

NORTH GLASGOW HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2010

Registered Housing Association No. HCB 187

Financial Services Authority No. 1865R(S)

Charity No. SC 030635

BAKER TILLY UK AUDIT LLP

Chartered Accountants

Glasgow

NORTH GLASGOW HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2010

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Registration Particulars:

Financial Services Authority	Industrial and Provident Societies Act 1965 Registered Number 1865R(S)
Scottish Housing Regulator	Housing (Scotland) Act 2001 Registered Number HCB 187
Scottish Charities	Charity and Trustee Investment (Scotland) Act 2005 Scottish Charity Number SC 030635

Auditors

Baker Tilly UK Audit LLP
274 Sauchiehall Street
Glasgow
G2 3EH

Solicitors

T C Young
7 West George Street
Glasgow
G2 1BA

Bankers

Clydesdale Bank
20 Waterloo Street
Glasgow
G2 6DB

NORTH GLASGOW HOUSING ASSOCIATION LIMITED

REPORT OF COMMITTEE OF MANAGEMENT

31 MARCH 2010

The Committee of Management presents their report and audited financial statements for the year ended 31 March 2010.

Principal activity

The principal activity of the Association is the provision of housing for let at rents affordable to the client group for whom it intends to provide.

The Association is registered with the Financial Services Authority as an Industrial and Provident Society, The Office of the Scottish Charities Regulator (OSCR) as a charity and the Scottish Housing Regulator as a Registered Social Landlord. The Association is primarily regulated by Scottish Housing Regulator. The last inspection of the Association by the regulator was conducted in 2001, at which time the Association received an overall 'A' grading.

Our Strategic Aims

The Association has within its Strategic Aims:

- Dedication to offering housing solutions and routes in to social inclusion by building, managing and maintaining a range of affordable housing, and providing support for varying needs
- Contributing to community sustainability and regeneration, through innovation and relationships built on trust with our customers and partners
- Ensure we are an employer of choice, and that we deliver quality service and standards throughout our activities including customer involvement
- Ensure that the Association is financially and operationally viable
- Respect for diversity, and ensuring accountability, openness, integrity and compliance in the governance of our activities.

Our vision is one of diverse communities in which people can expand their opportunities, exercise choice and maximise their potential. To help achieve this, we want to help to drive innovation and quality in accessible housing and support in Scotland. Some of the main objectives which we think can help achieve this aim include:

- demonstrating innovation in housing design, where possible influencing the practice of others and helping to raise standards generally
- achieving continuous improvement in all the services we deliver, and achieving and maintaining high standards of business efficiency and effectiveness
- creating opportunities for significant levels of user involvement in what we do
- being recognised by regulators and strategic partners as delivering excellent performance

We see these as significant objectives, which challenge the way we deliver our core services of housing, housing support, advice, and consultancy. We seek to challenge what we currently do and look to improve, rather than simply carry on with existing patterns of work.

NORTH GLASGOW HOUSING ASSOCIATION LIMITED

REPORT OF COMMITTEE OF MANAGEMENT

31 MARCH 2010

(Continued)

Corporate Governance

The Association has a Committee of Management who are elected by the members of the Association (see below for details). It is the responsibility of the Committee to undertake the strategy, setting of policy and overall direction for the Association. They also monitor the operational activities of the Association. The members of the Committee of Management are unpaid.

The Executive Team of the Association (as listed on page 10) are responsible for achieving the strategy set, undertaking the operational activities in line with the policies set.

Our governing body is our Committee of Management, which is responsible to the wider membership. Committee of Management members serve in a voluntary capacity, and we recognise that this puts even more onus on us to ensure that we set and achieve high standards of professionalism in our work. We take governance very seriously, and in the last year we continued to build on work from previous years which strengthened our governance arrangements.

As part of our commitment to continuous improvement a structure review of the Association's departments was undertaken during the year. The Association now has four departments with alongside Performance, Strategy and Governance, Investment and Finance an expanded Housing Management department including Organisational Development. This will contribute to a more focused approach to the strategic and corporate issues facing the Association.

Achievements and performance

The growth and success of North Glasgow Housing Association (NGHA) over the past 34 years has been a remarkable story. Since its formation in 1976 to save a block of condemned tenements in Springburn from demolition, the Association has evolved to become a major economic player in the north of the city. Serving the Springburn and Possilpark areas of Glasgow, the Association is now responsible for the management of over 6,000 homes, including those in the associated local housing organisations, and invests around £10 million on an annual basis. The continued success of the business has been based on two key factors, planned growth and continuous improvement. This has been another eventful year for the Association during which progress has been made on many fronts.

The Association believes that we will only make our communities better by working in partnership with others. As we also believe in improving the whole community and not just the housing in it, we are very active in wider action work as can be seen throughout this report. We are continually looking at new initiatives to improve our communities.

The Association faces many challenges in the year ahead. We have a strong staff and Committee team and we look forward to continuing to work with them and all of our customers to ensure that we carry on improving as an organisation. If you have access to the internet we would encourage you to look at our website, www.northglasgowha.org.uk, which is regularly updated with Association news.

We are continuously striving to improve our performance and provide the best possible customer service. If you have any comments on our work, please contact our offices or email: info@northglasgowha.com

This report details issues that have arisen during the year relating to the main activities undertaken by the Association.

NORTH GLASGOW HOUSING ASSOCIATION LIMITED

REPORT OF COMMITTEE OF MANAGEMENT

31 MARCH 2010

(Continued)

Investment Activities

Development review

The Association's development programme has continued to deliver for tenants and communities in the north of the city. The programme is playing an active role in housing not only tenants of North Glasgow Housing Association but also re-housing tenants affected by the Glasgow Housing Association demolition programme. It has also benefited the wider community through the provision of homes with a range of special needs including wheelchair bungalows.

This year the Association spent £11 million (2009 - £6.8m) on our development programme, primarily on new build houses for which we received £6.6 million (2009 - £4.0m) in Housing Association Grant. During the year, the Elmvale phase 2 development (22 family homes, cost of £3.8m) was completed. All of the properties were provided for GHA tenants whose homes were being demolished. Also the Fernbank Street development (32 family homes, cost of £4.2m) was completed. Finally the Broomfield Road development started on site (52 family homes, 20 shared equity for sale, projected cost £9.6m) and is expected to complete in 2010/11. The Broomfield contract will include the 1000th new build home that the Association has completed.

Detailed plans for future new developments worth an estimated £14.4 million are being progressed. Once complete these developments represent an additional 130 new affordable homes in the north of the city.

Property maintenance

As well as building new homes the Association is also committed to ensuring all its homes are maintained to a good standard and as such operates a rolling programme to improve properties through, for example, the installation of new windows, central heating and kitchens in tenants' homes. As part of this programme the Association installed new double glazed windows in 68 homes (2009 - 358), 204 bathrooms and new central heating systems in 370 homes (2009 - 40). The Association also invested £92k (2009 - £140k) on medical adaptations for tenants including 16 full wet room adaptations and 11 other particular needs adaptations. During 2009/10 a total of 4,101 repairs were carried out, an average of 1.8 per property. Of these 9% were classed as emergency, 22% were urgent and 69% were routine. Of the urgent repairs 100% were completed within the two hour timescale during the year, 96% of urgent repairs within the one day timescale and 95% of the routine within the five day timescale.

Scottish Housing Quality Standard

All Registered Social Landlords are now required to comply with the Scottish Housing Quality Standards (SHQS) by the year 2015 in relation to ensuring that all housing stock complies with standards in energy efficiency, modern facilities/services and healthy, safe and secure properties. The Association is progressing with the work necessary to meet the standards and has plans in place to bring all of the stock up to the standards by the year to March 2013. At March 2010 73% of the stock met the standards.

Home Ownership

In 2003 Communities Scotland, with funding from the Scottish Executive, launched a Mortgage to Rent scheme, aimed at helping those under threat of repossession as a result of mortgage arrears. This scheme has been expanded by the Scottish Government with the difficulties being encountered in the current financial environment. The Association is committed to the scheme, which allows the owner to become a tenant, avoiding the upheaval of removing families from their existing support networks, and the costs of housing homeless families. In the year ended 31 March we completed two (2009 - three) mortgage to rent purchases. The Association also completed four buybacks of shared ownership properties in the year, to allow the owner to remain in the property as a tenant.

No properties were sold under right to buy in the year, four properties were sold through shared equity sales and one property went to full ownership under a shared ownership tranche sale, thereby allowing some tenants to achieve their aspiration of becoming home owners.

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(Continued)

Second Stage Transfer of GHA stock

In addition to its own landlord function, the Association is also designated Local Housing Organisation (LHO) to undertake the management of local GHA owned stock in three areas, Red Road Balornock, Balmore and North Glasgow Springburn. Successful partnerships have been forged with the local GHA staff teams and with local tenant-led sub committees formed to oversee this management role. The Association is committed to moving this arrangement to the next stage, to offer local GHA tenants the opportunity to transfer to local community ownership, with the Association as landlord.

This process, termed “Second Stage Transfer” would be subject to tenant support via a ballot. Last year saw the Association making a Business Case submission to GHA in furtherance of a stock transfer proposal, and the green light was given by GHA to enable the Association to submit a full Business Plan which set out a detailed transfer proposal. During 2010/11 the Association will progress through the stock transfer process and move towards a tenants ballot in the second half of this year.

Best use of resources

We have continued with the programme of major investment in our housing stock, which is by far our most valuable asset. This includes both carrying out major repairs, and also considering whether any of our housing should be remodelled to meet the changing requirements of tenants in the future. We are updating our stock condition information through specific asset management models for each area of our stock to ensure that our long-term financial planning reflects our future investment requirements. We continue to look for efficiencies and economies in the way that we carry out business processes.

Housing review

Rent collection, allocations and voids

Our collection performance with regards to current tenants continues to be good. The overall collection rate is 97.41% (2009 – 96.61%) and our outstanding net arrears at the year end represents 3.1% of the total rent roll (2009 – 3.8%). With arrears and tenancy sustainment teams now in place and working together with welfare rights officers, the future aim is to reduce this total still further.

The Association continues to review its rent collection methods and processes. During the year, the Association was involved with Glasgow City Council in a project to introduce electronic transmission of housing benefit and tenant data. This has allowed a faster update of information and mean more timely information is available to staff and tenants.

The Association let 214 (2009 - 251) properties during the year. Of these, 54 (2009 - 41) units were new units that became available for let after construction by the Association was completed in the year. The Association continues to work on reducing the period of time taken to re-let or let new properties, to ensure that we maximize our effectiveness in housing people in need and minimise our costs. The rent loss due to empty properties was £26k (2009 - £41k). The average time taken to re-let or let a new property has reduced to seven days (2009 – ten days). This is an exceptionally good performance and work will continue to maintain or improve this figure over the coming year.

During the year the Association allocated 82 lets to Section 5 homelessness referrals (2009 – 68), representing 31% of the lets made in the year. In addition to the homeless there is still significant unmet demand with 2,184 on the waiting list with 774 applications added in the year, with both totals higher than the previous year. Progress had been made on evictions with the number of evictions having dropped from 23 in 2009 to only three in the current year. This reflects the new approach to arrears and the effect of the arrears and tenancy sustainment teams.

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31 MARCH 2010

(Continued)

Customer Services

The Association is committed to a high standard of customer service in all its activities. The principal point of contact for customer enquiries is with the housing management and maintenance staff. The quality and customer satisfaction of these services is closely monitored, and steps are taken to improve them further on an ongoing basis.

Accreditation

The Association continues to enjoy the benefits of both Investors in People and Customer Service Excellence (formerly Charter Mark) accreditation in recognition of its commitment to staff training and development and excellent customer service. During the year the Association retained its Customer Services Excellence status after a rigorous re-review process.

Tenant Consultation/Communications

Tenant consultation is vital to the continued success of the Association. The Association's desire to ensure that we communicate effectively with as many tenants as possible has resulted in the Association producing information in a variety of formats including quarterly newspaper, patch newsletters, the website and on plasma screens in reception areas. Regular customer surveys on service performance were also carried out. We have continued to encourage tenants to get involved in the formulation of our policies and procedures through consultations. Examples of this were the use of focus groups to consider the future approach to maintenance issues in the Possilpark area and the Saracen Street tenements in particular and a sheltered tenant's conference in the year.

Diversity

The Association is firmly committed to providing flexible services to our increasingly diverse society. Equality and fairness underpin our whole business philosophy. We take a positive approach to promoting our services to all communities. The Association's has in place resources through interpreters and the Happy to Translate multi language resource to aid communication to all our tenants.

Other areas

Other areas of note within housing management during the year included:

- The arrears team established as part of the organisational re-structuring last year contributed significantly to the reduction in the level of arrears.
- The Association was one of six RSLs inspected by the Scottish Housing Regulator during the year as part of a homelessness thematic inspection. The inspection report was very positive in respect of the Associations role in these areas.
- During the year an Action Plan was developed and implemented to help tackle demand problems for the Possilpark tenements
- Work continued on upgrading the IT systems within housing management and ensuring that the systems were used more efficiently and effectively

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(Continued)

Wider Action Activities

Partnerships with other agencies

Effective partnerships with agencies, which provide a range of services and support to tenants were developed. These agencies include the Mungo Foundation, YCMA, Loretto Housing Association, the Richmond Fellowship Scotland, the Simon Community, the Abbeyfield Society (Glasgow) and Glasgow City Council Social Work Services.

Anniesland College/learning and training

In recent years the association has developed an effective partnership with Anniesland College to provide a range of educational and training opportunities for jobseekers, tenants, staff, refugees, asylum seekers and committee members. The Association continued to provide ICT courses for local unemployed people as well as a 'Steps to Jobs' courses for refugees and eligible asylum seekers, a course for single mothers and the Keys to Learn project.

Community Regeneration

The Association has continued to impact on the wider regeneration of the north of the city through a variety of different projects. The Association continues to be involved with the Petershill Community Initiative which manages the football stadium, leisure, sport and business facility.

Other activities

Additional wider action projects include an internet café for youths in Possilpark, the installation of test wind turbines on properties in the Associations area and progression of the senior village for elderly residents in Carron. Other areas of wider action activity in the year included:

- Keys to Learn project continued during the year, providing training opportunities for people affected by homelessness
- Grant funding of £44k was secured by the Association to help fund the Operation Reclaim project, offering sports activities for local young people. Further grants of £23k were secured for Lone Parent and Good Citizen projects.
- During the year the Association continued to support the Modern Apprenticeship initiative, providing places for 2 trainees.
- The Association is taking steps to set up a social economy company to encourage local employment and training opportunities.

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(Continued)

Financial Review

Surplus for the year and transfers

The results for the year are shown in the Income and Expenditure Account. The deficit of £262,310 (2009 – deficit of £844,384) has been dealt with as follows:

	£
Transfer from Major Repairs reserve	350,000
Deficit for year	<u>(262,310)</u>
Transfer to general reserve	<u>87,690</u>

The Associations result for the year as indicated above was a deficit of £262,310. This is a lesser deficit on last year's result of a deficit of £844,384, but both years were planned results due to high levels of planned maintenance being incurred. For the previous year there was planned maintenance of £1.7m. In the year to March 2010 planned maintenance increased with the main focus being on window replacements, central heating upgrades and kitchen and bathroom replacement contracts amounting to £2.2m. Reductions in spending in other areas, savings in interest charges and rent income from new units helped balance out the increase in planned maintenance and reduced the deficit. The Association will continue to closely monitor costs and look for operational efficiencies, while ensuring it maximises the collection of rent and other charges.

Despite the deficit the Association is in a strong financial position with almost £2m deposited as cash funds, at the year end. As noted below after the year end the Association signed an £8m loan agreement with the Housing Finance Corporation for funding for new developments. The Association continues to have a major repair investment programme due in a declining proportion of properties over the next five years to meet our commitments under the Scottish Housing Quality Standards. Cash surpluses will continue to be made, subject to our planned maintenance programme over the next few years.

Treasury Management

The Association has an active treasury management function, which operates in accordance with the Treasury Management Policy approved by the Committee of Management. In this way the Association manages its borrowing arrangements to ensure that it is always in a position to meet its financial obligations as they fall due, whilst minimising excess cash and liquid resources held. The Association, as a matter of policy, does not enter into transactions of a speculative nature. At 31 March 2010, the Association has a mix of fixed and variable rate finance, which it considers appropriate at this time.

The Association in the year agreed a new £8m loan agreement with The Housing Finance Corporation which increased the Associations borrowing capacity to £35m. The THFC loan will be drawn down during the year to March 2011. The Association has come through the period of unprecedented turmoil in the financial markets with no problems in accessing funds. The Association will keep its loan portfolio under review and seek to manage its variable rate loans at the historically low rates that are currently available. The Association is aware of the risks involved with such and has put in forward fixes on £10m of its loans that will not start till March 2012. The average interest rate on the loans in the year was 2.75%.

During the period, funds of £4.6m were drawn down from the Dunfermline loan facility. Under the terms of the loan agreements, there are a number of financial and operational covenants that limit the Association's operating and financial flexibility. A failure to comply with any of these covenants could result in default under the agreement and an acceleration of repayment of the debt outstanding. As far as the Management Committee are aware the terms of all covenants were met during the year.

Payment to creditors

The Association's policy concerning the payment of its trade creditors complies with the Confederation of British Industry guidelines. The Association aims to pay its creditors within their credit terms and prioritises payments to its smaller suppliers.

NORTH GLASGOW HOUSING ASSOCIATION LIMITED

REPORT OF COMMITTEE OF MANAGEMENT

31 MARCH 2010

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Policies and procedures

Risk Management Policy

The Management Committee have a formal risk management process to assess business risks and implement risk management strategies. This involved identifying the types of risks the Association faces, prioritising them in terms of potential impact and likelihood of occurrence, and identifying means of mitigating the risks. As part of this process the Committee have reviewed the adequacy of the Society's current internal controls.

The Management Committee have set policies on internal controls which cover the following:

- consideration of the type of risks the Associations faces;
- the level of risks which they regard as acceptable;
- the likelihood of the risks concerned materialising;
- the Association's ability to reduce the incidence and impact on the business of risks that do materialise; and the costs of operating particular controls relative to the benefit obtained.
- Clarified the responsibility of management to implement the Management Committee's policies and identify and to evaluate risks for their consideration.
- Communicated that employees have responsibility for internal control as part of their accountability for achieving objectives.
- Embedded the control system so that it becomes part of the culture of the Association.
- Developed systems to respond quickly to evolving risks arising from factors within the charity and to changes in the external environment.
- Included procedures for reporting failings immediately to appropriate levels of management and the Management Committee together with details of corrective action being undertaken.

General Reserves Policy

The Management Committee members have reviewed the reserves of the Association in conjunction with the long term maintenance plans. This review encompassed the nature of the income and expenditure streams, the need to match variable income with fixed commitments and the nature of the reserves. The review concluded that to allow the Association to be managed efficiently and to provide a buffer for uninterrupted services, reserves equivalent to one year's operating costs should be maintained. During the year the Association's reserves decreased from £4.73m to £4.47m. The Association's maintenance life cycle plan has resulted in the Association running through a period of years where there has been significant planned maintenance expenditure. The Association is now projected to return to a period of years where planned maintenance will fall, surpluses will be made and the reserves will increase towards the position recommended for it.

Maintenance policies

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

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

NORTH GLASGOW HOUSING ASSOCIATION LIMITED

REPORT OF COMMITTEE OF MANAGEMENT

31 MARCH 2010

(Continued)

Gas Servicing and Servicing Inspections

The Association continues to have problems gaining access to some properties to complete this vital inspection. We have a legal duty to carry out gas safety inspections in all our properties with gas appliances each year. This inspection not only protects the lives and wellbeing of our tenants and their families, it protects the neighbours as well. Tenants who do not provide access for our contractors at the agreed time are breaking the terms of their tenancy agreement. Last year we were granted permission from the courts to force access to a number of properties. This is a very expensive process and the tenants involved will always be recharged for all of the costs incurred by the Association in gaining access. **THE SAFETY INSPECTION TAKES LESS THAN AN HOUR AND IT COULD SAVE LIVES.** The Association will do everything possible to reach suitable access arrangements with tenants, so please don't ignore the letters – contact us and we can discuss any access issues.

Rental Income

The Association's general Rent Policy is based on the size, type and facilities of the accommodation. The policy ensures that the rent structure is easy to administer and covers the wide variations of properties. This policy follows the generally accepted practice/principles of the Housing Association Sector. Some elements of the stock are covered by pre-existing agreements. The Association intends to review the structure of its rents across the next year and bring all properties let in the future onto a standard basis.

Employees with disabilities

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

Employee Involvement and Health & Safety

The Association takes seriously its responsibilities to employees and as a policy, provides employees with information on matters of concern to them. It is also the policy of the Association to consult where practical, employees or their representatives so that their views may be taken into account in making decisions likely to affect their interests. The Association benchmarks staff turnover levels, sickness absence, ethnic mix, gender and age profile against available statistics on a regular basis. The staff Health & Safety committee reviews the Association's activities and prepares quarterly reports on health & safety to the Management Committee. The Association has prepared detailed health and safety policies and provides staff training and education on health and safety matters.

Equality

The Association takes a positive approach to promoting its services to the Black and Minority Ethnic (BME) communities and has employed a succession of trainees sourced from Positive Action in Housing (PATH). The actions of the Association in this respect has gained national recognition.

Staff training

The Association provides staff with access to training on courses relevant to their employment. In the year there was a total of 473 days training which equated to an average of 9.5 days for each member of staff.

NORTH GLASGOW HOUSING ASSOCIATION LIMITED

REPORT OF COMMITTEE OF MANAGEMENT

31 MARCH 2010

(Continued)

Management Committee and Executive team

Members of Committee of Management

The Members of the Committee of the Association during the year to 31 March 2010 were as follows:

P Kenna (Chairperson)	M Willis
F Miller (Vice-Chair)	S Donnelly
J Fury (Treasurer)	H White
B Rossine (Secretary)	T Dow
R Rodden	I Cross
D Shaw	J Thorburn
C Rossine	M Thomson
P Miller	B Matheson
C Paxton (resigned October 2009)	A Wilson
E Hurcombe (Councillor)	

Each member of the Committee of Management holds one fully paid share of £1 in the Association. The executive officers of the Association hold no interest in the Association's share capital and although not having the legal status of "director" they act as executives within the authority delegated by the Committee.

Executive Team

R Tamburrini – Chief Executive Officer
A Devlin – Deputy Chief Executive Officer
R Fleming – Deputy Chief Executive Officer
L Anderson – Deputy Director (Performance Strategy and Governance)
R Hartness – Finance Director
A McCann – Head of Organisational Development
J Devine – Head of Business Development (appointed Aug 2009)

Recruitment and training of Committee members

Vacancies on the Committee of Management are filled from members of the community who have a commitment to the furtherance of social housing and the aims and objectives of the Association. Members are drawn from a wide range of backgrounds and experience to maintain the necessary mix of skills required to govern and control a complex organisation.

All Committee members receive initial induction training and are then eligible to attend internal and external training events which not only build on existing experience but provide an opportunity to develop new skills. In the year there was a total of 87 days training which equated to an average of 4.5 days for each Committee Member.

Volunteers

The Association is grateful for the unstinting efforts of volunteers who are involved in the Management Committee and other appointments. It is estimated that over 600 volunteer hours were provided during the year. If this is conservatively valued at £25.00 an hour the volunteer effort amounts to over £15,000.

NORTH GLASGOW HOUSING ASSOCIATION LIMITED

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Related parties

Various member of the Committee of Management are tenants, sharing owners or Councilors. The tenancies are on the Association's normal tenancy terms and they could not use their position to their advantage. Sharing owners have lease agreements and these are also on the Housing Associations normal terms. City Councilors who are members of the Management Committee declare their interests relating to relevant decisions taken by the Association or the City Council.

Other issues

Group Structure

The Association has a wholly owned subsidiary, North Glasgow Management Services Limited, whose objective is to provide factoring services and other activities that the Association cannot due to its charitable status.

As stated last year the Association was considering whether its group structure was suitable to meet the needs of the future. As part of that review another subsidiary Design Services Glasgow Limited (DSGL) was formed during the year. DSGL took on the development activities of the Association and now acts as its main contractor. This arrangement ensures that the development activities are carried out in the most VAT efficient manner. The Association will continue to review whether the group structure is appropriate.

Future developments

The Association intends to continue with its policy of improving the quality of housing within its action areas, working with its existing and new partners. The Association in conjunction with Glasgow City Council and the Scottish Government has a programme of agreed and proposed regeneration activities. The Association will continue to explore opportunities for the provision of new housing with both public and private sector bodies. Full financial appraisals are conducted on each potential development to ensure its viability and affordability before the Association commits to a development. Specific projects include:

- Planned maintenance investment of £0.5 million in 2010/11.
- Completion of the Broomfield contract that involves construction of fifty two rented units and twenty units for shared equity sale at a cost of £9.6 million.
- Start on the Southloch development contract that will involve construction of sixty rented units and twenty properties for shared equity at a cost of almost £7.8 million

The Association in June 2010 submitted to the GHA Board a Business Plan for second stage transfer, covering 3,000 houses managed by Balmore, Red Road Balornock and North Glasgow LHOs. The Association will move towards a tenant's ballot in the second half of the year.

Post Balance Sheet Events

There have been no important events since the financial year end that have had an impact on the financial position of the Association.

NORTH GLASGOW HOUSING ASSOCIATION LIMITED

REPORT OF COMMITTEE OF MANAGEMENT

31 MARCH 2010

(Continued)

Information for auditors

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

Auditors

Baker Tilly UK Audit LLP has indicated its willingness to continue in office.

On behalf of the Committee of Management

W Rossine
Secretary

50 Reidhouse Street
Glasgow
G21 4LS

Date: 6th July 2010

NORTH GLASGOW HOUSING ASSOCIATION LIMITED

STATEMENT OF COMMITTEE RESPONSIBILITIES

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

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

We are also responsible for:

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

NORTH GLASGOW HOUSING ASSOCIATION LIMITED

Committee of Management's Statement on Internal Financial Control

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

the reliability of financial information used within the Association or for publication;

the maintenance of proper accounting records; and

the safeguarding of assets (against unauthorised use or disposition).

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

formal policies and procedures are in place, including the documentation of key systems and rules relating to the delegation of authorities, which allow the monitoring of controls and restrict the unauthorised use of the Association's assets.

experienced and suitably qualified staff take responsibility for important business functions; annual appraisal procedures have been established to maintain standards of performance.

forecasts and budgets are prepared regularly which allow the Committee of Management and staff to monitor the key business risks and financial objectives, and progress towards financial plans set for the year and the medium term; regular management accounts are prepared promptly, providing relevant, reliable and up-to-date financial and other information and significant variances from budgets are investigated as appropriate.

all significant new initiatives, major commitments and investment projects are subject to formal authorisation procedures, through relevant sub-committees comprising Committee of Management members and others.

the Committee of Management review reports from management, from the director, staff and from the external and internal auditors to provide reasonable assurance that control procedures are in place and are being followed. This includes a general review of the major risks facing the Association.

formal procedures have been established for instituting appropriate action to correct weaknesses identified from the above reports.

The Committee of Management have reviewed the effectiveness of the system of internal financial control in existence in the Association for the year ended 31 March 2010 and until the below date. No weaknesses were found in internal financial controls which resulted in material losses, contingencies, or uncertainties which require disclosure in the financial statements or in the auditors' report on the financial statements.

By order of the Committee of Management

P Kenna

Date: 6th July 2010

NORTH GLASGOW HOUSING ASSOCIATION LIMITED

Auditors' report to the members of

North Glasgow Housing Association Limited

Corporate Governance

In addition to our audit of the financial statements, we have reviewed the Committee of Management's statement on page 14 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 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 14 has provided the disclosures required by the section on Internal Financial Control within SFHA's publication "Raising Standards in Housing" and is consistent with the information which came to our attention as a result of our audit work on the financial statements.

Baker Tilly UK Audit LLP
Registered Auditors
Chartered Accountants
Glasgow

Date: 13th July 2010

NORTH GLASGOW HOUSING ASSOCIATION LIMITED

Independent auditors' report to the members of North Glasgow Housing Association Limited

We have audited the financial statements on pages 17 to 40, which have been prepared under the historical cost convention and the accounting policies, set out on pages 20 to 23.

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 auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept responsibility to anyone other than the Association and the Association's members as a body, for our audit work, for this report or for the opinion we have formed.

Respective responsibilities of the Management Committee and Auditors

The Management Committee's responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards are set out in the Statement of Management Committee's Responsibilities. Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

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

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

Basis of Opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and 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 mis-statement, 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.

Group accounts Section 14 (2) of the Friendly and Provident Societies Act 1968

We agree with the opinion of the Committee of Management of the Association that it would be of no real value to the members of the Association to consolidate or include the accounts of the Association's subsidiaries, in the group accounts required to be prepared under Section 13 of the Friendly and Industrial and Provident Societies Act 1968 for the year ended 31 March 2010, because the business of the Association and that of its subsidiaries are so different they cannot be treated as a single undertaking.

Opinion

In our opinion the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Association's affairs as at 31 March 2010 and of its deficit for the year then ended and have been properly prepared in accordance with the Industrial and Provident Societies Acts 1965 to 2002, the Housing (Scotland) Act 2001 and the Registered Social Landlords Accounting Requirements (Scotland) Order 2007.

Baker Tilly UK Audit LLP
Registered Auditors
Chartered Accountants
Glasgow

Date: 13th July 2010

NORTH GLASGOW HOUSING ASSOCIATION LIMITED

INCOME & EXPENDITURE ACCOUNT

FOR THE YEAR ENDED 31 MARCH 2010

	Notes	2010 £	2009 £
Turnover	2	8,779,992	8,914,966
Less: Operating costs	2	(8,452,326)	(8,770,841)
Operating surplus/(deficit)		<u>327,666</u>	<u>144,125</u>
Profit on sale of fixed assets	2,4	34,370	146,577
Interest receivable and other income		6,191	58,233
Interest payable and other charges		<u>(750,537)</u>	<u>(1,203,987)</u>
		(382,310)	(855,052)
Gift aid donations received		120,000	10,668
(Deficit) on ordinary activities for year		<u><u>(262,310)</u></u>	<u><u>(844,384)</u></u>

All gains and losses for the year are reflected in the deficits above.

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

NORTH GLASGOW HOUSING ASSOCIATION LIMITED

BALANCE SHEET

AS AT 31 MARCH 2010

			2010		2009
Notes	£	£	£	£	£
Tangible Fixed Assets					
Housing properties					
Gross cost less depreciation	8		115,666,887		106,831,176
Less: HAG	8		<u>(87,630,139)</u>		<u>(81,866,639)</u>
			28,036,748		24,964,537
Investments					
LIFT Loan	9	490,382		490,382	
LIFT Grant	9	<u>(490,382)</u>		<u>(490,382)</u>	
			-		-
Other Fixed Assets	10		<u>1,380,455</u>		<u>1,448,891</u>
			29,417,203		26,413,428
Investments – subsidiaries			<u>1,100</u>		<u>1,000</u>
			29,418,303		26,414,428
Current Assets					
Work in progress	11	671,368		420,792	
Debtors	12	943,157		876,229	
Cash at hand and in bank		<u>1,913,104</u>		<u>2,234,412</u>	
		3,527,629		3,531,433	
Current Liabilities					
Creditors due within one year	13	<u>(1,845,264)</u>		<u>(4,004,456)</u>	
Net Current Assets/(Liabilities)			<u>1,682,365</u>		<u>(473,023)</u>
			31,100,668		25,941,405
Creditors due after more than one year	14		<u>(26,630,812)</u>		<u>(21,209,202)</u>
			<u>4,469,856</u>		<u>4,732,203</u>
Capital and Reserves					
Share Capital	17		353		390
Designated Reserves	7		3,731,476		4,081,476
Revenue Reserves	7		<u>738,027</u>		<u>650,337</u>
			<u>4,469,856</u>		<u>4,732,203</u>

These financial statements were approved and authorised for issue by the Committee of Management on 6th July 2010 and signed on their behalf by:

Secretary: W Rossine

Member: J Fury

Member: P Kenna

NORTH GLASGOW HOUSING ASSOCIATION LIMITED

CASH FLOW STATEMENT

YEAR TO 31 MARCH 2010

	Note	2010 £	2009 £
Net cash inflow from operating activities	18a	216,334	<u>2,735,437</u>
Returns on investments and servicing of finances			
Interest received		6,191	58,233
Interest paid		<u>(750,537)</u>	<u>(1,203,987)</u>
		(744,346)	<u>(1,145,754)</u>
Investing activities			
Cash paid for construction and purchases		(9,492,329)	(6,752,674)
Housing association grant received		5,791,208	4,009,204
Housing association grant repaid		(27,708)	(133,801)
Other grants received		-	2,033
Sales of housing properties		66,800	213,174
Purchase of other fixed assets		(143,888)	(81,438)
Investment in subsidiary		(100)	-
Net cash (outflow) from investing activities		<u>(3,806,017)</u>	<u>(2,743,502)</u>
Net cash (outflow) before financing		(4,334,029)	(1,153,819)
Financing			
Loans received		4,675,201	1,306,162
Loan principal repayments		(662,482)	(379,385)
Increase in share capital		2	5
Net cash inflow from financing		<u>4,012,721</u>	<u>926,782</u>
(Decrease) in cash	18c	<u>(321,308)</u>	<u>(227,037)</u>

Further details are given in note 18.

NORTH GLASGOW HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 MARCH 2010

1. Accounting Policies

(a) Introduction and accounting basis

The principal accounting policies of the Association are set out in the paragraphs (b) to (s) below. These financial statements are prepared under the historical cost convention and are based on the Registered Social Landlords Accounting Requirements (Scotland) Order 2007 and the Statement of Recommended Practice "Accounting by Registered Social Landlords" and applicable Accounting Standards. The Association is registered under the Industrial and Provident Societies Act 1965.

(b) Finance

The financial statements have been prepared on the basis that the capital expenditure referred to in note 8 will be grant aided, funded by loans or met out of reserves, or from proceeds of sales.

(c) Mortgages

Mortgage loans are advanced by private lenders under the terms of the individual mortgage deeds in respect of each property or housing scheme. Advances are available only in respect of those developments, which have been given approval for Housing Association Grant by Glasgow City Council.

(d) Housing Association Grants

Housing Association Grants (HAG) are made by Glasgow City Council and are utilised to reduce the amount of mortgage loan in respect of an approved scheme to the amount which it is estimated can be serviced by the net annual income of the scheme. The amount of HAG is calculated on the qualifying cost (note 1(f)) of the scheme in accordance with instructions issued from time to time by the grant awarding body. HAG and other grants are repayable under certain circumstances. These include the disposal of the properties to which the grants relate.

(e) Housing Association Grant - Acquisition and Development Allowances receivable

Acquisition and Development Allowances are determined by the grant awarding body and are advanced as grants by Glasgow City Council. They are intended to finance certain internal administrative costs relating to the acquisition and development of housing land and buildings for approved schemes. Development allowances become available in instalments according to the progress of work on the scheme. These allowances are credited to development costs when they are receivable.

NORTH GLASGOW HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 MARCH 2010

(Continued)

(f) **Fixed assets - Housing land and buildings** (note 8)

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

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

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

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.

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

(g) **Low Cost Initiatives for First Time buyers (LIFT)**

LIFT transactions are grants received from the grant awarding body and passed onto an eligible beneficiary. The grant awarding body has a benefit of a fixed charge on the property. This entitles the grant awarding body to a share of the proceeds on the sale of the property by the beneficiary. These are classified as investments and are carried at historical cost with the linked finance cost (the grant received) being deducted from the gross amount of the asset.

As from 1 April 2008 the Scottish Government has taken security over completed sales and North Glasgow no longer includes the grants and related loans to the owner on the balance sheet.

(h) **Depreciation**
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 being 30 years for Rehabilitation and 50 years for New Build properties. No depreciation is charged on the cost of land.

Other fixed assets

The Association's assets are written off evenly over their expected useful lives as follows:

Office premises	-	over 25 years
Furniture & equipment	-	over 5 years
Computer hardware	-	over 5 years
Sheltered fixtures & fittings	-	over 8 years

Depreciation is charged on these assets in the year of purchase, but no charge is made in the year of disposal.

NORTH GLASGOW HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 MARCH 2010

(Continued)

(i) **Sale of fixed asset housing properties**

Properties are disposed of under the appropriate legislation and guidance. All costs and grants relating to the share of property sold are removed from the financial statements at the date of sale.

Any grants received that cannot be repaid from the proceeds of sale are abated and the grants removed from the financial statements.

(j) **Reserves for major repairs** (note 7)

Major repairs expenditure, being the Association's commitment to undertake a planned programme of major repairs to its properties is set aside in a designated reserve to the extent required by the Associations long term plans.

(k) **Apportionment of management expenses**

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

(l) **Value added tax**

The Association is VAT registered and has a Group VAT structure. However, a large proportion of NGHAs income, namely rents, is exempt for VAT purposes and therefore gives rise to a partial exemption calculation. Expenditure as a result is shown inclusive of VAT

(m) **Turnover**

Turnover represents rental income receivable from tenants, development administration, properties developed for sale and other income.

(n) **Pensions**

The Association participates in the centralised Scottish Federation of Housing Association's defined benefits pension scheme and retirement benefits to employees of the Association are funded by the contributions from all participating employers and employees in the Scheme. Payments are made to the independently administered Pensions Trust in accordance with periodic calculations by consulting actuaries and are based on pension costs applicable across the various participating Associations taken as a whole.

(o) **Consolidation**

The Association and its subsidiary undertakings comprise a group. The FSA has granted exemption from preparing group financial statements. The financial statements represent the results of the Association and not of the group. The Committee of Management is of the opinion that it would be of no real value to the members of the Association to consolidate or include the accounts of the Association's subsidiaries in the group accounts, because the business of the Association and that of the subsidiaries are so different they cannot be treated as a single undertaking.

NORTH GLASGOW HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 MARCH 2010

(Continued)

(p) **Improvements**

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

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

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

(q) **Impairment of fixed assets**

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

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

(r) **Work in progress**

Completed properties and property under construction for outright sale are valued at the lower of costs and net realizable value. Cost comprises materials, direct labour and direct development overheads. Net realisable value is based on estimated sale price after allowing for all further costs of completion and disposal.

(s) **Financial Instruments**

Financial instruments are classified and accounted for, according to the substance of the contractual arrangement, as either financial assets, or financial liabilities.

NORTH GLASGOW HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 MARCH 2010

(Continued)

2. Particulars of turnover, operating costs, operating surplus or deficit by class of business

	Turnover	Operating	Operating	Gain on	Interest	Interest	(Deficit)/	Operating	(Deficit)/
	£	Costs	Surplus/	sale of fixed	Receivable	Payable	surplus	Surplus/	surplus
		£	(deficit)	assets	£	£	before	(deficit)	before
			£	£			Taxation	2009	Taxation
							£	£	2009
									£
Social lettings	7,867,859	(7,438,815)	429,044	-	-	(748,343)	(319,299)	213,123	(892,279)
Other activities	912,133	(1,013,511)	(101,378)	-	-	-	(101,378)	(68,998)	(85,213)
Total	<u>8,779,992</u>	<u>(8,452,326)</u>	327,666	-	-	(748,343)	(420,677)	144,125	(977,492)
Sales of fixed assets			-	34,370	-	-	34,370	-	146,577
Investment Income			-	-	6,191	-	6,191	-	58,233
Interest payable and other charges			-	-	-	(2,194)	(2,194)	-	(82,370)
Total (deficit)/surplus before Taxation			327,666	34,370	6,191	(750,537)	(382,310)	144,125	(855,052)
2009	<u>8,914,966</u>	<u>(8,770,841)</u>	<u>144,125</u>	<u>146,577</u>	<u>58,233</u>	<u>(1,203,987)</u>	<u>(855,052)</u>		

NORTH GLASGOW HOUSING ASSOCIATION LIMITED

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

3a - Particulars of turnover, operating costs and operating surplus/(deficit) from social letting activities

	General Needs Housing £	Shared Ownership Housing £	Supported Housing Accommodation £	Total 2010 £	2009 £
Income from lettings					
Rent receivable net of service charges	6,477,991	119,569	237,454	6,835,014	6,565,713
Service charges	745,054	-	255,711	1,000,765	995,817
Gross income from rents and service charges	<u>7,223,045</u>	<u>119,569</u>	<u>493,165</u>	<u>7,835,779</u>	<u>7,561,530</u>
Less: Voids	<u>(25,591)</u>	<u>(109)</u>	<u>-</u>	<u>(25,700)</u>	<u>(41,219)</u>
Net Income from rents and service charges	7,197,454	119,460	493,165	7,810,079	7,520,311
Grants from the Scottish Ministers	57,780	-	-	57,780	50,000
Total turnover from social letting activities	<u>7,255,234</u>	<u>119,460</u>	<u>493,165</u>	<u>7,867,859</u>	<u>7,570,311</u>
Management and maintenance administration costs	2,460,776	64,290	262,652	2,787,718	3,015,231
Service costs	544,306	-	193,082	737,388	710,031
Planned and Cyclical maintenance including major repair costs	2,428,605	-	-	2,428,605	1,975,379
Reactive maintenance costs	725,501	-	-	725,501	869,505
Bad debts – rents and service charges	130,693	-	-	130,693	198,876
Depreciation of social housing	605,860	23,050	-	628,910	588,166
Operating costs for social letting activities	<u>6,895,741</u>	<u>87,340</u>	<u>455,734</u>	<u>7,438,815</u>	<u>7,357,188</u>
Operating surplus/(deficit) for social lettings	<u>359,493</u>	<u>32,120</u>	<u>37,431</u>	<u>429,044</u>	<u>213,123</u>
2009	<u>10,629</u>	<u>45,824</u>	<u>156,670</u>	<u>213,123</u>	

The amount of service charges receivable on housing accommodation not eligible for Housing Benefit was £158,898 (2009- £158,898).

The total amount of major repairs expenditure incurred in the year was £2,189,420 (2009 - £1,675,825). Major repairs amounting to £nil (2009 - £nil), which had been fully funded by grant, were capitalised in the year.

NORTH GLASGOW HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2010

(Continued)

3b – Particulars of turnover, operating costs and operating surplus or deficit from other activities

	Grants from Scottish Ministers	Other revenue grants	Supporting people income	Other income	Total Turnover	Operating costs – bad debts	Other operating costs	Operating surplus/ (deficit)	Operating surplus/(deficit) for previous period of account
	£	£	£	£	£	£	£	£	£
Wider Action/wider role	66,779	-	-	-	66,779	-	68,052	(1,273)	(1,210)
Care and repair of property	-	-	-	-	-	-	-	-	-
Factoring	-	-	-	-	-	-	-	-	-
Development activities	149,840	-	-	-	149,840	-	221,141	(71,301)	(169,282)
Support activities	-	-	-	-	-	-	-	-	-
Care activities	-	-	-	-	-	-	-	-	-
Agency services for RSL's	-	-	-	-	-	-	-	-	-
Other agency/management services	-	-	-	112,037	112,037	-	160,804	(48,767)	8,669
Developments for sale to RSL's	-	-	-	-	-	-	-	-	-
Developments and improvements for sale to non registered social landlords, (including first tranche shared ownership sales)	246,622	-	-	262,930	509,552	-	509,552	-	-
Other activities – office rentals/sundry	-	-	-	73,925	73,925	-	53,962	19,963	92,825
Total from other activities	463,241	-	-	448,892	912,133	-	1,013,511	(101,378)	(68,998)
2009	561,936	-	-	782,719	1,344,655	-	1,413,653	(68,998)	

NORTH GLASGOW HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 MARCH 2010
(Continued)

4. Profit on sale of fixed assets

	2010	2009
	£	£
Sale proceeds	66,800	232,100
Cost of sales	<u>(32,430)</u>	<u>(85,523)</u>
Gain on sale of housing properties	<u>34,370</u>	<u>146,577</u>

The sales of housing properties have occurred under the right to buy legislation and shared ownership tranches.

5. Interest payable and Other Charges

Loan interest on housing properties	711,776	1,124,825
Other interest	<u>57,299</u>	<u>98,585</u>
	769,075	1,223,410
Less: loan interest capitalised	<u>(18,538)</u>	<u>(19,423)</u>
	<u>750,537</u>	<u>1,203,987</u>

Interest rates charged on loans during the year ranged from 0.87% to 5.63% (2009: 0.87% to 5.63%). There was no deferred interest or interest charged on the late payment of taxation.

6. Taxation

The Association has charitable status and is no longer liable for tax on its ordinary activities.

7. Reserves

(a) Designated Reserves

	At 31 March 2009	From/(to) Income/Exp	At 31 March 2010
	£	£	£
Major repairs reserve	<u>4,081,476</u>	<u>(350,000)</u>	<u>3,731,476</u>

(b) Revenue reserve

	2010	2009
	£	£
Opening balance at 1 April 2009	650,337	500,000
Deficit for year	(262,310)	(844,384)
Transfer from designated reserves	<u>350,000</u>	<u>994,721</u>
Closing balance at 31 March 2010	<u>738,027</u>	<u>650,337</u>

NORTH GLASGOW HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 MARCH 2010
(Continued)

8. Tangible Fixed Assets

	Housing properties held for letting £	Housing properties in course of construction £	Completed shared ownership properties £	Total £
Cost				
At 1 April 2009	103,693,977	3,529,346	3,581,779	110,805,102
Additions during year	601,055	8,817,162	74,112	9,492,329
Transfers	8,145,032	(8,145,032)	-	-
Disposals in year	-	-	(27,708)	(27,708)
At 31 March 2010	112,440,064	4,201,476	3,628,183	120,269,723
Depreciation				
At 1 April 2009	3,760,141	-	213,785	3,973,926
Charge in year	605,860	-	23,050	628,910
Disposals in year	-	-	-	-
At 31 March 2010	4,366,001	-	236,835	4,602,836
Housing Association Grant				
At 1 April 2009	76,667,662	2,816,530	2,382,447	81,866,639
Additions during year	331,962	5,459,246	-	5,791,208
Transfers	5,262,044	(5,262,044)	-	-
Repaid and abated during year	-	-	(27,708)	(27,708)
At 31 March 2010	82,261,668	3,013,732	2,354,739	87,630,139
Net book value				
As at 31 March 2010	25,812,395	1,187,744	1,036,609	28,036,748
As at 31 March 2009	23,266,174	712,816	985,547	24,964,537

Development administration costs capitalised amounted to £Nil (2009 - £Nil) for which development allowances amounting to £Nil (2009 - £Nil) were recorded in the year.

Interest capitalised or added to WIP during the year amounted to £18,538 (2009 - £19,423). None of the associations land or property is held under a lease.

9. Investments

	2010 £	2009 £
LIFT Loans made to owners	490,382	490,382
LIFT Grants	(490,382)	(490,382)
	-	-

These amounts represent the amount granted to the LIFT owner up to 1 April 2008 and the corresponding grant North Glasgow has received from Glasgow City Council. North Glasgow is responsible for the administration of these grants. As from 1 April 2008 the Scottish Government has taken security over completed sales and North Glasgow no longer includes the grants and related loans to the owner on the balance sheet.

NORTH GLASGOW HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 MARCH 2010
(Continued)

10. Other Fixed Assets

	Office Accommodation	Furniture & Equipment	Computer Hardware	Sheltered Fixtures & Fittings	Total
	£	£	£	£	£
Cost					
At 1 April 2009	2,033,597	506,882	1,319,261	61,728	3,921,468
Additions during year	4,233	6,736	107,826	25,093	143,888
At 31 March 2010	<u>2,037,830</u>	<u>513,618</u>	<u>1,427,087</u>	<u>86,821</u>	<u>4,065,356</u>
Depreciation					
At 1 April 2009	793,500	436,347	1,190,034	52,696	2,472,577
Charge for the year	107,369	32,318	65,940	6,697	212,324
At 31 March 2010	<u>900,869</u>	<u>468,665</u>	<u>1,255,974</u>	<u>59,393</u>	<u>2,684,901</u>
Net Book Value					
As at 31 March 2010	<u>1,136,961</u>	<u>44,953</u>	<u>171,113</u>	<u>27,428</u>	<u>1,380,455</u>
As a 31 March 2009	<u>1,240,097</u>	<u>70,535</u>	<u>129,227</u>	<u>9,032</u>	<u>1,448,891</u>

11. Work in progress - LIFT

	2010	2009
	£	£
Cost of developing properties	1,508,912	596,487
Grants received to develop properties	<u>(837,544)</u>	<u>(175,695)</u>
	<u>671,368</u>	<u>420,792</u>

12. Debtors: Amounts falling due within one year

Rents in arrears	480,217	493,359
Less: bad debt provision	<u>(233,616)</u>	<u>(226,220)</u>
	246,601	267,139
Development funding receivable	118,408	134,997
Trade debtors	53,440	60,391
Amounts due from group companies	188,142	111,208
Prepayments and accrued income	209,241	174,931
Other debtors	<u>127,325</u>	<u>127,563</u>
	<u>943,157</u>	<u>876,229</u>

NORTH GLASGOW HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 MARCH 2010
(Continued)

13. Creditors due within one year	2010	2009
	£	£
Loans	686,198	2,095,089
Trade creditors	285,252	517,306
Taxation and social security	81,329	71,699
Other creditors	296,658	876,139
Balance due to group companies	12,178	-
Accruals and deferred income	167,069	138,951
Rents in advance	<u>316,580</u>	<u>305,272</u>
	<u>1,845,264</u>	<u>4,004,456</u>

14. Creditors due after more than one year

Loans	<u>26,630,812</u>	<u>21,209,202</u>
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Loans are secured by specific charges on the Association's properties. Loans are repayable at varying rates of interest of 0.87% to 5.63% (2009 – 0.87% to 5.63%) in instalments due as follows:

In one year or less	686,198	2,095,089
Between one and two years	579,121	372,291
Between two and five years	1,942,239	1,249,632
In five years or more	<u>24,109,452</u>	<u>19,587,279</u>
	<u>27,317,010</u>	<u>23,304,291</u>

The Dunfermline Building Society holds a standard security over 1,421 properties.

15. Auditors' Remuneration

The remuneration of the external auditors (including expenses and VAT for the year)	11,077	11,064
Remuneration of the auditors in respect of services other than those of external auditors	<u>2,692</u>	<u>1,295</u>
	<u>13,769</u>	<u>12,359</u>

NORTH GLASGOW HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 MARCH 2010
(Continued)

	2010	2009
	£	£
16. Employees		
Staff costs during year		
Wages and salaries	1,667,015	1,730,911
Social security costs	136,971	142,913
Other pension costs	<u>209,258</u>	<u>245,321</u>
	<u>2,013,244</u>	<u>2,119,145</u>

The number of persons employed by the Association during the year were as follows:
- full time equivalent

	No	No
	<u>48</u>	<u>48</u>

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

	£	£
Aggregate emoluments payable to Directors (excluding pension contributions and benefits in kind)	<u>384,471</u>	<u>309,787</u>
Emoluments payable to Highest Paid Director (excluding pension contributions)	<u>100,034</u>	<u>98,313</u>

The Association's contributions for the Director in the year amounted to £15,405 (2009 - £15,140).

Emoluments paid to Directors excluding pensions can be analysed as :

	No	No
£60,001 - £70,000	1	1
£70,001 - £80,000	3	2
£80,001 - £90,000	-	-
£90,001 - £100,000	-	1
£100,001 - £110,000	<u>1</u>	<u>-</u>

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

NORTH GLASGOW HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 MARCH 2010

(Continued)

17. Share Capital	2010 £	2009 £
Shares of £1 fully paid and issued at 1 April 2009	390	439
Shares issued during year	2	5
Shares written off in year	<u>(39)</u>	<u>(54)</u>
Shares issued at 31 March 2010	<u>353</u>	<u>390</u>

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

18. Notes to the Cash Flow Statement

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

Deficit for the year	(262,310)	(844,384)
Net interest payable	<u>744,346</u>	<u>1,145,754</u>
Operating surplus for the year excluding interest and tax payable	482,036	301,370
Depreciation	841,234	808,688
(Increase)/decrease in debtors	(66,928)	1,071,787
Share capital cancelled	(39)	(54)
(Gain) on disposal of fixed assets	(34,370)	(146,577)
(Decrease)/increase in creditors	(755,023)	92,360
(Increase)/decrease in work in progress	<u>(250,576)</u>	<u>607,863</u>
	<u>216,334</u>	<u>2,735,437</u>

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

(Decrease) in cash for the year	(321,308)	(227,037)
Loans received	(4,675,201)	(1,306,162)
Loan repayments	<u>662,482</u>	<u>379,385</u>
Change in net debt	(4,334,027)	(1,153,814)
Net debt as at 1 April 2009	<u>(21,069,879)</u>	<u>(19,916,065)</u>
Net debt as at 31 March 2010	<u>(25,403,906)</u>	<u>(21,069,879)</u>

NORTH GLASGOW HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 MARCH 2010

(Continued)

18 Notes to the Cash Flow Statement

(c) Analysis of Changes in net debt

	As at 31 March 2009 £	Cash Flow £	Other Changes £	As at 31 March 2010 £
Cash at bank and in hand	2,234,412	(321,308)	-	1,913,104
Debt due within one year	(2,095,089)	-	1,408,891	(686,198)
Debt due after one year	<u>(21,209,202)</u>	<u>(4,012,719)</u>	<u>(1,408,891)</u>	<u>(26,630,812)</u>
	<u>(21,069,879)</u>	<u>(4,334,027)</u>	<u>-</u>	<u>(25,403,906)</u>

19. Capital Commitments

	2010 £M	2009 £M
Expenditure authorised by the Committee of Management contracted less certified	<u>4.20</u>	<u>1.16</u>
This will be funded by means of:		
Housing Association Grant	1.30	0.05
Shared equity sales	1.40	-
Own resources	-	1.11
Loans	<u>1.50</u>	<u>-</u>
	<u>4.20</u>	<u>1.16</u>

20. Housing Stock

The number of units in Management at 31 March was as follows

	No.	No.
General needs housing	2,250	2,190
Supported housing accommodation	82	82
Shared ownership accommodation	<u>68</u>	<u>73</u>
	<u>2,400</u>	<u>2,345</u>

Various bodies manage stock owned by the Association. The number of units under management by other bodies was as follows.

At 1 April 2009	31	23
Movement in year	<u>20</u>	<u>8</u>
At 31 March 2010	<u>51</u>	<u>31</u>

Eleven units of stock are managed by the Mungo Foundation (2009 – 10), two units are managed by Penumbra (2009 – 8), eleven units are managed by Phoenix Futures (2009 – 11), one property is managed by SAMH (2009 – 1), one unit by Abbeyfield Glasgow (2009 – one), eighteen units are managed by YMCA (2009 – nil) and seven units by GCC Asylum Support Services (2009 – Nil). No funding was paid by the Association to these bodies (2009 - £nil).

NORTH GLASGOW HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 MARCH 2010
(Continued)

21. Related Parties

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

The Company has taken advantage of the exemption in FRS 8 *Related Party Disclosures*, that transactions with wholly owned subsidiaries, do not need to be disclosed.

22. Subsidiary Companies

The Association has two subsidiary companies North Glasgow Management Services Limited (NGMS) and Design Services Glasgow Limited (DSGL). Both companies are companies limited by shares and are registered in Scotland

	% Holding	Class of shares	Country of Incorporation	Cost £
NGMS	100	Ordinary	Scotland	1,000
DSGL	100	Ordinary	Scotland	100

NGMS handles the factoring and other activities that the Association cannot undertake due to its charitable status. NGMS had net assets on capital and reserves of £56,406 (2009 capital and reserves of £24,336) and retained profits of £32,070 (2009 profit of £10,831) for the year ended 31 March 2010. The principal activity of the company is that of property management. Balance due from NGMS at year end was £68,142 (2009 - £111,208).

DSGL was formed during the year. The company is a company limited by shares and is registered in Scotland. DSGL had net assets on capital and reserves of £9,842 and retained profits of £9,742 for the period ended 31 March 2010. The principal activity of the company is that of design services and contracting. Balance of £12,178 was owed to DSGL at the year end.

The Committee of Management is of the opinion that it would be of no real value to the members of the Association to consolidate or include the accounts of the Association's subsidiaries in the group accounts, required to be prepared under Section 13 of the Friendly and Industrial and Provident Societies Act 1968 for the year ended 31 March 2010, because the business of the Association and that of the subsidiaries are so different they cannot be treated as a single undertaking and there is no value to the members in preparing group accounts.

NORTH GLASGOW HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 MARCH 2010

(Continued)

23. Pension Fund

North Glasgow Housing Association Limited participates in the SFHA Pension Scheme.

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

The Scheme offers three benefit structures to employers, namely:

Final salary with a 1/60th accrual rate.

Career average revalued earnings with a 1/60th accrual rate.

Career average revalued earnings with a 1/70th accrual rate.

An employer can elect to operate different benefit structures for their active members (as at the first day of April in any given year) and their new entrants. An employer can only operate one open benefit structure at any one time. An open benefit structure is one which new entrants are able to join. North Glasgow Housing Association has elected to operate the final salary with a 1/60th accrual rate benefit structure for both active members and new entrants to the scheme.

During the accounting period North Glasgow Housing Association Limited paid contributions at the rate of 15.40% of pensionable salaries. Member contributions were 7.0%. As at the balance sheet date there were forty one active members of the Scheme employed by North Glasgow Housing Association Limited. North Glasgow Housing Association Limited continues to offer membership of the Scheme to its employees.

The key valuation assumptions used to determine the assets and liabilities of the SFHA pension scheme for the 2006 valuation assumptions are:

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

The valuation was carried out using the PA92C2025 short cohort mortality table for non-pensioners and PA92C2013 short cohort mortality table for pensioners. The long-term joint contribution rates required from employers and members to meet the cost of *future* benefit accrual were assessed as:

Benefit structure	%
Final salary 60ths	17.8
Career average 60ths	14.6
Career average 70ths	12.6
Additional rate for deficit contributions	5.3

NORTH GLASGOW HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 MARCH 2010

(Continued)

23. Employees Pensions (continued)

It is not possible in the normal course of events to identify on a reasonable and consistent basis the share of underlying assets and liabilities belonging to individual participating employers. 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 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 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.

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

The Scheme Actuary has prepared an Actuarial Report that provides an approximate update on the funding position of the Scheme as at 30 September 2008. Such a report is required by legislation for years in which a full actuarial valuation is not carried out. The funding update revealed a decrease in the assets of the Scheme to £265 million and indicated an increase in the shortfall of assets compared to liabilities to approximately £149 million, equivalent to a past service funding level of 63.9%.

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

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

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

NORTH GLASGOW HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 MARCH 2010

(Continued)

23. Employees Pensions (continued)

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.

North Glasgow Housing Association Limited has been notified by The Pensions Trust of the estimated employer debt on withdrawal from the SFHA Pension Scheme based on the financial position of the Scheme as at 30 September 2009. As of this date the estimated employer debt for was £10,106,426.

Growth Plan

North Glasgow Housing Association Limited participates in the Pensions Trust's Growth Plan. The Plan is funded and is not contracted out of the state scheme. The Growth Plan is a multi-employer pension Plan.

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

The rules of the Growth Plan allow for the declaration of bonuses and / or investment credits if this is within the financial capacity of the Plan assessed on a prudent basis. Bonuses / investment credits are not guaranteed and are declared at the discretion of the Plan's Trustee.

The rules of the Growth Plan give the Trustee the power to require employers to pay additional contributions in order to ensure that the statutory funding objective under the Pensions Act 2004 is met. The statutory funding objective is that a pension scheme should have sufficient assets to meet its past service liabilities, known as Technical Provisions.

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

NORTH GLASGOW HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 MARCH 2010

(Continued)

23. Employees Pensions (continued)

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

The rules of the Growth Plan state that the proportion of obligatory contributions to be borne by the Member and the Member's Employer shall be determined by agreement between them. Such agreement shall require the Employer to pay part of such contributions and may provide that the Employer shall pay the whole of them.

North Glasgow Housing Association Limited paid no contributions to the Growth Plan during the accounting period. Four employees paid contributions into the scheme during the year and were still active members of the plan at the year end. North Glasgow Housing Association continues to offer membership of the Plan to its employees.

It is not possible in the normal course of events to identify on a reasonable and consistent basis the share of underlying assets and liabilities belonging to individual participating employers. The Plan is a multi-employer scheme where the Plan assets are co-mingled for investment purposes, and benefits are paid from the total Plan assets. Accordingly, due to the nature of the Plan, the accounting charge for the period under FRS17 represents the employer contribution payable.

The valuation results at 30 September 2008 have now been completed and have been formalised. The valuation of the Plan was performed by a professionally qualified Actuary using the Projected Unit Method. The market value of the Plan's assets at the valuation date was £742 million and the Plan's Technical Provisions (i.e. past service liabilities) were £771 million. The valuation therefore revealed a shortfall of assets compared with the value of liabilities of £29 million, equivalent to a funding level of 96%.

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

	%pa
- Investment return pre retirement	7.6
- Investment return post retirement	
Actives/deferreds	5.1
Pensioners	5.6
- Bonuses on accrued benefits	0.0
- Rate of price inflation	3.2

In determining the investment return assumptions the Trustee considered advice from the Scheme Actuary relating to the probability of achieving particular levels of investment return. The Trustee has incorporated an element of prudence into pre and post retirement investment return assumptions; such that there is a 60% expectation that the return will be in excess of that assumed and a 40% chance that the return will be lower than that assumed over the next 10 years.

NORTH GLASGOW HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 MARCH 2010

(Continued)

23. Employees Pensions (continued)

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

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

In view of the small funding deficit and the level of prudence implicit in the assumptions used to calculate the Plan liabilities the Trustee has prepared a recovery plan on the basis that no additional contributions from participating employers are required at this point in time. In reaching this decision the Trustee has taken actuarial advice and has been advised that the shortfall of £29 million (as at 30 September 2008) will be cleared within 10 years if the investment returns from assets are in-line with the 'best estimate' assumptions. 'Best estimate' means that there is a 50% expectation that the return will be in excess of that assumed and a 50% expectation that the return will be lower than that assumed over the next 10 years. These "best estimate" assumptions are 8.4% per annum pre-retirement, 5.1% per annum post retirement (actives and deferreds) and 5.6% per annum post-retirement (pensioners).

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

The next full actuarial valuation will be carried out as at 30 September 2011.

Following a change in legislation in September 2005 there is a potential debt on the employer that could be levied by the Trustee of the Plan. The Trustee's current policy is that it only applies to employers with pre October 2001 liabilities in the Plan. The debt is due in the event of the employer ceasing to participate in the Plan or the Plan winding up.

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

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

NORTH GLASGOW HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 MARCH 2010

(Continued)

23. Employees Pensions (continued)

North Glasgow Housing Association Limited has also been notified by the Pensions Trust of the estimated employer debt on withdrawal from the Growth Plan based on the financial position of the Plan as at 30 September 2009. As of this date the estimated employer debt for North Glasgow Housing Association Limited was £37,851 (2009- £17,703).

24. Contingent liabilities

Scottish Homes Stock Transfer

Various financial provisions were incorporated in the legal documentation when the Association acquired housing stock from Scottish Homes in November 2001. The Association is required to account for major repair, capital expenditure and sales of properties under the Right to Buy legislation every five years. At 31 March 2010, the Association had not breached these provisions.

Pensions

North Glasgow Housing Association Limited has been notified by the Pensions Trust of the estimated employer debt on withdrawal from the scheme based on the financial position of the Scheme as at 30 September 2009. As of this date, the estimated employer debt for the Association was £10,106,426. The Association has no current plans to withdraw from the Scheme.

North Glasgow Housing Association Limited has been notified by the Pensions Trust of the estimated employer debt on withdrawal from the Growth Plan Scheme based on the financial position of the Scheme as at 30 September 2009. As of this date the estimated employer debt for the Association was £37,851. The Association has no current plans to withdraw from the Scheme.

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