

Grampian Housing Association Limited -Consolidated

**Report of the Board of Management and
Financial Statements
31 March 2010**



Registration Particulars:

Financial Services Authority

Scottish Housing Regulator

Housing (Scotland) Act 2001
Registered Number 1769 R (S)

Industrial and Provident Societies Act 1965
Registered Number HAL 120 AL

GRAMPIAN HOUSING ASSOCIATION LIMITED - CONSOLIDATED
REPORT OF THE BOARD OF MANAGEMENT AND FINANCIAL STATEMENTS

For the year ended 31 March 2010

Contents

Board of Management, Executives and Advisers	1 - 2
Report of the Board of Management	3 - 11
Statement of Board of Management Responsibilities	12
Board of Management's Statement on Internal Financial Controls	13
Auditor's Report	14 - 15
Income and Expenditure accounts	16 - 17
Balance Sheet	18
Cash Flow Statement	19 - 20
Accounting Policies and Notes to the Financial Statements	21 - 48

GRAMPIAN HOUSING ASSOCIATION LIMITED - CONSOLIDATED

BOARD OF MANAGEMENT, EXECUTIVES AND ADVISERS

For the year ended 31 March 2010

The Board of Management and Executive Officers

The Board of Management and the Executive Officers who held office during the year (and their dates of appointment or resignation where appropriate) together with the interests of the board members at the year end in the share capital of the Association at 31 March 2010 and 2009 (or date of appointment if later) follow:

<i>Board members</i>		Number 2010	Number 2009
Steve Delaney	(Chair)	1	1
Keith Jones	(Vice Chair)	1	1
Graham Morrison		1	1
Sophy Copland	(Resigned 30/06/2009)	-	1
John Fraser		1	1
Dr Leela Gautum		1	1
William McKimmie		1	1
Hugh Munro	(Resigned 22/09/2009)	-	1
Rae Munro #		1	1
Clr Richard Robertson #		1	1
George Ross		1	1
David Young		1	1
Clr Gurudeo Saluja	(Co-opted)	1	1
Clr Jim Noble	(Co-opted)	1	1
Ms Iris Walker *		1	1
Brian Stewart *	(Appointed 29/9/2009; resigned 23/02/2010)	-	-
Gordon Edwards	(Appointed 12/01/2010)	1	-
Alan Thomson	(Appointed 15/12/2009)	1	-

*Customer board member

Sharing Owners

Executive officers

Alan J Moat	(Chief Executive / Secretary; retired 30/06/2010)
Neil Clapperton	(Interim Chief Executive / Assistant Secretary from 30/06/2010)
Malcolm McNeil	(Interim Secretary from 30/06/2010)

An executive officer of the Association although not having the legal status of director acts as an executive within the authority delegated by the Board.

The Board members at the year end listed below were also members of the Board of Management of Kirkgate Holdings Limited (a subsidiary of Grampian Housing Association Limited) and have the following interests in the share capital of that company at 31 March 2010 and 2009 (or date of appointment if later):

		Number 2010	Number 2009
David Young		1	1
John Fraser		1	1
William McKimmie		1	1
Graham Morrison		1	1
Hugh Munro	(Resigned 22/09/2009)	-	1
George Ross		1	1

GRAMPIAN HOUSING ASSOCIATION LIMITED - CONSOLIDATED

BOARD OF MANAGEMENT, EXECUTIVES AND ADVISERS

For the year ended 31 March 2010

The following were members of Kirkgate Holdings Limited Board only:

Walter W Murray	(Chair until 22/09/2009 resignation)	-	1
Donald Murdoch	(Chair from 22/09/2009)	1	1

Registered Office:
Huntly House
74 Huntly Street
Aberdeen
AB10 1TD

Auditors:
Baker Tilly UK Audit LLP
First Floor, Quay 2
139 Fountainbridge
Edinburgh
EH3 9QG

Bankers:
The Royal Bank of Scotland plc
12 Golden Square
Aberdeen
AB10 1DU

Bank of Scotland
38 Albyn Place
Aberdeen
AB10 1ZS

THFC (Social Housing Finance) Limited
4th Floor
107 Cannon Street
London
EC4N 5AF

Dunfermline Building Society
Caledonia House
Carnegie Avenue
Dunfermline
KY11 8PJ

Solicitors:
Raeburn Christie Clark and Wallace
12 - 16 Albyn Place
Aberdeen
AB10 1PS

GRAMPIAN HOUSING ASSOCIATION LIMITED - CONSOLIDATED

REPORT OF THE BOARD OF MANAGEMENT

For the year ended 31 March 2010

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

Legal Status

Grampian Housing Association Limited (the Association), is incorporated in Scotland and registered with the Financial Services Authority under the Industrial and Provident Societies Act, 1965, as a registered Housing Association. It has two subsidiaries: Kirkgate Holdings Limited and Kirkgate Homes Limited (dormant company).

Kirkgate Holdings Limited (the Company), is a company limited by shares incorporated in Scotland and registered with the Financial Services Authority under the Industrial and Provident Societies Act 1965, as a non-registered Housing Association. It is under common control and is treated as a subsidiary of Grampian Housing Association Limited. The members of the company, as entered in the register of members, hold the share capital of the Company as nominees for Grampian Housing Association.

Principal activities

The principal activity of Grampian Housing Association (the Group) is to provide and manage quality accommodation for people in housing need. The Association owns and manages a wide range of housing for rent. It also has a considerable portfolio of shared ownership properties. It provides accommodation for the homeless through its lead tenancies and it has a special relationship with Aberdeen Foyer in terms of the provision of accommodation for young people. In partnership with others it provides special needs accommodation throughout the Grampian area. The Association also provides development services for other Registered Social Landlords (RSLs) in the Grampian areas. Factoring services are provided for a wide range of homes. The Association also has developing relationships with other agencies including NHS Grampian, and Grampian Community Care Charitable Trust (GCCCT). The future objectives of the Association are broadly based within the context of the provision of social housing, and the associated wider housing and related fields. Objectives are measured by appropriate Key Performance Indicators, which are regularly reviewed within the Association's committee structure and they are reported to the Scottish Housing Regulator.

The principal activities of Kirkgate Holdings Limited are to build for sale, or to rent properties at market rent levels, and to develop medical centres for NHS Grampian.

Kirkgate Homes Limited is a dormant company.

Board Members and Training

The group operates a formal induction process for new board members, and regularly reviews the composition of its board to ensure, as far as possible, that its membership comprises an appropriate gender balance with equal opportunities for all members and appointees. A skills audit has been performed, and following on from the appraisal process further board training is undertaken to ensure that members possess an appropriate mix of skills.

Housing stock

During the year the Group completed 92 units of new rental properties, 85 of which were in management at 31 March 2010. 31 new units were completed at Brae Crescent, Kintore; 18 at Grandholm Street, Aberdeen; 18 at Kingfisher Way, Inverurie; 11 at Greyhound Drive, Oldmeldrum; 6 at Castle Road, Cruden Bay, and a single new unit at Craiggarran Way, Aboyne. Another 7 new units completed at Brimmond View, Stoneywood, were leased to Kirkgate Holdings Limited for the purposes of market rental.

Also during the year 2 homes passed from the Association's ownership, as tenants exercised their Right to Buy; against this, 3 properties were added to the Association's portfolio under the Mortgage to Rent scheme. 35 new shared ownership properties were built at Brimmond View, Stoneywood; against this, 4 shared ownership properties were lost through sharing owners exercising their right to staircase to 100% ownership.

GRAMPIAN HOUSING ASSOCIATION LIMITED - CONSOLIDATED

REPORT OF THE BOARD OF MANAGEMENT

For the year ended 31 March 2010

Housing stock *(continued)*

At the year-end the Group owned 2,492 rental properties, and had 435 shared ownership properties in management. It also currently leases 60 properties to Aberdeen Foyer and provides factoring services for over 600 other homes in the Grampian area. The Association continues to operate as the exclusive agent, in the Grampian area, for the Scottish Government's grant assisted initiative Open Market Low Cost Initiative for First Time Buyers (LIFT).

Development

The Group's growth continued in 2009/10 through its substantial housing development plans, from within the Devanha volume procurement programme. At the year-end there were 379 units in development. Of these, 107 units were being developed for partner organisations, including Langstane HA and Castlehill HA. Of the 272 units under development for Grampian, 223 are for rent and 49 for New Supply Shared Equity.

Looking to 2010/11, developments will primarily involve completion of existing activity under the Devanha programme, whose membership comprises of Grampian and another four local RSLs. Capital commitments of £14,784,000 were authorised and contracted for in the immediate future. The Group's capital investment on housing properties for the year ended 31 March 2010 was £26,935,000. This was funded in part by way of Housing Association Grant (HAG) funding from the Scottish Government, which amounted to £17,614,000, and other grants amounting to £1,899,000. The remainder was funded from the Group's own resources, which included £308,000 of sales proceeds from sharing owners and other property sales, from which capital grants (HAG) of £51,000 were repaid.

Income and Expenditure

The Group had a turnover of £18,145,000, an increase of 14% on the previous year's £15,921,000. On this turnover the Group showed a surplus before tax of £1,472,000, compared with £123,000 in 2009. Operating costs at £14,719,000 increased by 9% on the 2009 figure of £13,551,000. A substantial part of these increases was driven by the accounting treatment of shared ownership assets, which now recognises first tranche sales within turnover in accordance with recommended practice. The considerable majority of the operating cost increase was due to the cost of first tranche sales (£942,000); likewise first tranche sales income of £1,179,000 boosted both turnover and surplus. Turnover also increased as a result of increased Homestake (LIFT) sales (up 14% to £5,538,000) and increased revenue from rents and services charges (up 6% to £8,552,000 through a mix of additional property and rent inflation). The substantial increase in surplus was due to a variety of factors, chiefly including a 21% reduction in interest payable from £2,109,000 to £1,656,000 due to low variable interest rates more than offsetting increased borrowing; an 8% reduction in the total repairs spend and the aforementioned net income increases from rents / shared ownership sales.

As a result of the considerable increase in surplus, the Group's tax liability increased substantially to £619,000 from £66,000 in the previous period. The Board is seeking to mitigate future liabilities here through a proposal for the Association to become charitable (see detail below).

Although reduced from 2009, the Association's repair costs were still significant. At £3,410,000 inclusive of overheads, these represented some 23% of total Group operating costs. In particular, a programme of window and door replacement took place at Garthdee, and gas central heating was installed at Nigg Kirk Road, Deer Road and in various Elgin properties. A significant proportion of the major repairs budget was retained for gas and electrical servicing and safety checks, which invariably introduced a requirement for boiler replacements where there were significant numbers beyond economical repair; these were dispersed throughout the stock. At 31 March 2010, outstanding costs associated with Scottish Housing Quality Standard compliance by 2015 are estimated at £1,636,000.

Balance Sheet

The Balance Sheet as at 31 March 2009 has been restated in order to correct an entry made in the previous financial year with respect to the revised accounting treatment of shared ownership first tranche sales, where the calculation applied erroneously included an adjustment for fully sold properties. This reduced revenue reserves and shared ownership housing properties, cost net of depreciation by £439,000 as discussed in Note 1.

GRAMPIAN HOUSING ASSOCIATION LIMITED - CONSOLIDATED

REPORT OF THE BOARD OF MANAGEMENT

For the year ended 31 March 2010

Balance Sheet *(continued)*

At year-end the gross cost of housing properties amounted to £160,905,000 (an increase of £25,627,000 on the restated 2009 balance of £135,278,000) and after allowing for depreciation and HAG these have a net book value of £50,400,000. Updated valuations of the Group's housing stock, undertaken by the valuer DTZ Peda Consulting in 2007 and 2009, indicate market and other valuations in excess of these amounts (see note 12 to the Accounts). Other tangible fixed assets decreased slightly, on a net book value basis from £4,130,000 to £4,031,000, due mainly to depreciation charges.

The Group's net Work in Progress remained almost static (£5,875,000 from £5,876,000), with increased housing buybacks, an unsold element of shared ownership property (first tranche) and increased development of assets under construction on behalf of other Housing Associations and the Devanha partners being matched by sale of property at Collieston.

Current debtors increased from £2,745,000 to £5,070,000, chiefly driven by an increase in HAG receivable and insurance monies receivable in respect of a major flooding claim at Huntly. Debtors due in more than one year by contrast fell to £105,000 from £191,000 to reflect the likely timing of actual payments from owner occupiers at Nigg Kirk Road for work previously invoiced. Cash at bank and in hand increased substantially from £439,000 to £3,554,000; this was strongly influenced by uncertainty at financial year end with respect to the exact timing of grant receipts from the Scottish Government.

Short-term creditors increased from £4,732,000 to £7,057,000. Long-term creditors, by contrast, increased from £45,115,000 to £53,562,000, through additional bank funding to support new developments.

Reserves

At the year-end revenue reserves had increased from a restated £1,846,000 to £2,063,000, chiefly as a result of substantial surplus referred to above. Opening reserves are restated as a result of the aforementioned prior period adjustment; this decreases opening reserves at 1 April 2009 by a net £439,000, with a corresponding decrease in ownership housing fixed assets. Looking ahead these reserves will cover a minimum of nine months of working capital funding for salaries and office overheads, although the Association can still draw upon the new facility negotiated with the Royal Bank of Scotland in 2009, and substantial borrowing capacity remains available within the current asset base.

Designated reserves are resources internally generated from operations, which have been set aside to provide for planned cyclical repairs. A net amount of £665,000 was transferred to designated reserves, which now stand at £4,878,000. These reserves are based on the Association's obligation to maintain its housing properties in a satisfactory state of repair, and the amount set aside will cover the next two years of planned cyclical works. It should be also noted that the Association's long-term repair programme, and updated energy audit report, complies with the requirements of the Scottish Housing Quality Standard (SHQS).

The capital reserve has decreased from £1,889,000 to £1,860,000, which is due to property sales. In summary, however, total reserves increased during the year from a restated £7,949,000 to £8,436,000.

Staffing

Staff numbers increased from 81 to 90 full time equivalent persons, chiefly due to an increase in grant funded Wider Action staffing (see below).

A key change in staffing occurred shortly after the end of the financial year. Although the Chief Executive reached the Association's normal retirement age in May 2009, it was agreed that it would be beneficial if he remained in post for an extended period, to 30 June 2010, to assist with the formation of the Group Structure. At the same time it was agreed that, on the retirement of the Chief Executive, the Director of Housing and Property Services would assume the role of Interim Chief Executive until such point as the Group was formed. The Scottish Housing Regulator was informed about this decision and indicated its approval for this course of action. To help ensure an effective hand-over, the two post-holders worked closely together since the beginning of 2010 and there was a phased hand-over of duties towards the retirement date.

GRAMPIAN HOUSING ASSOCIATION LIMITED - CONSOLIDATED

REPORT OF THE BOARD OF MANAGEMENT

For the year ended 31 March 2010

Wider Action

2009/10 was another busy year in terms of Wider Action activity. The Financial Inclusion Project (SMART) continued to grow and develop. The new Income Advice post, funded by Fairer Scotland Fund for Aberdeen City proved highly successful, with a financial gain for social housing tenants across the City of £350,000. The annual evaluation of the SMART project led once again to very positive feedback, again indicating the health benefits for tenants of receiving support with debt.

At 31 March 2010, the SMART project was nearing the end of its three year period of financial support from the Big Lottery Fund. Grampian was awarded £101,410 commencing on 1 October 2007, of which it received £33,607 during 2009/10. The Association also made a successful application to the Lottery's recession fund, allowing an extension to the SMART project funding of £20,000 for the following year.

The Association continued to provide a community based money advice service in Buckie and will receive further wider role funding and Fairer Scotland Fund monies to expand this to other areas within Moray.

However, perhaps the most significant development in terms of financial inclusion was that Grampian took in-house and recruited Aberdeen City's Cash in Your Pocket team to co-ordinate financial inclusion activity in the City. Operating through a combined referral system and database for financial services, the team also provides training and community capacity building as well as co-ordinating partner activity. This is funded through the Fairer Scotland Fund. Towards the end of 2009/10, Aberdeenshire Council also awarded Fairer Scotland Fund monies to expand Cash in Your Pocket to Aberdeenshire.

Alongside the Cash in Your Pocket team, the Association is also hosting the Warm Zone Project which aims to combat fuel poverty within a specific area of Aberdeen, in Harbour and George Street Wards. This is funded by Scottish Power and Aberdeen City Council.

Despite the departure of its Senior Support Worker in August 2009, the ASSIST Project, now under the line management of Matthew Reid from Langstane, underwent a very successful Care Commission Inspection. This service, which supports vulnerable clients of both Grampian and Tenants First Housing Co-operative, is in receipt of funding this year from Aberdeenshire Council's Homelessness Strategy and Wider Role in respect of its new focus on early intervention with vulnerable groups.

In other areas, new Wider Role grant funding was received for the Community Food Initiative North East (CFINE) project which has worked with tenants in Aberdeenshire and Moray to bring them access to good quality fruit and vegetables at a reasonable cost. In addition, the project allows volunteering and employment opportunities.

The Association has continued to work with Aberdeen Foyer and other local RSLs in the Opportunity Gateway and Learn2Earn projects, aimed at helping tenants obtain pre-employment support and training. Following the closure of the learning houses in Aberdeen city, it has proved difficult to engage with tenants, but supporting tenants with employability issues is seen as of increasing importance in the current economic climate. We have also received wider role funding this year to work in partnership with Pathways, Aberdeen City Council and Job Centre Plus on a project to support the over 50s back into employment.

Customer Participation

Following the Association's achievement of TPAS Accreditation in recognition of its commitment to customer involvement, work throughout the year concentrated on implementing the action plan outlined in the Customer Participation Strategy.

Membership of the Association's cross-departmental Customer Participation Working Group was extended and now includes two tenants and a customer Board member. In addition there is a group of customers who are involved in the work of the Group via email. As a result of discussions at the Group a community garden initiative is currently being progressed.

GRAMPIAN HOUSING ASSOCIATION LIMITED - CONSOLIDATED

REPORT OF THE BOARD OF MANAGEMENT

For the year ended 31 March 2010

Customer Participation *(continued)*

Count me in (customer panel) continues to be recognised as an example of good practice and was re-launched with a survey about the new Allocations Policy. Efforts continue to promote membership of the Panel amongst the Association's customers.

A second successful joint customer conference was held with Langstane Housing Association in November 2009.

Staff continue to attend meetings of residents groups involving the Association's customers in areas including Elgin, Heathryfold, Kingswells and Newmachar.

Knowledge Partnership was recently appointed to undertake the Association's next customer satisfaction survey which will involve all customers being surveyed via a postal questionnaire.

Partnerships and New Initiatives

The Group continues to work closely with a wide range of partners to deliver a variety of services, projects and developments throughout the north east.

In terms of development, good progress was made in 2009/10 with the Association's partnership projects with NHS Grampian and the Scottish Environmental Protection Agency (SEPA). With regard to the former, work on the Timmer Market site in Aberdeen city centre, which is a joint development with NHS Grampian, continued apace throughout the year. Meantime, at the Association's Greyhope Road site in the Torry area of Aberdeen, construction work on the new offices and laboratories for SEPA was completed towards the end of 2009/10. Work is now underway on the construction of the Association's properties with completion for both this and the Timmer Market site expected towards the end of 2010/11.

Another key development partnership for the Association is the Devanha consortium, which follows the principles of collaborative working to deliver a five-year programme of development. The five partners are on track to deliver almost 1,400 affordable homes throughout the North East by the end of 2010/11.

The Association also has well-established partnerships with Aberdeen Foyer and Grampian Community Care Charitable Trust (GCCCT), assisting with the management of tenancies. Following severe flooding in the Huntly area in November, the Association co-ordinated the repair work to two properties owned by Grampian Community Care Charitable Trust and helped to support the affected tenants.

Building on the progress made in 2008/09, the Association continued to work closely with local partners to deliver a common housing register – Apply4homes - for the Aberdeenshire and Moray areas. It is hoped that this will be launched in the year 2010/11.

Similarly, the Association continued to manage the pilot scheme of the Scottish Government's Open Market Shared Equity Scheme. Once again it proved a very popular scheme in 2009/10 and the vast majority of passports issued were realised by the applicants. Grampian also marketed new supply shared equity properties on behalf of four local RSLs.

Partnership working with the three local authorities (Aberdeen City, Aberdeenshire and Moray) continues to be a strong focus of the Association's work, particularly in terms of assisting the councils with their duties in relation to the prevention of homelessness.

In terms of new partnerships for 2009/10, the Association joined a Back Office Benchmarking Club for housing associations in Scotland, with a view to learning from best practice and delivering efficiencies.

One of the most exciting new developments for the Association in 2009/10 was the completion of 42 properties (35 flats for shared ownership and 7 for market rent) at Stonewood, Dyce – the first affordable housing development to be built in Scotland without Government funding. The £5million project was developed in partnership with Barratt and financed through the Association's new, innovative funding model. The Association is now exploring new opportunities for building affordable homes without grant across the North East.

GRAMPIAN HOUSING ASSOCIATION LIMITED - CONSOLIDATED

REPORT OF THE BOARD OF MANAGEMENT

For the year ended 31 March 2010

Rent Policy and Harmonisation

The Association aims to continue to house those in housing need in both rented and shared ownership housing. The objectives are to charge affordable rents and to charge similar rents for similar sizes and types of property, where appropriate, depending upon the geographical location. The Association's general policy for a number of years has been to increase rents by using the December Retail Prices Index (RPI), published in January, as a point of reference, with an increase being applied of RPI +1% on 1st July each year. On this basis, a rent increase of 3.4% (2.4% + 1%) was approved following tenant consultation. The Association is also moving towards rent harmonisation.

Key Performance Indicators (KPIs)

The Association's relevant KPIs, based on data returned and published in the Annual Performance and Statistical Returns to the Scottish Housing Regulator / other available statistics are as follows:

	Actual 2008/09	Peer Group 2008/09	Actual 2009/10	Target Budget 2009/10
% Void Loss	0.7%	1.1%	0.7%	0.7%
Non-Technical Arrears as a % of Net Rental Income – Current Tenants	3.7%	6.1%	3.4%	N/A
% Current Tenants Owing > 13 Weeks Rent	2.2%	5.3%	4.3%	N/A
% Total Rent Arrears	3.2%	4.9%	3.4%	N/A
Average Re-Let Time	16 days	33 days	20 days	N/A
Management and Maintenance Administration Costs per Unit	£836	£863	£885	N/A
Staff costs as % of Turnover	17.2%	N/A	15.6%	N/A
% Properties meeting SHQS	84.41%	77.2%	95.1%	89.0%
% Emergency Repairs completed within Target Response Time	98.40%	96.8%	99.5%	N/A
Unit Cost of Day to Day Repairs	£406	N/A	£412	£415

In considering these statistics, it should be noted that peer group comparisons for 2009/10 had not been published by the Scottish Housing Regulator at the time of preparing these financial statements. In comparing 2008/09 statistics, the Association's performance is better than the peer group average for all of the indicators listed above. The Association's rent arrears percentages, with the exception of non-technical arrears > 13 weeks, increased in 2009/10 in comparison to 2008/09, although this increase was anticipated because of the current financial climate. In 2009/10 void levels remained the same as in 2008/09, emergency repairs response times improved further and there was a significant increase in the percentage of properties meeting the Scottish Housing Quality Standard (SHQS).

GRAMPIAN HOUSING ASSOCIATION LIMITED - CONSOLIDATED

REPORT OF THE BOARD OF MANAGEMENT

For the year ended 31 March 2010

Risk Management

The Group has a moral and statutory duty of care to its tenants, employees and assets. It will meet this duty by ensuring that risk management plays an integral part in the management of the Association at a strategic and operational level. Risk Management is an active process, which requires co-operation from the board of management, senior management and all staff. The Group will aim to make all employees aware of risks through training and communication. The Group's risk management policy was approved by the Finance and General Purposes Committee in May 2008. The internal compliance function has delivered various written reports to the Audit Committee, whilst a tendering process for internal audit services continues to be delayed pending the outcome of the group structure negotiations.

The Board subsequently established a Strategic Risk Register, which highlighted key risks to the organisation. This document was updated by the Board in February 2010 and will in future be updated via the Audit Committee. Key risks include the sensitivity of the Group's activities to changes in government policy (particularly with regard to development), potential competition from larger Associations outwith Grampian and prevailing economic conditions which, inter alia, influence the availability of borrowing and interest rate levels. These risks will be mitigated by, among other actions: regular monitoring, more detailed business planning and the pursuit of alternative development models which rely less upon HAG levels.

Treasury Management Policy

Under its Rules the Group cannot enter into transactions of a speculative nature. At the financial year-end the Group had an appropriate mix of fixed and variable rate funding arrangements. The Group has an active treasury management function, which operates in accordance with the treasury policy approved by the Board of Management. During the year working capital controls enabled delays to bank cash drawdowns which realised net interest savings for the Association.

Maintenance Policies

The Group seeks to maintain its properties to the highest standards. To that end programmes of cyclical repairs are carried out in the medium term to deal with the gradual and predicible deterioration of building components. It is expected that the cost of all of these repairs will be charged to the Income and Expenditure Account. In addition, the Group has a long-term programme of major repairs to cover for works, which have become necessary since the original developments were completed, including works required by subsequent legislative changes. This includes replacement or repairs to components of the properties, which have come to the end of their economic lives. The cost of these repairs is to be charged to the Income and Expenditure Account, unless it is agreed that it can be capitalised within the terms outlined in the Statement of Recommended Practice (SORP).

Credit Payment Policy

The payment policy, which the Group follows, is to pay all purchases within 28 days, although some payments are settled in 14 days, and in accordance with creditor terms.

Group Structure

The Association's plans to form a group structure with Langstane Housing Association have remained at the forefront of activities throughout the year 2009/10. Positive progress has been made in a number of key areas, including the appointment of a Group Senior Management Team (designate); the recruitment and training of a Shadow Board of Management for the Parent Company; and the completion of detailed financial analysis in support of the Business Case.

With the exception of the post of Group Director of Finance, the Senior Management Team has been appointed. All posts were subject to a validation process involving senior governing body members from both associations and, for the Chief Executive position, an external consultant was recruited to oversee the process.

GRAMPIAN HOUSING ASSOCIATION LIMITED - CONSOLIDATED

REPORT OF THE BOARD OF MANAGEMENT

For the year ended 31 March 2010

Group Structure (continued)

The Shadow Board of Management is comprised of twelve individuals – four representatives each from the Grampian and Langstane governing bodies, and four independent members. The latter were appointed following an external recruitment campaign and interview process. The Shadow Board includes customers from both Associations and, collectively, members have a wide range of professional expertise, skills and knowledge. Following a skills audit, a training programme was developed to help give all members a comprehensive understanding of the housing association sector, the Group, the aims and objectives behind the proposals, and the roles and responsibilities of the governing body.

There has been continuous dialogue with the Scottish Housing Regulator (SHR) throughout the year including a number of meetings to discuss the proposals. A significant piece of work has been the completion of the financial analysis and projections in support of the Business Case. Senior staff in the Association were trained in the use of Brixx, a financial modelling software package, to help complete this priority task. This shows a significant advantage in creating a group both for the financial strength of the Association and its capacity to build new affordable homes.

Dialogue and consultation with customers has remained an important element of the process. With the assistance of TPAS, the appointed Independent Tenant Advisor (ITA), customers were advised of the Group Structure proposals through a newsletter and were given the opportunity to comment on the proposals through a dedicated questionnaire. Customers attended information surgeries organised in May 2009. These were facilitated by TPAS and held in Aberdeen and Elgin. Customers have also been kept informed of new developments through regular articles in the Association's own newsletter. There was an update on the proposals at the AGM and the second customer conference held jointly with Langstane Housing Association in November, also offered tenants the opportunity to find out more about the progress being made with the formation of the Group.

Meantime, during 2009/10, the Association's Board of Management examined the possibility of becoming charitable. At its meeting of 30 June 2009, the Board took a decision in principle to adopt charitable status, subject to the submission of further detail on the practical consequences of this course. On the same date, the Board of Kirkgate Holdings also discussed this issue, and gave its consent in principle to a constitutional amendment which would enable future Gift Aid of profits to Grampian Housing Association. This may have significant implications in due course for the activities respectively undertaken by both organisations. Further, on 18 August 2009, Grampian's Board of Management held a Special Meeting which approved a proposal to submit an application to the Office of the Scottish Charity Regulator and the Scottish Housing Regulator to seek charitable registration, subject to approval at a General Meeting of the Association.

GRAMPIAN HOUSING ASSOCIATION LIMITED - CONSOLIDATED

REPORT OF THE BOARD OF MANAGEMENT

For the year ended 31 March 2010

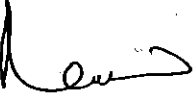
Statement as to the disclosure of information to auditors

The Board Members who were in office on the date of approval of these financial statements have confirmed, as far as they are aware, that there is no relevant audit information of which the auditors are unaware. Each of the Board Members have confirmed that they have taken all the steps that they ought to have taken as Board Members in order to make themselves aware of any relevant audit information and to establish that it has been communicated to the auditor.

Auditors

Baker Tilly UK Audit LLP have indicated their willingness to continue in office. A resolution regarding their reappointment will be proposed at the next Annual General meeting.

By order of the Board



Neil Clapperton
Interim Chief Executive / Assistant Secretary

24 August 2010

GRAMPIAN HOUSING ASSOCIATION LIMITED CONSOLIDATED
STATEMENT OF BOARD OF MANAGEMENT'S RESPONSIBILITIES

For the year ended 31 March 2010

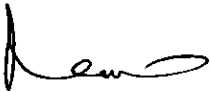
Statute requires the Board of Management to prepare financial statements for each financial year which give a true and fair view of the affairs of the Group and of the surplus or deficit for that period. In preparing those financial statements, the Board of Management is required to fulfil the following obligations:

- select suitable accounting policies and apply them consistently;
- make reasonable and prudent judgements and estimates;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group will continue in business.

The Board of Management confirms that the financial statements comply with these requirements.

The Board of Management is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Association and to enable them to ensure that the financial statements comply with the Industrial and Provident Societies Act 1965 to 2002, the Housing (Scotland) Act 2001 and the Registered Housing Associations (Accounting Requirements) (Scotland) Order 2007. They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

By order of the Board of Management



Neil Clapperton
Assistant Secretary

GRAMPIAN HOUSING ASSOCIATION LIMITED - CONSOLIDATED

BOARD OF MANAGEMENT'S STATEMENT ON INTERNAL FINANCIAL CONTROLS

For the year ended 31 March 2010

The Board of Management acknowledge their ultimate responsibility for ensuring that the Group 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 Group or for publication;
- the maintenance of proper accounting records; and
- the safeguarding of assets (against unauthorised use or disposition).

It is the Board 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 Group'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 Board 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 Board of Management members and Co-optees.
- the Board of Management reviews reports from their Senior Management Team, staff and from the external auditors, and from specialised consultants 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 Group.
- formal procedures have been established for instituting appropriate action to correct weaknesses identified from the above reports.

The Board of Management has reviewed the system of internal financial control in the Group for the year ended 31 March 2010 and until the below date. No weaknesses were found in internal financial controls which could result in material losses, contingencies or uncertainties which require disclosure in the financial statements or in the auditors' report on the financial statements.

These arrangements are considered appropriate to the scale and range of the Association's activities, and comply with the requirements contained in the Scottish Housing Regulator's guidance and the SFHA's publication, "Raising Standards in Housing".

By order of the Board of Management



Neil Clapperton
Assistant Secretary

GRAMPIAN HOUSING ASSOCIATION LIMITED - CONSOLIDATED

Independent Auditor's report to the members of

Grampian Housing Association Limited

Corporate Governance

In addition to the audit of the financial statements, we have reviewed the Board of Management's statement on page 13 on the Association's compliance with the section on Internal Financial Control within SFHA's publication "Raising Standards in Housing". The objective of our review is to draw attention to non-compliance with those paragraphs of the publication not otherwise disclosed.

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 13 has provided the disclosures required by the section on Internal Financial Controls within SFHA's document "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

Baker Tilly UK Audit LLP
Registered Auditors
Chartered Accountants
First Floor, Quay 2
139 Fountainbridge
Edinburgh
EH3 9QG

Date *27 August* 2010

GRAMPIAN HOUSING ASSOCIATION LIMITED - CONSOLIDATED

Independent Auditor's report to the members of

Grampian Housing Association Limited

We have audited the financial statements on pages 16 to 48, which have been prepared under the accounting policies set out on pages 21 to 24.

This report is made solely to the Association's members, as a body, in accordance with section 9 of the Friendly and Industrial and Provident Societies Act 1968. Our audit work has been undertaken so that we might state to the Association's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept responsibility to anyone other than the Association and the Association's members as a body, for our audit work, for this report and for the opinion we have formed.

Respective responsibilities of the Board and auditors

The Board's responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Board'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, a satisfactory system of internal control over transactions has not been maintained, if the Association has not kept proper accounting records or if we have not received all the information and explanations we require for our audit.

We read other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements 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 judgements made by the Board in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Association's circumstances, consistently applied and adequately disclosed.

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

Opinion

In our opinion the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Association's affairs as at 31 March 2010 and of its [surplus/deficit] for the year then ended and have been properly prepared in accordance with the Industrial and Provident Societies Acts 1965 to 2002, Schedule 7 to the Housing (Scotland) Act 2001 and the Registered Social Landlords Accounting Requirements (Scotland) Order 2007.

Baker Tilly UK Audit LLP

Baker Tilly UK Audit LLP
Registered Auditors
Chartered Accountants
First Floor, Quay 2
139 Fountainbridge
Edinburgh
EH3 9QG

Date *27 August* 2010

GRAMPIAN HOUSING ASSOCIATION LIMITED - CONSOLIDATED

CONSOLIDATED INCOME AND EXPENDITURE ACCOUNT

For the year ended 31 March 2010

	<i>Note</i>	2010	2009
		£000	£000
Turnover	<i>1 & 2</i>	18,145	15,921
Cost of property sales		(410)	(650)
Operating costs		(14,719)	(13,551)
		<hr/>	<hr/>
Operating surplus		3,016	1,720
Surplus on disposal of housing fixed assets		100	463
Interest receivable	<i>9</i>	11	49
Interest payable	<i>10</i>	(1,655)	(2,109)
		<hr/>	<hr/>
Surplus on ordinary activities before Taxation		1,472	123
Taxation charge on surplus on ordinary activities	<i>11</i>	(619)	(66)
		<hr/>	<hr/>
Surplus on ordinary activities after Taxation for the financial year	<i>20</i>	853	57
		<hr/> <hr/>	<hr/> <hr/>

All figures relate to continuing operations.

The Group has no recognised surpluses or deficits other than those included in the surplus above, and therefore no separate statement of total recognised surpluses and deficits has been presented.

GRAMPIAN HOUSING ASSOCIATION LIMITED - CONSOLIDATED
HOUSING ASSOCIATION INCOME AND EXPENDITURE ACCOUNT

For the year ended 31 March 2010

	<i>Note</i>	2010 £000	2009 £000
Turnover	<i>1 & 2</i>	17,433	15,019
Operating costs		(14,605)	(13,439)
		<hr/>	<hr/>
Operating surplus		2,828	1,580
Surplus on disposal of housing fixed assets		100	463
Interest receivable	<i>9</i>	97	148
Interest payable	<i>10</i>	(1,594)	(2,069)
		<hr/>	<hr/>
Surplus on ordinary activities before Taxation		1,431	122
Taxation charge on surplus on ordinary activities	<i>11</i>	(606)	(57)
		<hr/>	<hr/>
Surplus on ordinary activities after Taxation for the financial year	<i>21</i>	825	65
		<hr/> <hr/>	<hr/> <hr/>

All figures relate to continuing operations.

The Association has no recognised surpluses or deficits other than those included in the surplus above, and therefore no separate statement of total recognised surpluses and deficits has been presented.


GRAMPIAN HOUSING ASSOCIATION LIMITED - CONSOLIDATED

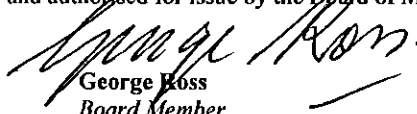
CONSOLIDATED BALANCE SHEET

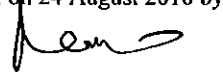
As at 31 March 2010

	Note	2010		2009 As restated	
		GROUP £000	ASSOCIATION £000	GROUP £000	ASSOCIATION £000
Tangible fixed assets					
Housing properties – gross cost					
less depreciation	12	157,260	155,462	132,061	130,231
Less Housing Association Grant	12	(98,565)	(98,565)	(81,244)	(81,244)
Less Other Grants	12	(8,295)	(8,295)	(6,402)	(6,402)
		<hr/>	<hr/>	<hr/>	<hr/>
Other	13	50,400	48,602	44,415	42,585
		4,031	2,757	4,130	2,850
Fixed Asset Investments					
LIFT Loans		3,891	3,891	1,507	1,507
LIFT Grants		(3,505)	(3,505)	(1,507)	(1,507)
		<hr/>	<hr/>	<hr/>	<hr/>
		386	386	-	-
		<hr/>	<hr/>	<hr/>	<hr/>
Tangible Fixed Assets		54,817	51,745	48,545	45,435
Current assets					
Stock and Work in Progress	14	5,875	5,324	5,876	5,014
Debtors	15	5,085	5,440	2,745	3,597
Cash at bank and in hand	16	3,554	3,413	439	370
		<hr/>	<hr/>	<hr/>	<hr/>
		14,514	14,177	9,060	8,981
Creditors: amounts falling due					
Within one year	17	(7,072)	(6,847)	(4,732)	(4,430)
		<hr/>	<hr/>	<hr/>	<hr/>
Net current assets		7,442	7,330	4,328	4,551
		<hr/>	<hr/>	<hr/>	<hr/>
Debtors: amounts falling due					
After one year	15	105	1,688	191	1,484
		<hr/>	<hr/>	<hr/>	<hr/>
Total assets less current					
Liabilities		62,364	60,763	53,064	51,470
Creditors: amounts falling due					
After more than one year	18	(53,562)	(52,327)	(45,115)	(43,859)
		<hr/>	<hr/>	<hr/>	<hr/>
Net assets		8,802	8,436	7,949	7,611
		<hr/>	<hr/>	<hr/>	<hr/>
Capital and reserves					
Share capital	19	1	1	1	1
Designated reserves	20/21	4,878	4,878	4,213	4,213
Capital reserve	20/21	1,860	1,860	1,889	1,889
Revenue reserves	20/21	2,063	1,697	1,846	1,508
		<hr/>	<hr/>	<hr/>	<hr/>
Shareholders' funds	20/21	8,802	8,436	7,949	7,611
		<hr/>	<hr/>	<hr/>	<hr/>

These financial statements were approved and authorised for issue by the Board of Management on 24 August 2010 by:


Steve Delaney
Chair


George Boss
Board Member


Neil Clapperton
Assistant Secretary

GRAMPIAN HOUSING ASSOCIATION LIMITED - CONSOLIDATED

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 March 2010

	<i>Notes</i>	2010		2009	
		£000	£000	£000	£000
Cash inflow / (outflow) from operating activities	24		3,991		(892)
Returns on investments and servicing of finance					
Interest received		11		49	
Interest paid		(1,600)		(2,094)	
		<hr/>		<hr/>	
Net cash outflow from returns on investments and servicing of finance			(1,589)		(2,045)
Taxation					
Corporation tax paid		(98)		(11)	
		<hr/>		<hr/>	
Net cash (outflow) on taxation			(98)		(11)
Capital expenditure and financial investment					
Acquisition and construction of					
Housing properties		(25,602)		(9,226)	
Purchase of other fixed assets		(92)		(74)	
Capital grants received		17,849		4,546	
Capital grants repaid		(51)		(171)	
Sales of housing properties		184		751	
Sales of other fixed assets		33		6	
		<hr/>		<hr/>	
Net cash (outflow) from capital expenditure and investing activities			(7,679)		(4,168)
			<hr/>		<hr/>
Net cash (outflow) before use of liquid resources and financing			(5,375)		(7,116)
Financing					
Loan advances received		8,689		6,431	
Loan principal repayments		(199)		(173)	
		<hr/>		<hr/>	
Net cash inflow from financing	26		8,490		6,258
			<hr/>		<hr/>
Increase / (decrease) in cash in the year	25 & 26		3,115		(858)
			<hr/> <hr/>		<hr/> <hr/>

GRAMPIAN HOUSING ASSOCIATION LIMITED
HOUSING ASSOCIATION CASH FLOW STATEMENT

For the year ended 31 March 2010

	<i>Notes</i>	2010		2009	
		£000	£000	£000	£000
Cash inflow / (outflow) from operating activities	27		3,750		(2,296)
Returns on investments and servicing of finance					
Interest received		97		148	
Interest paid		(1,538)		(2,055)	
		<hr/>		<hr/>	
Net cash outflow from returns on investments and servicing of finance			(1,441)		(1,907)
Taxation					
Corporation tax paid		(97)		(17)	
		<hr/>		<hr/>	
Net cash (outflow) on taxation			(97)		(17)
Capital expenditure and financial investment					
Acquisition and construction of Housing properties		(25,602)		(8,015)	
Purchase of other fixed assets		(92)		(74)	
Capital grants received		17,849		4,546	
Capital grants repaid		(51)		(171)	
Sales of housing properties		184		751	
Sales of other fixed assets		33		6	
		<hr/>		<hr/>	
Net cash (outflow) from capital expenditure and investing activities			(7,679)		(2,957)
			<hr/>		<hr/>
Net cash (outflow) before use of liquid resources and financing			(5,467)		(7,177)
Financing					
Loan advances received		8,689		6,431	
Loan principal repayments		(179)		(156)	
		<hr/>		<hr/>	
Net cash inflow from financing	29		8,510		6,275
			<hr/>		<hr/>
Increase (decrease) in cash in the year	28 & 29		3,043		(902)
			<hr/> <hr/>		<hr/> <hr/>

GRAMPIAN HOUSING ASSOCIATION LIMITED - CONSOLIDATED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2010

The Association is incorporated under the Industrial and Provident Societies Act 1965, is registered by the Financial Services Authority and is a Registered Social Landlord.

1. Accounting policies

Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards, and under the historical cost accounting rules. They comply with the Registered Social Landlords Accounting Requirements (Scotland) Order 2007 and with the Statement of Recommended Practice (SORP), Accounting by Registered Social Landlords 2008.

Basis of Consolidation

The Group financial statements consolidate the accounts of Grampian Housing Association Limited, and its subsidiary company Kirkgate Holdings Limited using acquisition accounting.

Going Concern

The Group has a significant asset base matched by growing reserves and, as indicated in note 12 below, is able to call upon substantial untapped value within its housing stock in order to fund future development activity. Recent short term cash flow forecasts indicate that existing loan facilities will meet its borrowing requirements into 2011, but the Group is conscious that planned growth beyond this will entail further borrowing. To this end, the Group has entered discussions with its main lenders, Royal Bank of Scotland plc / Lloyds Banking Group, and is in receipt of proposals which would allow for an indicative £20 million of additional borrowing. Whilst still under discussion, this is illustrative of a positive business outlook which is also demonstrated by successful compliance with key loan covenants. The Board therefore has a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future, and therefore will continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Prior Period Adjustment

In the financial statements for the year ended 31 March 2009 a prior period adjustment was processed in respect of shared ownership disposals. Previously first tranche disposals were netted off against the cost of the asset, however the change in policy meant that the proceeds from these first tranche disposals are recognised within the Income and Expenditure Account in the year of sale. This meant that opening reserves and fixed assets were increased by the net proceeds calculated for sales of £940,000. This amount was found to have been overstated by £439,00 as it included some properties subsequently fully sold, hence this reduction had to be reflected this year as a prior period adjustment.

Turnover

Turnover represents rental and service charge income receivable from tenants and owner occupiers, fees and revenue based grants receivable from local authorities and the Scottish Government and fees from the provision of management services. It also includes lease income from commercial property, income from the sale of LIFT properties and income from the first tranche of shared ownership sales.

Development costs and allowances

Development allowances are intended to finance certain internal administrative costs relating to the acquisition and development of housing land and buildings for approved schemes. Notional development allowances become available in instalments according to the progress of work on the scheme and are included in HAG or are treated as deferred allowances in accruals and deferred income while development costs are added to housing properties. Deferred development allowances are used to fund future development costs.

Housing properties, housing association grant and depreciation

(a) Housing properties are stated at cost. The development costs of housing properties include the following:

- cost of acquiring land and buildings;
- development expenditure; and
- interest charged on the development loans raised to finance the scheme.

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

GRAMPIAN HOUSING ASSOCIATION LIMITED - CONSOLIDATED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2010

1. Accounting policies (continued)

(b) For developments under the terms of the 1988 Housing Act, Housing Association Grant (HAG) is paid directly to the Association as required to meet its liabilities during the development process. HAG is repayable under certain circumstances, primarily following the sale of property, but will normally be restricted by the level of sales proceeds.

(c) Land is not depreciated. Depreciation is charged so as to write down the value of housing properties on a straight line basis over their remaining estimated useful economic lives. In determining the remaining useful lives for the housing stock, the Association has taken account of views provided by both internal and external professional sources. It is the Association's view (based on a detailed knowledge of the stock, its condition, and the future programme of component renewal) that the stock has a very long remaining life. This life for use in the accounts was 100 years from the date of practical completion. Depreciation is charged on a development by development basis.

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

tranche sales, which are deducted from cost. Any grants received that cannot be repaid from the proceeds of sale are abated and the grant removed from the financial statements.

Impairment is calculated as the difference between the carrying value of income generating units and the estimated value in use at the date an impairment loss is recognised. 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.

(d) 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 net rental income or
- a reduction in future maintenance costs or
- a significant extension of the life of the property.

Works to existing properties which fail to meet the above criteria are charged to the Income and Expenditure account.

In relation to Kirkgate Holdings Limited, land and buildings depreciation is provided to write off the cost of housing properties by equal instalments over their estimated remaining useful economic lives of 60 years. Improvements to housing properties are capitalised where appropriate, and are depreciated between 5 and 60 years in a straight line depreciation basis. The expected life span of the improvements vary depending upon their classification, and the following periods have been used:

Roofing 60 years; Bathrooms 20 years; Kitchens 15 years; Heating 10 years; Carpets 5 years

Other fixed assets

Other fixed assets are stated at cost. The development costs of other fixed assets include the following:

- cost of acquiring land and buildings; and
- development expenditure.

Depreciation is calculated to write down the cost of other fixed assets on a straight line basis over their expected useful lives as follows:

Commercial Buildings	100 years
Office Buildings	50 years
Plant, machinery, fixtures and motor vehicles	3 to 5 years
Computer hardware and software	4 years

No depreciation is provided on freehold land or commercial properties under construction.

GRAMPIAN HOUSING ASSOCIATION LIMITED - CONSOLIDATED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2010

1. Accounting policies (continued)

Commercial Properties

Commercial properties include the capitalised costs of the land acquisition, which is made up of the valuation certificate and other development costs to date.

Designated reserves

Cyclical and major repairs reserve

This reserve is based on the Association's obligation to maintain its housing properties in a satisfactory state of repair. Reactive repairs are met from revenue in the year in which they are incurred. However repairs of a cyclical or long-term nature are carried out in accordance with the Association's life cycle costing programme and will be funded from designated reserves. External decoration is planned to take place every 4 years with decoration of internal common parts every 8 years and major components replaced in accordance with the life cycle programme.

The reserve must also cover future major repairs expenditure. The actual cost is charged to the income and expenditure account and is covered by a reserve transfer. The Association's rental policy takes into account the need for adequate major repairs provisions to accumulate. Anticipated spend on cyclical and major repairs over the next five years is £10,300,000.

Capital reserve

Amounts arising on business combinations in respect of acquisitions are included within capital and reserves and released to the income and expenditure account in the periods in which the fair values of the non-monetary assets acquired on the same acquisition are recovered, whether through depreciation or sale.

Pensions

The Association participates in a defined contribution pension scheme. The assets of the scheme are held separately from those of the Association in an independently administered fund. The amount charged to the Income and Expenditure account represents the contributions payable to the scheme in respect of the accounting period.

Taxation

The charge or credit for taxation is based on the surplus or deficit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Deferred tax is recognised without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19.

Loans and Grants

Loans are advanced by private or public lenders under the terms of individual mortgage deeds in respect of each development or under a global facility secured on existing developments. Grants from the Housing and Regeneration Department or local authorities are payable to subsidise the capital cost of housing developments. Grants from the Housing and Regeneration Department take the form of Housing Association Grant (HAG) funding. Advances are generally available only in respect of those developments which have been given approval by Scottish Housing Regulator.

Grants in respect of revenue expenditure are credited to the income and expenditure account in the same period as the expenditure to which they relate.

Deferred Income

Income received in advance for commercial properties (in the form of a grassum) and for housing properties from the Foyer is treated as deferred income and released to the income and expenditure account over the period to which the rent relates.

Operating leases

Operating lease rentals are charged to the income and expenditure account on a straight line basis over the period of the lease.

Stock

Stock and work in progress is stated at the lower of cost and net realisable value.

Developments in progress for other Associations are included in WIP at cost net of any related HAG. Interest up to practical completion is capitalised on WIP.

GRAMPIAN HOUSING ASSOCIATION LIMITED - CONSOLIDATED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2010

1. Accounting policies (*continued*)

VAT

The Association is VAT registered. However a large proportion of the 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. There is a Group VAT registration scheme.

Low Cost Initiative for First Time Buyers – LIFT (formerly Homestake)

LIFT transactions are classified within the accounts as a current asset, with the cost of the property and HAG shown separately. LIFT income received from sales is included within turnover and the expenses are included as cost of sales to reflect the level of activity undertaken. During the development of LIFT properties the costs and HAG received are shown in the Balance Sheet as a current asset and once sold they are reported as a fixed asset investment. The current asset treatment reflects the risk to the Association until a sale is achieved.

Shared Ownership

Proceeds from first tranche disposals of shared ownership properties are accounted for in the Income and Expenditure account of the period in which the disposal occurs, with any surpluses on disposal recognised in the Income & Expenditure account as turnover. The cost of disposal of first tranche disposals is included within cost of sales. The first tranche element of any unsold properties is shown as a current asset.

**GRAMPIAN HOUSING ASSOCIATION LIMITED - CONSOLIDATED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

For the year ended 31 March 2010

2. Particulars of turnover, operating surplus and surplus/ (deficit) for the financial year by class of business

Group:	Turnover	Operating Costs	Operating Surplus	Operating Surplus for previous period of account	£000
Social lettings	8,552	(6,252)	2,300	1,611	£000
Other activities	9,593	(8,877)	716	109	
Total	18,145	(15,129)	3,016	1,720	
Total for previous period of account	15,921	(14,201)	1,720		

Particulars of turnover, operating surplus and surplus/ (deficit) for the financial year by class of business

Housing Association:	Turnover	Operating Costs	Operating Surplus	Operating Surplus for previous period of account	£000
Social lettings	8,552	(6,252)	2,300	1,611	£000
Other activities	8,881	(8,353)	528	(31)	
Total	17,433	(14,605)	2,828	1,580	
Total for previous period of account	15,019	(13,439)	1,580		

GRAMPLAN HOUSING ASSOCIATION LIMITED - CONSOLIDATED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2010

3 Particulars of turnover, operating costs and operating surplus/(deficit) from social letting activities	General Needs Housing		Supported Housing Accommodation		Shared Ownership Housing		Other (describe)		Total	
	£000	£000	£000	£000	£000	£000	£000	£000	£000	Total for previous period of account £000
Group and Association										
Rent receivable net of service charges	7,426	-	-	681	-	-	-	-	8,107	7,648
Service charges	420	-	-	89	-	-	-	-	509	499
Gross income from rents and service charges	7,846	-	-	770	-	-	-	-	8,616	8,147
Less Voids	(61)	-	-	(3)	-	-	-	-	(64)	(63)
Net income from rents and service charges	7,785	-	-	767	-	-	-	-	8,552	8,084
Grants from Scottish Ministers	-	-	-	-	-	-	-	-	-	-
Other revenue grants	-	-	-	-	-	-	-	-	-	-
Total turnover from social letting activities	7,785	-	-	767	-	-	-	-	8,552	8,084
Management and maintenance administration costs	(2,201)	-	-	(320)	-	-	-	-	(2,521)	(2,317)
Service costs	(572)	-	-	-	-	-	-	-	(572)	(566)
Planned and cyclical maintenance including major repairs costs	(1,658)	-	-	-	-	-	-	-	(1,658)	(1,998)
Reactive maintenance costs	(1,003)	-	-	-	-	-	-	-	(1,003)	(1,003)
Bad debts - rent and service charges	(91)	-	-	(3)	-	-	-	-	(94)	(189)
Depreciation of social housing	(367)	-	-	(37)	-	-	-	-	(404)	(400)
Impairment of social housing	-	-	-	-	-	-	-	-	-	-
Operating costs for social letting activities	(5,892)	-	-	(360)	-	-	-	-	(6,252)	(6,473)
Operating surplus for social letting activities	1,893	-	-	407	-	-	-	-	2,300	1,611
Operating surplus for social letting activities for previous period of account	1,247	-	-	364	-	-	-	-	1,611	-

GRAMPIAN HOUSING ASSOCIATION LIMITED - CONSOLIDATED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2010

4(a) Particulars of turnover, operating costs and operating surplus or deficit from other activities

Group:	Grants from Scottish Ministers £000	Other revenue grants £000	Supporting people income £000	Other income £000	Total turnover £000	Operating costs – bad debts £000	Other operating costs £000	Operating Surplus/ (Deficit) £000
Wider role activities undertaken to support the community, other than the provision, construction, improvement and management of housing property	214	182	-	-	396	-	(568)	(172)
Care and repair of property	-	-	-	-	-	-	-	-
Factoring	-	-	-	332	332	(18)	(396)	(82)
Development and construction of property activities	281	-	-	-	281	-	(609)	(328)
Support activities	-	-	-	-	-	-	-	-
Care activities	-	-	-	-	-	-	-	-
Agency/management services – RSLs	324	-	-	208	532	-	-	532
Other agency/management services	-	-	-	53	53	-	(128)	(75)
Developments for sale to RSLs	-	-	-	-	-	-	-	-
Developments and improvements for sale to non RSLs	-	-	-	-	-	-	-	-
Big Lottery Grant Fund	-	34	-	-	34	-	(34)	-
Homestake / LIFT	115	103	-	5,538	5,756	-	(5,538)	218
First Tranche Shared Ownership Sales	-	-	-	1,179	1,179	-	(942)	237
Market Rent	-	-	-	178	178	-	(107)	71
New Property Sales	-	-	-	430	430	-	(410)	20
Other Activities (Material) – Foyer	-	-	-	232	232	-	(69)	163
Other activities (Non Material)	22	-	-	168	190	-	(58)	132
Total from other activities	956	319	-	8,318	9,593	(18)	(8,859)	716
Total from other activities –2009	1,237	102	-	6,498	7,837	-	(7,728)	109

**GRAMPIAN HOUSING ASSOCIATION LIMITED - CONSOLIDATED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

For the year ended 31 March 2010

4(b) Particulars of turnover, operating costs and operating surplus or deficit from other activities

Association:	Grants from Scottish Ministers £000	Other revenue grants £000	Supporting people income £000	Other income £000	Total turnover £000	Operating costs – bad debts	Other operating costs	Operating Surplus/ (Deficit) £000
Wider role activities	214	182	-	-	396	-	(568)	(172)
Care and repair of property	-	-	-	-	-	-	-	-
Factoring	-	-	-	332	332	(18)	(396)	(82)
Development and construction of property activities	281	-	-	-	281	-	(609)	(328)
Support activities	-	-	-	-	-	-	-	-
Care activities	-	-	-	-	-	-	-	-
Agency management services – RSLs	324	-	-	208	532	-	-	532
Other agency/management services	-	-	-	53	53	-	(128)	(75)
Developments for sale to RSLs	-	-	-	-	-	-	-	-
Developments and improvements for sale to non RSLs	-	-	-	-	-	-	-	-
Big Lottery Grant Fund	-	34	-	-	34	-	(34)	-
Homesite / LIFT	115	103	-	5,538	5,756	-	(5,538)	218
First Tranche Shared Ownership Sales	-	-	-	1,179	1,179	-	(942)	237
Commercial Rent	-	-	-	-	-	-	-	-
Other Activities (Material) – Foyer	22	-	-	232	232	-	(69)	163
Other activities (Non Material)	-	-	-	64	86	-	(51)	35
Total from other activities	956	319	-	7,606	8,881	(18)	(8,335)	528
Total from other activities – 2009	1,237	102	-	5,596	6,935	-	(6,966)	(31)

GRAMPIAN HOUSING ASSOCIATION LIMITED - CONSOLIDATED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2010

5. Housing stock (Group)

	Units under development		Units under management	
	2010	2009	2010	2009
Housing accommodation for letting:				
New build and mixed funded	<u>272</u>	<u>152</u>	<u>2,492</u>	<u>2,398</u>
Home ownership accommodation:				
Shared ownership	<u>-</u>	<u>28</u>	<u>435</u>	<u>404</u>

Housing stock (Association)

	Units under development		Units under management	
	2010	2009	2010	2009
Housing accommodation for letting:				
New build and mixed funded	<u>272</u>	<u>152</u>	<u>2,454</u>	<u>2,368</u>
Home ownership accommodation:				
Shared ownership	<u>-</u>	<u>28</u>	<u>435</u>	<u>404</u>

6. Remuneration of members of board of management and directors

No members of the Board of Management received any remuneration from the Association.

Directors are defined to include the Chief Executive and any other person reporting directly to the Chief Executive or the Board whose total emoluments including pensions contributions exceed £60,000 per year.

	2010	2009
	£000	£000
Total emoluments payable to directors (including pension contributions)	<u>373</u>	<u>363</u>
Emoluments payable to the highest paid director (excluding pension contributions))	<u>86</u>	<u>84</u>
Pension contributions	<u>8</u>	<u>8</u>
	<u>94</u>	<u>92</u>

The Chief Executive is a member of the Association's defined contributions pension scheme as disclosed in note 32.

The Association made pension contributions of £33,768 (2009: £27,358) on behalf of those directors whose total emoluments, excluding pension contributions are in excess of £60,000 per annum.

The directors' emoluments (excluding pension contributions) fell within the following band distributions:

	2010	2009
	No	No
More than £60,000 but not more than £70,000	3	3
More than £70,000 but not more than £80,000	1	-
More than £80,000 but not more than £90,000	-	1
More than £90,000 but not more than £100,000	1	-

GRAMPIAN HOUSING ASSOCIATION LIMITED - CONSOLIDATED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2010

7. Staff numbers and costs (Group and Association)

The full time equivalent number of persons employed (excluding board members) in the year, analysed by category, was as follows:

	Number of employees	
	2010	2009
Administration	79	71
Maintenance	11	10
	<u>90</u>	<u>81</u>

The aggregate payroll costs of these persons were as follows:

	2010	2009
	£000	£000
Wages and salaries	2,410	2,285
Social security costs	220	210
Other pension costs	177	174
	<u>2,807</u>	<u>2,669</u>

8. Operating Surplus on ordinary activities

	2010	2010	2009	2009
	Group £000	Association £000	Group £000	Association £000
<i>Operating Surplus on ordinary activities before taxation is stated after charging:</i>				
Depreciation – housing fixed assets	439	403	431	401
Depreciation – non housing fixed assets	167	161	154	149
Repairs (cyclical, major, day to day)	3,396	3,396	3,683	3,683
Auditors' remuneration:				
Audit	30	26	27	23
Other services	17	16	8	7
Operating lease rentals:				
Buildings	225	225	225	225
Other	20	20	17	17
Impairment of work in progress	-	-	73	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

9. Interest receivable

	2010	2010	2009	2009
	Group £000	Association £000	Group £000	Association £000
Bank interest receivable	11	97	49	148
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

10. Interest payable

	2010	2010	2009	2009
	Group £000	Association £000	Group £000	Association £000
On bank loans and overdrafts – gross	1,796	1,726	2,138	2,065
On all other loans – gross	208	208	247	247
Less interest capitalised in Fixed Assets and WIP	(349)	(340)	(276)	(243)
	<u>1,655</u>	<u>1,594</u>	<u>2,109</u>	<u>2,069</u>

GRAMPIAN HOUSING ASSOCIATION LIMITED - CONSOLIDATED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2010

11. Taxation

Group

Analysis of charge in year

	2010	2009
	£000	£000
<i>UK corporation tax</i>		
Current tax on income for the year	403	98
Adjustment in respect of previous years	163	-
	<hr/>	<hr/>
Total current tax	566	98
Deferred tax movement	53	(32)
Adjustment in respect of previous periods	-	-
	<hr/>	<hr/>
Tax on surplus/(deficits) on ordinary activities	619	66
	<hr/>	<hr/>

Factors affecting the tax charge for the current year

The current tax charge for the year differs from the large (2009: small) companies rate of corporation tax 28% (2009: 20%). The differences are explained below:

	2010	2009
	£000	£000
<i>Current tax reconciliation</i>		
(Deficit) / Surplus on ordinary activities before tax	1,472	123
	<hr/>	<hr/>
Current tax charge / (credits) at 28% (2009: 20%)	412	34
<i>Effects of:</i>		
Expenses not deductible for tax purposes	12	18
Other timing differences	(20)	19
Depreciation for year in excess of capital allowances	(20)	9
Profit on sale of housing properties (including allowable overheads)	(59)	(167)
Depreciation on assets not qualifying for capital allowances	148	112
Capitalised interest	(97)	(15)
Capital gains	26	122
Indexation on capital gains	16	42
Capital gains rolled over	(12)	(64)
Adjustments to tax charge in respect of prior years	163	-
Rate change – ACAs	-	-
Rate change losses	-	-
Rate change – other	(3)	(5)
Small companies Relief	-	(7)
	<hr/>	<hr/>
Total current tax charge (see above)	566	98
	<hr/>	<hr/>

Factors that may affect future tax charges

- (i) In the year ended 31 March 2010 the Association disposed of housing properties resulting in capital gains for which roll-over relief against replacement assets will be claimed. The estimated tax liabilities which would arise if such claims were not made amount to £12,000

GRAMPIAN HOUSING ASSOCIATION LIMITED - CONSOLIDATED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2010

11. Taxation (continued)

Association

Analysis of charge in year

	2010	2009
	£000	£000
<i>UK corporation tax</i>		
Current tax on income for the year	393	97
Adjustment in respect of previous years	162	-
	<hr/>	<hr/>
Total current tax	555	97
Deferred tax movement	39	(40)
Adjustment in respect of previous periods	12	-
Tax on profit on ordinary activities	-	-
	<hr/>	<hr/>
Tax on (deficit) / surplus on ordinary activities	606	57
	<hr/>	<hr/>

Factors affecting the tax charge for the current year

The current tax charge for the year differs from the large (2009: large) companies rate of corporation tax 28% (2009: 28%). The differences are explained below:

	2010	2009
	£000	£000
<i>Current tax reconciliation</i>		
(Deficit) / Surplus on ordinary activities before tax	1,431	122
	<hr/>	<hr/>
Current tax charge / (credits) at 28% (2009: 20%)	401	34
<i>Effects of:</i>		
Expenses not deductible for tax purposes	8	9
Other timing differences	(20)	19
Depreciation for year in excess of capital allowances	(18)	18
Profit on sale of housing properties (including allowable overheads)	(59)	(167)
Depreciation on assets not qualifying for capital allowances	148	112
Capitalised interest	(97)	(15)
Capital gains	26	123
Indexation on capital gains	16	42
Capital gains rolled over	(12)	(64)
Adjustments to tax charge in respect of prior years	162	-
Rate change – ACAs	-	1
Rate change – other	-	(6)
Marginal relief	-	(6)
	<hr/>	<hr/>
Total current tax charge (see above)	555	97
	<hr/>	<hr/>

Factors that may affect future tax charges

- (i) In the year ended 31 March 2010 the Association disposed of housing properties resulting in capital gains for which roll-over relief against replacement assets will be claimed. The estimated tax liabilities which would arise if such claims were not made amount to £12,000.

GRAMPIAN HOUSING ASSOCIATION LIMITED - CONSOLIDATED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2010

11. Taxation (continued)

Deferred taxation

The movement in the deferred taxation account during the year was:

	2010	2010	2009	2009
	Group	Association	Group	Association
	£000	£000	£000	£000
Balance brought forward	(38)	(63)	(6)	(23)
Income & Expenditure account movement arising during the year	53	51	(32)	(40)
Adjustment in respect of previous periods	-	-	-	-
Balance carried forward	15	(12)	(38)	(63)

The balance of the deferred taxation account consist of the tax effect of timing differences in respect of:

	2010	2010	2009	2009
	Provided	Potential Provision	Provided	Potential Provision
	£000	£000	£000	£000
Group				
Excess of taxation allowances over depreciation of fixed assets	30	30	9	9
Other timing differences	(15)	473	(35)	(35)
Losses	-	-	(12)	(12)
Deferred tax liability/ (asset) (note 15)	15	503	(38)	(38)
Association				
Excess of taxation allowances over depreciation of fixed assets	3	3	(16)	(16)
Other timing differences	(15)	473	(35)	(35)
Losses	-	-	(12)	(12)
Deferred tax liability/(asset) (note 15)	(12)	476	(63)	(63)

Full provision has not been made for deferred tax relating to the above timing differences, as the Association expects to obtain charitable status in the next 12 months and it is therefore unlikely that these timing differences will reverse.

GRAMPIAN HOUSING ASSOCIATION LIMITED - CONSOLIDATED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2010

12. Tangible fixed assets - housing properties (Group)

	Held for Letting £000	Under Construction £000	Completed Shared Ownership £000	Shared Ownership Under Construction £000	Total £000
<i>Cost</i>					
At start of year	109,403	10,436	15,249	696	135,784
Prior period adjustment (Note 1)	-	-	(506)	-	(506)
At start of year (as restated)	109,403	10,436	14,743	696	135,278
Additions during year	210	22,904	246	3,575	26,935
Transfers	13,744	(13,628)	2,943	(4,271)	(1,212)
Disposals in year	(27)	-	(69)	-	(96)
At end of year	123,330	19,712	17,863	-	160,905
<i>Depreciation</i>					
At start of year	2,833	-	451	-	3,284
Prior Period adjustment (Note 1)	-	-	(67)	-	(67)
At start of year (as restated)	2,833	-	384	-	3,217
Provided for in year	398	-	37	-	435
Eliminated on disposal	(5)	-	(2)	-	(7)
At end of year	3,226	-	419	-	3,645
<i>Housing Association Grant</i>					
At start of year	62,624	8,206	10,172	242	81,244
Additions during year	180	17,434	-	-	17,614
Transfers	7,478	(7,478)	-	-	-
Disposals in year	-	-	(51)	(242)	(293)
At end of year	70,282	18,162	10,121	-	98,565
<i>Other Grants</i>					
At start of year	6,199	87	110	6	6,402
Additions	146	1,753	-	-	1,899
Disposals in year	-	-	-	(6)	(6)
At end of year	6,345	1,840	110	-	8,295
<i>Net book value</i>					
At end of year	43,477	(290)	7,213	-	50,400
At beginning of year	37,855	2,027	4,085	448	44,415

GRAMPIAN HOUSING ASSOCIATION LIMITED - CONSOLIDATED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2010

12. Tangible fixed assets – housing properties (Group) *(continued)*

It should be noted that a full valuation of the Association's housing stock as at 31 March 2007 was carried out on 30 November 2007, by the external valuer DTZ Piedad Consulting. On an Existing Use Valuation, Social Housing basis (EUV-SH), a property report valuation of £61,098,000 was produced, which compared favourably with the previous housing valuation that was done in March 2004, which then valued the stock figure at £49,012,000. Similar analysis was undertaken in January 2009 for property held by Kirkgate Holdings Limited; DTZ Piedad Consulting estimated a market value on a gradual vacant possession basis of £1,809,000 for properties with a net book value of £649,000 as at 31 March 2008. A valuation of selected unencumbered Grampian stock by DTZ Piedad took place in June 2009; where subject to previous valuation, it was found that Existing Use Values had changed little over this period.

A further review of potential impairment was carried out in preparing these accounts; this review found that both Existing Use Values and Market Values in the Aberdeen / Grampian areas remained comparatively unchanged in the 12 months to 31 March 2010 per various property sector sources. Security has been granted to lenders in respect of housing properties. Net cumulated interest capitalised in housing properties at 31 March 2010 amounted to £1,519,426. The amount capitalised in the year was £115,446. The total expenditure in the year on works to existing properties amounted to £3,410,394 (2009: £3,683,029). Of this, £Nil (2009:£Nil) has been capitalised in line with the Association's accounting policy on work to existing housing properties.

GRAMPIAN HOUSING ASSOCIATION LIMITED - CONSOLIDATED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2010

12. Tangible fixed assets - housing properties (Association)

	Held for Letting £000	Under Construction £000	Completed Shared Ownership £000	Shared Ownership Under Construction £000	Total £000
<i>Cost</i>					
At start of year	107,450	10,436	15,249	696	133,831
Prior Period Adjustment (Note 1)	-	-	(506)	-	(506)
At start of year (as restated)	107,450	10,436	14,743	696	133,325
Additions during year	210	22,904	246	3,575	26,935
Transfers	13,744	(13,628)	2,943	(4,271)	(1,212)
Disposals in year	(27)	-	(69)		(96)
At end of year	121,377	19,712	17,863	-	158,952
<i>Depreciation</i>					
At start of year	2,710	-	451	-	3,161
Prior Period Adjustment (Note 1)	-	-	(67)	-	(67)
At start of year (as restated)	2,710	-	384	-	3,094
Provided for in year	366	-	37	-	403
Eliminated on disposal	(5)	-	(2)		(7)
At end of year	3,071	-	419	-	3,490
<i>Housing Association Grant</i>					
At start of year	62,624	8,206	10,172	242	81,244
Additions during year	180	17,434	-	-	17,614
Transfers	7,478	(7,478)	-	-	-
Disposals in year	-	-	(51)	(242)	(293)
At end of year	70,282	18,162	10,121	-	98,565
<i>Other Grants</i>					
At start of year	6,199	87	110	6	6,402
Additions	146	1,753	-	-	1,899
Disposals in year	-	-	-	(6)	(6)
At end of year	6,345	1,840	110	-	8,295
<i>Net book value</i>					
At end of year	41,679	(290)	7,213	-	48,602
At beginning of year	36,025	2,027	4,085	448	42,585

GRAMPIAN HOUSING ASSOCIATION LIMITED - CONSOLIDATED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2010

12. Tangible fixed assets – housing properties (Association) (continued)

It should be noted that a full valuation of the Association's housing stock as at 31 March 2007 was carried out on 30 November 2007, by the external valuer DTZ Peda Consulting. On an Existing Use Valuation, Social Housing basis (EUV-SH), a property report valuation of £61,098,000 was produced, which compared favourably with the previous housing valuation that was done in March 2004, which then valued the stock figure at £49,012,000. A valuation of selected unencumbered Grampian stock by DTZ Peda took place in June 2009; where subject to previous valuation, it was found that Existing Use Values had changed little over this period. A further review of potential impairment was carried out in preparing these accounts; this review found that both Existing Use Values and Market Values in the Aberdeen / Grampian areas remained comparatively unchanged in the 12 months to 31 March 2010 per various property sector sources.

Security has been granted to lenders in respect of housing properties. Net cumulated interest capitalised in housing properties at 31 March 2010 amounted to £1,519,426. The amount capitalised in the year was £115,446.

The total expenditure in the year on works to existing properties amounted to £3,410,394 (2009: £3,683,029). Of this, £Nil (2009:£Nil) has been capitalised in line with the Association's accounting policy on work to existing housing properties.

13. Tangible fixed assets – other (Group)

	Commercial Properties	Heritable Land and Buildings	Plant machinery Fixtures and Motor vehicles	Computer Hardware & Software	Total Non housing
	£000	£000	£000	£000	£000
Cost					
At start of year	2,336	2,147	411	580	5,474
Additions during year	-	-	70	57	127
Disposals during the year	-	(2)	(66)	(33)	(101)
At end of year	2,336	2,145	415	604	5,500
Depreciation					
At start of year	125	462	294	463	1,344
Provided during year	31	42	41	53	167
Disposals during year	-	-	(42)	-	(42)
At end of year	156	504	293	516	1,469
Net book value					
At end of year	2,180	1,641	122	88	4,031
At start of year	2,211	1,685	117	117	4,130

Included in heritable land and buildings is land costing £260,000. Net accumulated interest capitalised in tangible fixed assets at 31 March 2010 amounted to £17,337. No Interest was capitalised in the year.

GRAMPIAN HOUSING ASSOCIATION LIMITED - CONSOLIDATED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2010

13. Tangible fixed assets – other (Association)

	Commercial Properties	Heritable Land and Buildings	Plant machinery Fixtures and Motor vehicles	Computer Hardware & Software	Total Non housing
	£000	£000	£000	£000	£000
<i>Cost</i>					
At start of year	1,043	2,147	411	580	4,181
Additions during year	-	-	70	57	127
Disposals during year	-	(2)	(66)	(33)	(101)
At end of year	<u>1,043</u>	<u>2,145</u>	<u>415</u>	<u>604</u>	<u>4,207</u>
<i>Depreciation</i>					
At start of year	112	462	294	463	1,331
Provided during year	25	42	41	53	161
Disposals during year	-	-	(42)	-	(42)
At end of year	<u>137</u>	<u>504</u>	<u>293</u>	<u>516</u>	<u>1,450</u>
<i>Net book value</i>					
At end of year	<u>906</u>	<u>1,641</u>	<u>122</u>	<u>88</u>	<u>2,757</u>
At start of year	<u>931</u>	<u>1,685</u>	<u>117</u>	<u>117</u>	<u>2,850</u>

Included in heritable land and buildings is land costing £260,000. Net accumulated interest capitalised in tangible fixed assets at 31 March 2010 amounted to £17,337. No interest was capitalised in the year.

14. Stocks and work in progress

	2010 Group £000	2010 Association £000	2009 Group £000	2009 Association £000
Housing Stock	144	144	107	107
Work in progress – Cost	26,760	26,209	60,682	59,820
Work in progress – HAG	(21,176)	(21,176)	(55,050)	(55,050)
Shared Ownership	147	147	137	137
	<u>5,875</u>	<u>5,324</u>	<u>5,876</u>	<u>5,014</u>

Included within Group work and progress is the Collieston Development undertaken by Kirkgate Holdings. The amount of interest capitalised on this in the year was £9,328 (2009: £33,357).

GRAMPIAN HOUSING ASSOCIATION LIMITED - CONSOLIDATED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2010

15. Debtors

	2010 Group £000	2010 Association £000	2009 Group £000	2009 Association £000
HAG receivable	3,460	3,460	1,782	1,782
Rental debtors	290	290	272	272
Prepayments and accrued income	129	129	85	85
Other debtors	1,206	1,225	568	560
Deferred taxation (note 11)	-	12	38	63
Loan to subsidiary undertaking due in less than one year	-	324	-	835
	<hr/>	<hr/>	<hr/>	<hr/>
	5,085	5,440	2,745	3,597
	<hr/>	<hr/>	<hr/>	<hr/>
Other Debtors due more than one year	105	105	191	191
Loan to subsidiary undertaking due in more than one year	-	1,583	-	1,293
	<hr/>	<hr/>	<hr/>	<hr/>
	105	1,688	191	1,484
	<hr/>	<hr/>	<hr/>	<hr/>

The above figure for rental debtors (group and association) is made up as follows:

	2010 Debtor £000	2010 Provided £000	2010 Net debtor £000	2010 Debtor £000	2009 Provided £000	2009 Net debtor £000
Due from current tenants	288	(136)	152	269	(29)	240
Due from former tenants	175	(78)	97	156	(156)	-
Due from housing benefit	41	-	41	32	-	32
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	504	(214)	290	457	(185)	272
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

£125,355 of bad debt was written off during the period (2009: £51,870).

16. Cash at bank and in hand

During 2005, a cash charge was created between THFC (Social Housing Finance) Limited and Grampian Housing Association Limited, whereby the Association maintains a minimum balance of £235,000 (2009: £235,000) on a specific deposit account.

17. Creditors: amounts falling due within one year

	2010 Group £000	2010 Association £000	2009 Group £000	2009 Association £000
Loans (secured) - see note 18	221	199	210	188
Trade creditors	3,845	3,833	2,359	2,354
Other creditors including taxation and social security	706	720	355	206
Accruals and deferred income	2,082	1,906	1,636	1,521
Payments on account	189	189	161	161
Deposits	14	-	11	-
Deferred tax liability (note 11)	15	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
	7,072	6,847	4,732	4,430
	<hr/>	<hr/>	<hr/>	<hr/>

Standard securities have been granted to lenders in respect of housing properties and the commercial property owned by Kirkgate Holdings Limited.

GRAMPIAN HOUSING ASSOCIATION LIMITED - CONSOLIDATED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2010

18. Creditors: amounts falling due after more than one year

	2010 Group £000	2010 Association £000	2009 Group £000	2009 Association £000
Loans (secured)	53,249	51,992	44,775	43,497
Less: due within one year	(221)	(199)	(210)	(188)
	<hr/>	<hr/>	<hr/>	<hr/>
	53,028	51,793	44,565	43,309
Amounts due re excess RTB Sales	389	389	384	384
Deferred Income	145	145	166	166
	<hr/>	<hr/>	<hr/>	<hr/>
	53,562	52,327	45,115	43,859

Loans are repayable in instalments due as follows:

	2010 Group £000	2010 Association £000	2009 Group £000	2009 Association £000
Monthly instalments	13,562	13,562	11,916	11,916
Monthly instalments, interest only, with bullet repayment of principal July 2014	7,000	7,000	-	-
Quarterly instalments, interest only until 31 January 2013	5,000	5,000	5,000	5,000
Quarterly instalments, interest only until 21 August 2022	5,000	5,000	5,000	5,000
Quarterly instalments, interest only until 22 August 2022 *	5,000	5,000	5,000	5,000
Quarterly instalments, interest only until 22 August 2027	5,000	5,000	5,000	5,000
Quarterly instalments, interest only until 30 July 2032	8,250	8,250	8,250	8,250
Quarterly instalments, principal and interest until 28 November 2036	1,257	-	1,278	-
Bi-annual instalments, interest only, with bullet repayment of principal November 2016	1,191	1,191	1,206	1,206
Bi-annual instalments	1,989	1,989	2,125	2,125
	<hr/>	<hr/>	<hr/>	<hr/>
	53,249	51,992	44,775	43,497

* The bank has a cancellable option to cancel the loan every three months at a rate of 5.5012% against which the Association has the capacity to re-borrow on the existing bank agreement.

At 31 March 2010 the last instalment of loans falls to be repaid in the year ending 31 March 2037 (2009: 31 March 2036). Interest is charged at rates between 1.08% and 8.75%, (2009: 4.30% and 8.75%).

GRAMPIAN HOUSING ASSOCIATION LIMITED - CONSOLIDATED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2010

18. Creditors: amounts falling due after more than one year (continued)

Amounts are estimated as repayable as follows:	2010 Group £000	2010 Association £000	2009 Group £000	2009 Association £000
In one year or less	221	199	210	188
Between one and two years	228	207	218	197
Between two and five years	14,106	14,031	4,885	4,815
In five years and more	38,694	37,555	39,462	38,297
	53,249	51,992	44,775	43,497

19. Share capital

Group

	2010 Number	2009 Number	2010 £000	2009 £000
Shares of £1 each fully paid				
At 1 April	444	453	1	1
Issued in year	2	2	-	-
Withdrawn in year	(31)	(11)	-	-
At 31 March	415	444	1	1

Shares issued were in respect of new members of the Association.

Association

	2010 Number	2009 Number	2010 £000	2009 £000
Shares of £1 each fully paid				
At 1 April	444	453	1	1
Issued in year	2	2	-	-
Withdrawn in year	(31)	(11)	-	-
At 31 March	415	444	1	1

20. Reconciliation of movements in shareholders' funds (Group)

	Revenue Reserve £000	Designated Reserves £000	Capital Reserve £000	Share Capital £000	Total shareholders funds £000
Balance at 1 April 2009	2,285	4,213	1,889	1	8,388
Prior period adjustment (Note 1)	(439)	-	-	-	(439)
As restated	1,846	4,213	1,889	1	7,949
Surplus for year	853	-	-	-	853
Transfer from capital reserve	29	-	(29)	-	-
Transfer to designated Reserves	(2,192)	2,192	-	-	-
Transfer from designated reserve	1,527	(1,527)	-	-	-
Balance at 31 March 2010	2,063	4,878	1,860	1	8,802

GRAMPIAN HOUSING ASSOCIATION LIMITED - CONSOLIDATED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2010

21. Reconciliation of movements in shareholders' funds (Association)

	Revenue Reserve £000	Designated Reserves £000	Capital Reserve £000	Share Capital £000	Total shareholders funds £000
Balance at 1 April 2009	1,947	4,213	1,889	1	8,050
Prior period adjustment (Note 1)	(439)	-	-	-	(439)
As restated	1,508	4,213	1,889	1	7,611
Surplus for year	825	-	-	-	825
Transfer from capital reserve	29	-	(29)	-	-
Transfer to designated Reserves	(2,192)	2,192	-	-	-
Transfer from designated reserve	1,527	(1,527)	-	-	-
Balance at 31 March 2010	1,697	4,878	1,860	1	8,436

22. Designated reserves (Group and Association)

	Balance at 1 April 2009 £000	Transfers In £000	Transfers Out £000	Balance at 31 March 2010 £000
Cyclical maintenance and major repairs reserve	4,206	2,190	(1,527)	4,869
Other	7	2	-	9
	4,213	2,192	(1,527)	4,878

Other reserves represent contributions in respect of Lead Tenancy properties and from right to purchase (RTP) owners for cyclical maintenance.

Anticipated spend on cyclical and major repairs over the next five years is £10,300,000.

23. Commitments – Group and Association

(a) Capital commitments authorised and contracted for at 31 March 2010 amounted to £14,784,000 (2009: £14,255,000). As the relevant expenditure is incurred, corresponding loans and/or grants will be sought from Housing and Regeneration Department, Local Authorities and the private sector.

(b) Annual commitments under non-cancellable operating leases are as follows:

	2010		2009	
	Land and Buildings £000	Other £000	Land and buildings £000	Other £000
Operating leases which expire: In second to fifth years inclusive	-	20	-	17
Over five years	225	-	225	-

GRAMPIAN HOUSING ASSOCIATION LIMITED - CONSOLIDATED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2010

24. Reconciliation of operating surplus to net cash inflow from operating activities (Group)

Group	2010 £000	2009 £000
Operating surplus	3,016	1,720
Adjustments:		
Depreciation on non-housing fixed assets	166	155
Depreciation on housing fixed assets	435	431
(Gain)/Loss on sale of non-housing fixed assets	(8)	1
Deferred income	(21)	(21)
Prior period reserves adjustment	439	-
Movement in working capital:		
Decrease / (increase) in stock & work in progress	1	(1,980)
(Increase) / decrease in debtors	(627)	390
Increase / (decrease) in creditors	590	(1,588)
Cashflow inflow / (outflow) from operating activities	<u>3,991</u>	<u>(892)</u>

25. Analysis of changes in net debt (Group)

	At 31 March 2009 £000	Cashflows £000	Other Non-cash Movements £000	At 31 March 2010 £000
Cash in hand, at bank	439	3,115	-	3,554
Debt due within one year	(210)	(26)	15	(221)
Debt due after more than one year	(44,565)	(8,464)	-	(53,029)
Total debt	<u>(44,775)</u>	<u>(8,490)</u>	<u>15</u>	<u>(53,250)</u>
Total	<u>(44,336)</u>	<u>(5,375)</u>	<u>15</u>	<u>(49,696)</u>

26. Reconciliation of net cash flow to movement in net debt (Group)

	2010 £000	2009 £000
Increase/(Decrease) in cash in the period	3,115	(858)
Cash inflow from debt financing	(8,490)	(6,258)
Loan premium amortisation	15	15
Change in debt resulting from cash flows	<u>(5,360)</u>	<u>(7,101)</u>
Net debt at beginning of period	<u>(44,336)</u>	<u>(37,235)</u>
Net debt at end of period	<u><u>(49,696)</u></u>	<u><u>(44,336)</u></u>

GRAMPIAN HOUSING ASSOCIATION LIMITED - CONSOLIDATED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2010

27. Reconciliation of operating surplus to net cash inflow from operating activities (Association)

Association	2010 £000	2009 £000
Operating surplus	2,828	1,580
Adjustments:		
Depreciation on non-housing fixed assets	161	149
Depreciation on housing fixed assets	403	401
(Profit) / loss on sale of non-housing fixed assets	(8)	1
Deferred income	(21)	(21)
Prior period reserves adjustment	439	-
Movement in working capital:		
(Increase) in stock & work in progress	(310)	(2,236)
(Increase) in debtors	(420)	(1,042)
Increase / (decrease) in creditors	678	(1,128)
Cashflow inflow / (outflow) from operating activities	3,750	(2,296)

28. Analysis of changes in net debt (Association)

	At 31 March 2009 £000	Cashflows £000	Other Non-cash Movements £000	At 31 March 2010 £000
Cash in hand, at bank	370	3,043	-	3,413
Debt due within one year	(188)	(26)	15	(199)
Debt due after more than one year	(43,309)	(8,484)	-	(51,793)
Total debt	(43,497)	(8,510)	15	(51,992)
Total	(43,127)	(5,467)	15	(48,579)

29. Reconciliation of net cash flow to movement in net debt (Association)

	2010 £000	2009 £000
Decrease/Increase in cash in the period	3,043	(902)
Cash inflow from debt financing	(8,510)	(6,275)
Loan premium amortisation	15	15
Change in debt resulting from cash flows	(5,452)	(7,162)
Net debt at beginning of period	(43,127)	(35,965)
Net debt at end of period	(48,579)	(43,127)

GRAMPIAN HOUSING ASSOCIATION LIMITED - CONSOLIDATED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2010

30. Group structure

The Association is a Registered Social Landlord, incorporated in Scotland and has two subsidiaries, Kirkgate Homes Limited and Kirkgate Holdings Limited. Kirkgate Holdings Limited is a Housing Association incorporated in Scotland but not registered with Scottish Housing Regulator.

Kirkgate Homes Limited is a dormant company.

Individual accounts have been prepared for Kirkgate Holdings Limited. The consolidated financial statements are filed with the Financial Services Authority and are prepared as Grampian Housing Association has common control of Kirkgate Holdings Limited.

31. Contingent Liabilities

Included in bank balances is £25,000 deposited in an interest bearing deposit account with the Royal Bank of Scotland, in respect of a board approved guarantee for a Savings and Loans Scheme.

The Group may face a potential liability as a result of a possible shortfall in total grant payable to the partners involved in the Devanha volume procurement initiative; at this juncture it is not possible to either confirm or quantify this liability, as a result of which no provision is made for this heading. Actual final grant payable with respect to individual projects may vary from the original estimates; this would create an element of surplus grant within a cash limited total which may or may not be sufficient to address specific shortfalls. The exact method of distribution of any surplus grant between the parties is also yet to be determined. The RSLs in question are currently working in conjunction with the Scottish Government to resolve this issue but, given that the final projects in the programme remain incomplete, it may take until 2013 to obtain clarity.

32. Pension schemes

Defined contribution pension scheme

The Association participates in a defined contribution pension scheme for its employees, operated by the Pensions Trust. The pension cost charge for the year represents contributions payable by the Association to the fund and amounted to £177,000 (2009: £174,000).

Grampian Housing Association Limited participates in the Pensions Trust's Growth Plan (the 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 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.

GRAMPIAN HOUSING ASSOCIATION LIMITED - CONSOLIDATED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2010

32. Pension schemes (*continued*)

Defined contribution pension scheme (continued)

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.

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.

Grampian Housing Association paid contributions at the rate of 11% and 10% during the accounting period. Members paid contributions at the rate of 6% and 5% during the accounting period.

As at the balance sheet date there were 57 active members of the Plan employed by Grampian Housing Association Limited. Grampian Housing Association Limited continues to offer membership of the Plan to its employees.

It is not possible in the normal course of events to identify on a reasonable and consistent basis the share of underlying assets and liabilities belonging to individual participating employers. 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 Scheme was performed by a professionally qualified actuary using the Projected Unit Method. The market value of the Scheme'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 the pre and post retirement investment return assumptions; such that there is a 60% expectation that the return will be in excess of that assumed and a 40% chance that the return will be lower than that assumed over the next ten years.

The Scheme Actuary has prepared a funding 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 (ie past service liabilities) were £820 million. The valuation therefore revealed a shortfall of assets compared with the value of liabilities of £56 million, equivalent to a funding level of 93%.

GRAMPIAN HOUSING ASSOCIATION LIMITED - CONSOLIDATED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2010

32. Pension schemes (*continued*)

Defined contribution pension scheme (continued)

If an actuarial valuation reveals a shortfall of assets compared to liabilities, the Trustee must prepare a recovery plan setting out 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 scheme liabilities and hence impact on the recovery plan) or impose a schedule of contributions on the Scheme (which would effectively amend the terms of the recovery plan). A copy of the recovery plan in respect of the September 2008 valuation was forwarded to the 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 securing benefits by purchasing annuity policies from an insurer, plus an allowance for expenses) with the assets of the Plan. If the liabilities exceed assets there is a buy-out debt.

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

Grampian Housing Association Limited has been notified by the Pensions Trust of the estimated employer debt on withdrawal from the Plan based on the financial position of the plan as at 30 September 2009. As of this date the estimated employer debt for Grampian Housing Association Limited was £1,071,578 (2009 : £967,471).

33. Related party disclosures

The outgoing Chief Executive of Grampian Housing Association Limited was a Board member of Aberdeen Foyer Limited throughout the year, and remains Chairman of the Board of Foyer Enterprise Limited. The Director of Corporate Services is also a Board member of Aberdeen Foyer Limited. The Foyer leases and rents housing properties and a restaurant building from the Association. The Association contracts with Foyer Graphics with regard to publicity materials.

GRAMPIAN HOUSING ASSOCIATION LIMITED - CONSOLIDATED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2010

33. Related party disclosures (continued)

During the year to 31 March 2010 the following transactions were effected in relation to the Foyer:

Housing rent receivable £149,703 (2009: £143,216)
Restaurant rent receivable £32,308 (2009: £28,000)
Amounts paid in advance for restaurant rent £138,247 (2009: £165,900)
Office accommodation rent £54,176 (2009: £50,000)
Repairs management and other services £12,278 (2009: £40,788)
Amounts due from Foyer at 31 March 2010 £10,791 (2009: £26,251)
Amounts payable to Foyer at 31 March 2010 £92 (2009: £9,125)

The Director of Development and the Chair of the Association, Mr. Steven Delaney, are members of the Board of Grampian Community Care Charitable Trust (GCCCT).

During the year to 31 March 2010 the following transactions were effected in relation to GCCCT:

Management services receivable £30,738 (2009: £26,992)
Office accommodation rent receivable £1,893 (2009: £1,250)
Amounts due from GCCCT at 31 March 2010 £14,528 (2009: £24,210)
Amounts due to GCCCT at 31 March 2010 £Nil (2009: £10,535)

The Director of Development of the Association fulfils the same role for Langstane Housing Association (LHA). The Development and Finance departments of the Association share accommodation owned by LHA in Aberdeen, and the Association also rents a small office space in Elgin to LHA.

During the year to 31 March 2010 the following transactions were effected in relation to LHA:

Management services receivable £38,681 (2009: £24,501)
Office rent receivable £2,360 (2009: £3,147)
Factoring and other charges receivable £113,586 (2009: £122,694)
Office rent and support costs payable £46,343 (2009: £23,265)
LIFT property marketing allowances receivable £34,073 (2009: £Nil)
Amounts due from LHA as at 31 March 2010 £92,959 (2009: £26,011)
Amounts due to LHA as at 31 March 2010 £5,548 (2009: £6,174)

During the year there were two tenant board member: Iris Walker and Brian Stewart. All transactions between the Association and these board members were on the same terms as other tenants and board members.

The Chief Executive of the Association, and one Board member, David Young are both members of the board of Devanha Limited. Devanha is a company limited by guarantee and the Association has an equal share in the company, together with four locally based Registered Social Landlords. The company was formed to facilitate the procurement of Housing Association Grant and public sector financed affordable housing on behalf of its partners.

During the year to 31 March 2010 the following transactions were effected in relation to Devanha:

Management services receivable £8,147 (2009: £Nil)
Reimbursement of expenses £711 (2009: £Nil)
Contribution to funding of Devanha £2,000 (2009: £Nil)
Amounts due from Devanha as at 31 March 2010 £Nil (2009: £509)