED 31st MARCH 2011

	Notes	2011 £	2010 £
TURNOVER	2.	9,427,949	10,765,459
Operating Costs	2.	<u>(8,429,363)</u>	<u>(8,146,853)</u>
<b>OPERATING SURPLUS</b>	9.	998,586	2,618,606
Gain / (Loss) On Sale Of Housing Stock	7.	29,024	(2,479)
Release of Negative Goodwill	24.	(4,104)	(4,938)
Exceptional Item	27.	-	(12,253)
Interest Receivable and Other Income		7,622	25,721
Interest Payable and Similar Charges	8.	<u>(746,930)</u>	<u>(692,278)</u>
		<u>(714,388)</u>	<u>(686,227)</u>
<b>SURPLUS FOR YEAR</b>		<u>284,198</u>	<u>1,932,379</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 2011

	Notes	2011		2010	
		£	£	£	£
<b>TANGIBLE FIXED ASSETS</b>					
Housing Properties - Depreciated Cost	11.(a)		95,292,678		89,628,287
Less: Social Housing Grant	11.(a)		(61,794,782)		(57,781,106)
: Other Public Grants	11.(a)		(2,818,331)		(2,818,331)
			<u>30,679,565</u>		<u>29,028,850</u>
Other fixed assets	11.(b)		1,652,454		728,102
			<u>32,332,019</u>		<u>29,756,952</u>
<b>FIXED ASSET INVESTMENTS</b>					
Investment in subsidiaries	22.		100		100
Shared Equity Cost	22.	2,608,260	2,608,260		
Shared Equity Grant	22.	(2,608,260)	(2,608,260)		
			<u>-</u>		<u>-</u>
<b>CURRENT ASSETS</b>					
Debtors	14.	1,981,172	1,071,500		
Investments	25.	-	2,000,000		
Cash at bank and in hand		1,295,099	1,374,410		
		<u>3,276,271</u>	<u>4,445,910</u>		
<b>CREDITORS: Amounts falling due within one year</b>	15.	(2,553,156)	(3,716,890)		
<b>NET CURRENT ASSETS</b>			<u>723,115</u>		<u>729,020</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			<u>33,055,234</u>		<u>30,486,072</u>
<b>CREDITORS: Amounts falling due after more than one year</b>	16.	(19,758,447)		(18,419,809)	
<b>PROVISIONS FOR LIABILITIES AND CHARGES</b>					
Supported Accommodation Provision	26.	(735,474)	(719,948)		
			<u>(735,474)</u>		<u>(719,948)</u>
<b>NET ASSETS</b>			<u>12,561,313</u>		<u>11,346,315</u>
<b>CAPITAL AND RESERVES</b>					
Share Capital	18.		185		220
Designated Reserves	19.(a)		4,495,996		6,004,199
Revenue Reserves	19.(b)		5,613,312		3,820,911
Negative Goodwill	24.		2,451,820		1,520,985
			<u>12,561,313</u>		<u>11,346,315</u>

The Financial Statements were approved by the Management Committee and signed on their behalf on 16 August 2011.

  
Chairperson

  
Vice-Chairperson

  
Secretary

THE NEW HOUSING ASSOCIATION LTD

CASH FLOW STATEMENT FOR THE YEAR ENDED  
31st MARCH 2011

	Notes	2011 £	2010 £
Net Cash Inflow from Operating Activities	17.	1,655,695	5,478,600
<b>Returns on Investment and Servicing of Finance</b>			
Interest Received		7,622	25,721
Interest Paid		(746,930)	(763,367)
<b>Net Cash Outflow from Investment and Servicing of Finance</b>		<b>(739,308)</b>	<b>(737,646)</b>
<b>Capital Expenditure and Financial Investment</b>			
Acquisition and Construction of Properties		(5,393,490)	(6,563,775)
Purchase of Other Fixed Assets		(1,160,282)	(113,525)
Social Housing Grant Received		3,240,856	3,935,810
Social Housing Grant Repaid		(217,713)	-
Proceeds on Disposal of Properties		40,272	61,208
<b>Net Cash Outflow from Capital Expenditure and Financial Investment</b>		<b>(3,490,357)</b>	<b>(2,680,282)</b>
<b>Net Cash (Outflow) / Inflow before use of Liquid Resources and Financing</b>		<b>(2,573,970)</b>	<b>2,060,672</b>
<b>Management of Liquid Resources</b>			
Change in short term deposits with banks		2,000,000	(300,000)
<b>Financing</b>			
Loan Advances Received		10,293,770	-
Loan Principal Repayments		(9,799,117)	(1,757,274)
Share Capital Issued		6	22
<b>Net Cash Inflow / (Outflow) from Financing</b>		<b>494,659</b>	<b>(1,757,252)</b>
<b>(Decrease) / Increase in Cash</b>	17.	<b>(79,311)</b>	<b>3,420</b>

# THE NEW HOUSING ASSOCIATION LTD

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## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2011

### 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 Scottish Housing Associations' 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 an annual rate 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.

# THE NEW HOUSING ASSOCIATION LTD

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## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2011

### NOTES TO THE FINANCIAL STATEMENTS (Continued)

#### 1 PRINCIPAL ACCOUNTING POLICIES (Continued.)

##### Sales Of Housing Properties

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

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

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

##### Leases/Leased Assets

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

##### Works to Existing Properties

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

##### Capitalisation Of Development Overheads

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

##### Development Interest

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

##### Designated Reserves

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

- The 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

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FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2011

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

Negative goodwill arose on the acquisition of Bridgeton and Dalmarnock Housing Association in April 2001 and Holmbyre LHO in June 2010.

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

The Association receives service charge income from supported accommodation tenants in relation to the costs of furniture and flooring replacement. In accordance with the Statement of Recommended Practice the balance of unspent service charge income relating to furniture and flooring is included as a liability where amounts are repayable or contributions are reduced.



# THE NEW HOUSING ASSOCIATION LTD

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2011

### NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

	Notes	2011			2010		
		Turnover £	Operating Costs £	Operating Surplus / (Deficit) £	Turnover £	Operating Costs £	Operating Surplus / (Deficit) £
Social Lettings	3.	9,139,764	7,974,800	1,164,964	8,563,279	5,840,496	2,722,783
Other Activities	4.	288,185	454,563	(166,378)	2,202,180	2,306,357	(104,177)
<b>Total</b>		<b>9,427,949</b>	<b>8,429,363</b>	<b>998,586</b>	<b>10,765,459</b>	<b>8,146,853</b>	<b>2,618,606</b>

Turnover and operating costs from Social Lettings includes income and expenditure relating to operations acquired in the year:

	Turnover £	Operating Costs £	Operating Surplus £
Acquisition	249,544	186,092	63,452

#### 3. PARTICULARS OF INCOME & EXPENDITURE FROM SOCIAL LETTINGS

	General Needs Housing £	Supported Housing £	Shared ownership £	2011 Total £	2010 Total £
<b>Income from Lettings</b>					
Rent Receivable Net of Identifiable Service Charges	8,163,617	591,270	97,270	8,852,157	8,437,937
Service Charges Receivable	206,203	120,476	711	327,390	286,696
<b>Gross Rents Receivable</b>	<b>8,369,820</b>	<b>711,746</b>	<b>97,981</b>	<b>9,179,547</b>	<b>8,724,633</b>
Less: Rent losses from voids	63,299	38,323	216	101,838	161,354
<b>Net Rents Receivable</b>	<b>8,306,521</b>	<b>673,423</b>	<b>97,765</b>	<b>9,077,709</b>	<b>8,563,279</b>
Revenue Grants from Scottish Ministers	-	-	-	-	-
Revenue Grants From Local Authorities and Other Agencies	62,055	-	-	62,055	-
<b>Total Income From Social Letting</b>	<b>8,368,576</b>	<b>673,423</b>	<b>97,765</b>	<b>9,139,764</b>	<b>8,563,279</b>
<b>Expenditure on Social Letting Activities</b>					
Service Costs	217,616	126,075	-	343,691	302,259
Management and maintenance administration costs	2,594,405	281,909	49,744	2,926,058	2,616,979
Reactive Maintenance	1,366,350	83,585	-	1,449,935	1,322,265
Bad Debts - Rents and Service Charges	54,670	4,152	2,176	60,998	70,320
Planned and Cyclical Maintenance, including Major Repairs	2,279,590	45,393	-	2,324,983	737,754
Depreciation of Social Housing	821,509	20,877	26,749	869,135	790,919
<b>Operating Costs of Social Letting</b>	<b>7,334,140</b>	<b>561,991</b>	<b>78,669</b>	<b>7,974,800</b>	<b>5,840,496</b>
<b>Operating Surplus on Social Letting Activities</b>	<b>1,034,436</b>	<b>111,432</b>	<b>19,096</b>	<b>1,164,964</b>	<b>2,722,783</b>
<b>2010</b>	<b>2,604,835</b>	<b>99,663</b>	<b>18,285</b>		

# THE NEW HOUSING ASSOCIATION LTD

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2011

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) 2011	Operating Surplus / (Deficit) 2010
	£	£	£	£	£	£	£	£	£
Wider Role Activities	32,983	4,280	-	-	37,263	-	41,672	(4,409)	(4,004)
Factoring	-	-	-	53,330	53,330	17,917	51,636	(16,223)	(26,115)
Development and construction of property activities	-	-	-	-	-	-	127,903	(127,903)	(71,120)
Support Activities	-	-	91,139	-	91,139	-	112,151	(21,012)	(17,290)
Other Income	-	-	-	106,453	106,453	-	103,284	3,169	14,352
<b>Total From Other Activities</b>	<b>32,983</b>	<b>4,280</b>	<b>91,139</b>	<b>159,783</b>	<b>288,185</b>	<b>17,917</b>	<b>436,646</b>	<b>(166,378)</b>	<b>(104,177)</b>
<b>2010</b>	<b>47,881</b>	<b>1,995</b>	<b>97,651</b>	<b>2,054,653</b>	<b>2,202,180</b>	<b>23,886</b>	<b>2,282,471</b>	<b>(104,177)</b>	

# THE NEW HOUSING ASSOCIATION LTD

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2011

### 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.

	2011	2010
	£	£
Aggregate Emoluments payable to Officers with Emoluments greater than £60,000 (excluding Pension Contributions)	<u>66,654</u>	<u>64,086</u>
Pension contributions made on behalf on Officers with emoluments greater than £60,000	<u>10,005</u>	<u>9,869</u>
Emoluments payable to Chief Executive (excluding pension contributions)	<u>66,654</u>	<u>64,086</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

	2011	2010
	No.	No.
The average monthly number of full time equivalent persons employed during the year was	<u>64</u>	<u>64</u>
The average total number of Employees employed during the year was	<u>71</u>	<u>70</u>
Staff Costs were:	£	£
Wages and Salaries	1,906,383	1,867,440
Social Security Costs	128,570	147,862
Other Pension Costs	237,971	224,381
Temporary, Agency and Seconded Staff	22,744	34,409
	<u>2,295,668</u>	<u>2,274,092</u>

**THE NEW HOUSING ASSOCIATION LTD**

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2011

NOTES TO THE FINANCIAL STATEMENTS (Continued)

**7. GAIN / (LOSS) ON SALE OF HOUSING STOCK**

	2011	2010
	£	£
Sales Proceeds	58,423	61,208
Cost of Sales	<u>29,399</u>	<u>63,687</u>
Gain / (Loss) On Sale Of Housing Stock	<u>29,024</u>	<u>(2,479)</u>

**8. INTEREST PAYABLE**

	2011	2010
	£	£
On Bank Loans & Overdrafts	746,930	763,367
On Other Loans	<u>-</u>	<u>-</u>
	746,930	763,367
Less: Interest Capitalised	<u>-</u>	<u>71,089</u>
	<u>746,930</u>	<u>692,278</u>

Interest incurred in the development period of housing properties which has been written off to the income and expenditure account amounted to £Nil (2010 £Nil).

Interest capitalised was incurred at varying rates of interest.

**9. SURPLUS FOR YEAR**

	2011	2010
	£	£
Surplus on Ordinary Activities before Taxation is stated after charging:-		
Depreciation & Impairment- Tangible Owned Fixed Assets	1,105,065	861,956
Loss on Aborted Development	17,651	-
Auditors' Remuneration - Audit Services	12,171	11,200
Operating Lease Rentals - Land & Buildings	59,182	59,182
Operating Lease Rentals - Other	<u>14,234</u>	<u>14,394</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 2011

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 £	Total £
<b>COST</b>				
As at 1st April 2010	89,877,879	3,660,754	1,405,376	94,944,009
Additions	2,522,235	4,107,781	-	6,630,016
Disposals	(5,440)	(85,242)	(9,626)	(100,308)
Schemes Completed	6,139	(6,139)	-	-
As at 31st March 2011	<u>92,400,813</u>	<u>7,677,154</u>	<u>1,395,750</u>	<u>101,473,717</u>
<b>DEPRECIATION</b>				
As at 1st April 2010	5,089,719	-	226,003	5,315,722
Charge for Year	842,386	-	26,749	869,135
Disposals	(1,053)	-	(2,765)	(3,818)
As at 31st March 2011	<u>5,931,052</u>	<u>-</u>	<u>249,987</u>	<u>6,181,039</u>
<b>SOCIAL HOUSING GRANT</b>				
As at 1st April 2010	53,983,356	3,374,332	423,418	57,781,106
Additions	168,365	3,912,902	-	4,081,267
Disposals	-	(67,591)	-	(67,591)
Schemes Completed	-	-	-	-
As at 31st March 2011	<u>54,151,721</u>	<u>7,219,643</u>	<u>423,418</u>	<u>61,794,782</u>
<b>OTHER CAPITAL GRANTS</b>				
As at 1st April 2010	2,568,331	250,000	-	2,818,331
Additions	-	-	-	-
Disposals	-	-	-	-
Schemes Completed	-	-	-	-
As at 31st March 2011	<u>2,568,331</u>	<u>250,000</u>	<u>-</u>	<u>2,818,331</u>
<b>NET BOOK VALUE</b>				
As at 31st March 2011	<u>29,749,709</u>	<u>207,511</u>	<u>722,345</u>	<u>30,679,565</u>
As at 31st March 2010	<u>28,236,473</u>	<u>36,422</u>	<u>755,955</u>	<u>29,028,850</u>

Additions to housing properties includes capitalised development administration costs of £91,215 (2010 - £179,422) and capitalised major repair costs to existing properties of £845,879 (2010 £1,707,703)

All land and housing properties are freehold.

# THE NEW HOUSING ASSOCIATION LTD

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2011

### NOTES TO THE FINANCIAL STATEMENTS (Continued)

#### 11. TANGIBLE FIXED ASSETS (Continued)

##### b) Other Tangible Assets

	Commercial Premises £	Housing Accom Furnishings £	Office Premises £	Computer Equipment, Office Equipment, Fixtures & Fittings £	Total £
<b>COST</b>					
As at 1st April 2010	34,286	2,537	879,167	963,357	1,879,347
Additions	95,723	-	1,034,961	29,598	1,160,282
Eliminated on Disposals	-	-	-	-	-
As at 31st March 2011	<u>130,009</u>	<u>2,537</u>	<u>1,914,128</u>	<u>992,955</u>	<u>3,039,629</u>
<b>AGGREGATE DEPRECIATION</b>					
As at 1st April 2010	10,286	2,537	239,531	898,891	1,151,245
Charge for year	1,143	-	11,507	34,224	46,874
Eliminated on disposal	-	-	-	-	-
Impairment	-	-	189,056	-	189,056
As at 31st March 2011	<u>11,429</u>	<u>2,537</u>	<u>440,094</u>	<u>933,115</u>	<u>1,387,175</u>
<b>NET BOOK VALUE</b>					
As at 31st March 2011	<u>118,580</u>	<u>-</u>	<u>1,474,034</u>	<u>59,840</u>	<u>1,652,454</u>
As at 31st March 2010	<u>24,000</u>	<u>-</u>	<u>639,636</u>	<u>64,466</u>	<u>728,102</u>

#### 12. CAPITAL COMMITMENTS

	2011 £	2010 £
Capital Expenditure that has been contracted for but has not been provided for in the Financial Statements	<u>9,414,000</u>	<u>7,541,000</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	2011 £	2010 £
<b>Land and Buildings</b>		
Expiring within one year	-	-
Expiring between two and five years	51,667	-
Expiring in over five years	7,516	59,182
<b>Other</b>		
Expiring within one year	4,699	7,222
Expiring between two and five years	9,508	-
Expiring in over five years	-	-

# THE NEW HOUSING ASSOCIATION LTD

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2011

### NOTES TO THE FINANCIAL STATEMENTS (Continued)

#### 14. DEBTORS

	2011	2010
	£	£
Arrears of Rent & Service Charges	462,649	527,360
Less: Provision for Doubtful Debts	(215,447)	(278,206)
	<u>247,202</u>	<u>249,154</u>
Social Housing Grant Receivable	1,190,264	349,853
Other Debtors	534,478	463,762
Amounts Due from Group Undertakings	9,228	8,731
	<u>1,981,172</u>	<u>1,071,500</u>

#### 15. CREDITORS: Amounts falling due within one year

	2011	2010
	£	£
Housing Loans	243,559	1,087,544
Trade Creditors	734,018	1,043,644
Rent in Advance	420,688	466,043
Social Housing Grant repayable	96,349	314,062
Other Taxation and Social Security	55,738	2,588
Consultants and Contractors	833,135	523,340
Other Creditors	38,439	32,421
Accruals and Deferred Income	131,230	247,248
	<u>2,553,156</u>	<u>3,716,890</u>

At the balance sheet date there were pension contributions outstanding of £nil (2010 £29,103)

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

	2011	2010
	£	£
Housing Loans	<u>19,758,447</u>	<u>18,419,809</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	243,559	1,087,544
Between one and two years	251,730	1,057,406
Between two and five years	1,251,428	3,365,144
In five years or more	18,255,289	13,997,259
	<u>20,002,006</u>	<u>19,507,353</u>
Less: Amount shown in Current Liabilities	(243,559)	(1,087,544)
	<u>19,758,447</u>	<u>18,419,809</u>

THE NEW HOUSING ASSOCIATION LTD

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2011

NOTES TO THE FINANCIAL STATEMENTS (Continued)

**17. CASH FLOW STATEMENT**

<i>Reconciliation of operating surplus to net cash inflow from operating activities</i>	2011 £	2010 £
Operating Surplus	998,586	2,618,606
Depreciation and Impairment	1,105,065	861,956
Change in Provisions for liabilities and charges	15,526	15,395
Change in properties developed for resale	-	1,871,603
Change in Debtors	(69,261)	115,047
Change in Creditors	(411,831)	8,248
Loss on Aborted Development	17,651	-
Share Capital Written Off	(41)	(2)
Exceptional Costs	-	(12,253)
<b>Net Cash Inflow from Operating Activities</b>	<b>1,655,695</b>	<b>5,478,600</b>

<i>Reconciliation of net cash flow to movement in net debt</i>	2011 £	£	2010 £	£
(Decrease) / Increase in Cash	(79,311)		3,420	
Cash flow from management of liquid resources	(2,000,000)		300,000	
Cash flow from change in debt	(494,653)		1,757,274	
<b>Movement in net debt during year</b>	<b>(2,573,964)</b>		<b>2,060,694</b>	
Net debt at 1st April 2010		<b>(16,132,943)</b>		<b>(18,193,637)</b>
<b>Net debt at 31st March 2011</b>	<b>(18,706,907)</b>			<b>(16,132,943)</b>

<i>Analysis of changes in net debt</i>	At 01.04.10 £	Cash Flows £	Other Changes £	At 31.03.11 £
Cash at bank and in hand	1,374,410	(79,311)		1,295,099
	1,374,410	(79,311)		1,295,099
Liquid Resources	2,000,000	(2,000,000)		-
Debt: Due within one year	(1,087,544)	843,985		(243,559)
Due after more than one year	(18,419,809)	(1,338,638)		(19,758,447)
<b>Net Debt</b>	<b>(16,132,943)</b>	<b>(2,573,964)</b>	<b>-</b>	<b>(18,706,907)</b>



# THE NEW HOUSING ASSOCIATION LTD

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2011

### NOTES TO THE FINANCIAL STATEMENTS (Continued)

#### 18. SHARE CAPITAL

Shares of £1 each Issued and Fully Paid	£
At 1st April 2010	220
Issued in year	6
Cancelled in year	<u>(41)</u>
At 31st March 2011	<u>185</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	Major Repairs	Total
	£	£
At 1st April 2010	6,004,199	6,004,199
Transfer (to) Revenue Reserves	<u>(1,508,203)</u>	<u>(1,508,203)</u>
At 31st March 2011	<u>4,495,996</u>	<u>4,495,996</u>
 (b) Revenue Reserves		Total
		£
At 1st April 2010		3,820,911
Surplus for the year		284,198
Transfer from Designated Reserves		<u>1,508,203</u>
At 31st March 2011		<u>5,613,312</u>

#### 20. HOUSING STOCK

The number of units of accommodation in management at the year end was:-	2011	2010
	No.	No.
General Needs	2,489	2,438
Shared Ownership	70	71
Supported Housing	160	160
	<u>2,719</u>	<u>2,669</u>

# THE NEW HOUSING ASSOCIATION LTD

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2011

### 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:

8 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

	2011 £	2010 £
<b>Shared Equity Properties</b>		
Development Cost of Shared Equity Property	2,608,260	2,608,260
Less: Grants Receivable	2,608,260	2,608,260
	<u>-</u>	<u>-</u>
<b>Investments in Subsidiaries</b>		
As at 31st March 2011 & 31st March 2010	<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 £26,167 (2010 - £7,681). 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 £9,228 (2010 - £8,731).

The aggregate amount of capital and reserves and the results of Thenew Housing Services Ltd for the year ended 31st March 2011 were as follows:

	2011 £	2010 £
Capital & Reserves	<u>47,106</u>	<u>47,274</u>
Loss for the year	<u>(168)</u>	<u>(352)</u>

THE NEW HOUSING ASSOCIATION LTD

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2011

NOTES TO THE FINANCIAL STATEMENTS (Continued)

**23. SECOND STAGE TRANSFER**

On 28 June the Association acquired housing assets from Glasgow Housing Association Limited as part of a Second Stage Transfer. The Association acquired 119 units that were managed by Holmbyre LHO. The identifiable assets and liabilities have been incorporated in the balance sheet of the Association at their fair value at the date of acquisition.

Analysis of Acquisition

	Book Value £	Adjustment to Fair Value £	Fair Value £
Housing Properties	<u>600,269</u>	<u>926,731</u>	<u>1,527,000</u>
Consideration paid to GHA Ltd			( 600,269)
Negative Goodwill Arising on Acquisition			<u>926,731</u>

Housing Properties have been recognised at their fair value at date of acquisition, using the EUV-SH basis.

**24. NEGATIVE GOODWILL**

	2011 £
Balance as at 1st April 2010	1,520,985
Additions in the year	926,731
Release during the year	<u>4,104</u>
As at 31st March 2011	<u>2,451,820</u>

**25. CURRENT ASSET INVESTMENTS**

	2011 £	2010 £
Short Term Deposits	<u>-</u>	<u>2,000,000</u>

**26. PROVISIONS FOR LIABILITIES AND CHARGES**

	2011 £	2010 £
Furniture and Flooring Replacement Provision within Supported Accommodation		
Balance as at 1st April 2010	719,948	704,553
Increase in Provision	<u>15,526</u>	<u>15,395</u>
Balance as at 31st March 2011	<u>735,474</u>	<u>719,948</u>

## THE NEW HOUSING ASSOCIATION LTD

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FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2011

NOTES TO THE FINANCIAL STATEMENTS (Continued)

### 27. EXCEPTIONAL ITEM

The 2010 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.

## THE NEW HOUSING ASSOCIATION LTD

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### FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2011

#### NOTES TO THE FINANCIAL STATEMENTS (Continued)

#### 29. RETIREMENT BENEFIT OBLIGATIONS

##### General

Thenew Housing Association Ltd participates in the Scottish Housing Association Pension Scheme (the scheme).

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

The Scheme offers five 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
- Career average revalued earnings with a 1/80th accrual rate
- Career average revalued earnings with a 1/120th accrual rate, contracted in

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

The actuarial valuation assesses whether the Scheme's assets at the valuation date are likely to be sufficient to pay the pension benefits accrued by members as at the valuation date. Asset values are calculated by reference to market values. 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 6% to 7.7 %.

As at the balance sheet date there were 52 active members of the Scheme employed by Thenew Housing Association Ltd. The annual pensionable payroll in respect of these members was £1,521,565. 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 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 NEW HOUSING ASSOCIATION LTD

### FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2011

#### NOTES TO THE FINANCIAL STATEMENTS (Continued)

#### 29. RETIREMENT BENEFIT OBLIGATIONS (Continued)

The last formal valuation of the Scheme was performed as at 30th September 2009 by a professionally qualified actuary using the Projected Unit Credit method. The market value of the Scheme's assets at the valuation date was £295m. The valuation revealed a shortfall of assets compared with the value of liabilities of £160m (equivalent to a past service funding level of 64.8%).

The Scheme Actuary has prepared an Actuarial Report that provides an approximate update on the funding position of the Scheme as at 30th September 2010. Such a report is required by legislation for years in which a full actuarial valuation is not carried out. The funding update revealed an increase in the assets of the Scheme to £335 million and indicated an increase in the shortfall of assets compared to liabilities to approximately £162 million, equivalent to a past service funding level of 67.4%.

#### Financial Assumptions

The financial assumptions underlying the valuation as at 30th September 2009 were as follows:

	% p.a.
- Investment return pre-retirement	7.4
- Investment return post-retirement - non pensioners	4.6
- Investment return post-retirement - pensioners	4.8
- Rate of Salary increases	4.5
- Rate of pension increases:	
pension accrued pre 6 April 2005 in excess of GMP	2.9
pension accrued from 6 April 2005	2.2
(for leavers before 1 October 1993 pension increases are 5.0%)	
- Rate of price inflation	3.0

The valuation was carried out using the SAPS (S1PA) All pensioners Year of Birth Long Cohort with 1% p.a. minimum improvement for non-pensioners and 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	18.1	20.6
Pensioners	18.1	20.6

## THE NEW HOUSING ASSOCIATION LTD

### FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2011

#### NOTES TO THE FINANCIAL STATEMENTS (Continued)

#### 29. 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	19.2
Career average 60ths	17.1
Career average 70ths	14.9
Career average 80ths	13.2
Career average 120ths	9.4

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 £160m would be dealt with by the payment of additional contributions of 10.4% of pensionable salaries per annum with effect from 1st April 2011, increasing each 1 April in line with the rate of salary increases assumption.

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.