Grampian Housing Association Limited - Consolidated

Report of the Board of Management and Financial Statements
31 March 2011

Registration Particulars:

Financial Services Authority	Housing (Scotland) Act 2001 Registered Number 1769 R (S)
Scottish Housing Regulator	Industrial and Provident Societies Act 1965 Registered Number HAL 120 AL
The Scottish Charity Register	Charity Number SC042023 (Registered January 2011)

GRAMPIAN HOUSING ASSOCIATION LIMITED - CONSOLIDATED

REPORT OF THE BOARD OF MANAGEMENT AND FINANCIAL STATEMENTS

For the year ended 31 March 2011

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GRAMPIAN HOUSING ASSOCIATION LIMITED - CONSOLIDATED

BOARD OF MANAGEMENT, EXECUTIVES AND ADVISERS

For the year ended 31 March 2011

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 2011 and 2010 (or date of appointment if later) follow:

Board members

		Number 2011	Number 2010
Steve Delaney	(Chair)	1	1
Keith Jones	(Vice Chair)	1	1
Graham Morrison		1	1
John Fraser	(Resigned 16/02/2011)	-	1
Dr Leela Gautum		1	1
William McKimmie		1	1
Rae Munro #		1	1
Cllr Richard Robertson #		1	1
George Ross		1	1
David Young		1	1
Cllr Gurudeo Saluja	(Co-opted)	1	1
Cllr Jim Noble	(Co-opted)	1	1
Ms Iris Walker *		1	1
Gordon Edwards		1	1
Alan Thomson		1	1

*Customer board member
Sharing Owners

Executive officers

Alan J Moat	(Secretary until 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 year end listed below were also members of the Board of Management of Kirkgate Holdings Limited (a subsidiary of Grampian Housing Association Limited). On 22 June 2011 Kirkgate Holdings Limited changed its name to Kirkgate Developments Limited, and also its constitution from an Industrial & Provident Society to a company limited by shares. These Board members have the following interests in the share capital of Kirkgate Holdings Limited at 31 March 2011 and 2010 (or date of appointment if later):

		Number 2011	Number 2010
David Young		1	1
John Fraser	(Resigned 16/02/2011)	-	1
William McKimmie		1	1
Graham Morrison		1	1
George Ross		1	1
Alan Thomson	(Appointed 17/5/10)	1	-

The following were members of Kirkgate Holdings Limited Board (now Kirkgate Developments Limited) only:

Donald Murdoch		1	1

GRAMPIAN HOUSING ASSOCIATION LIMITED - CONSOLIDATED

BOARD OF MANAGEMENT, EXECUTIVES AND ADVISERS

For the year ended 31 March 2011

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 2011

The Board of Management presents its report and audited financial statements for the year ended 31 March 2011.

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). In January 2011 the Association became a registered charity in Scotland.

On 22 June 2011 the constitution of Kirkgate Holdings Limited was amended, converting it from an Industrial and Provident Society registered with the Financial Services Authority, to a company limited by shares and with Grampian Housing Association Limited as the sole shareholder. This process resulted in a change of name to Kirkgate Developments Limited.

Principal activities

The principal activity of Grampian Housing Association (the Group) is to provide and manage quality affordable 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. The Association works closely with local authorities to provide accommodation for homeless households 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 and marketing services for other Registered Social Landlords (RSLs) in the Grampian area, whilst factoring services are provided for a wide range of owners too. The Association also has relationships with other agencies including NHS Grampian.

The future objectives of the Association are centred on the provision of affordable housing, with a pragmatic mix of social rent, shared ownership and mid-market rent as well as wider regeneration and provision of housing support. From January 2011 all future aims and objectives must be compatible with the Association's charitable status. Objectives are measured against appropriate Key Performance Indicators, and performance is regularly reviewed by the Association's Board and sub-committees as well as being reported annually to the Scottish Housing Regulator.

The principal activities of Kirkgate Holdings Limited (now Kirkgate Developments Limited) are development for sale and market rent as well as developing opportunities for social enterprise and commercial and community facilities. In the future, Kirkgate Developments Limited will carry out any trading activities in the Group.

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 reflects issues in respect of equalities. A skills audit has been conducted, and following on from this further board training is being delivered to ensure that members possess an appropriate mix of skills and knowledge.

Group structure

The Association's plans to form a group structure with Langstane Housing Association have remained at the forefront of activities throughout 2010/11. Both Associations intend to come together under a parent company called Sirius, which will provide back office and related central services to the respective subsidiaries in a radial structure designed to mix the benefits of shared services and front line decentralisation. Positive progress in the formation of the Sirius Housing Group 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. At the time of writing an application for approval of a new group has been made to the Scottish Housing Regulator.

Group Structure (continued)

All posts in the Group Senior Management Team (designate) were subject to a validation process involving senior governing body members from both associations and, for the position of Group Chief Executive, an external consultant was recruited to oversee and support the process.

The Shadow Board of Management is comprised of twelve individuals – four representatives each from the governing bodies of Grampian and Langstane, 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.

Dialogue with the Scottish Housing Regulator (SHR) has continued during 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, which have been modelled and refined with the aid of specialist software. 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 previously advised of the Group Structure proposals through a newsletter and were given the opportunity to comment on the proposals through a dedicated questionnaire. Following information surgeries in May 2009 facilitated by TPAS, customers have been kept informed of new developments through regular articles in the Association's own newsletter, updates at the AGM and joint customer conferences.

Housing stock

During the year the Group added 184 units of new rental properties, all of which were in management at 31 March 2011. 43 new units were completed at Arran Avenue, Aberdeen; 24 at Craigferrar Way, Aboyne; 43 at Waulkmill, Elgin; and 48 new units in Forres. In addition to this, 26 units at Southside, Kinloss were purchased.

Also during the year 2 homes passed from the Association's ownership, as tenants exercised their Right to Buy; against this, 8 properties were added to the Association's portfolio under the Mortgage to Rent scheme. No new shared ownership properties were built during 2010/11; against this, 4 shared ownership properties were lost through sharing owners exercising their right to staircase to 100% ownership.

At the year-end the Group owned 2,682 rental properties, and had 431 shared ownership properties in management. It also currently leases 60 properties to Aberdeen Foyer and provides factoring services for over 750 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 Shared Equity (OMSE). This scheme is one element of the Government's Low-cost Initiative for First Time Buyers (LIFT).

Development

The Group's growth continued in 2010/11 through substantial housing development activity, primarily under the final phase of Devanha volume procurement programme. At the year-end there were 265 units in development, of which 188 units were for rent and 77 were for shared ownership. Looking to 2011/12 and beyond, developments will involve both completion of existing Devanha activity and expansion of self funded schemes in an environment of substantially reduced grant. Capital commitments of £11,200,000 were authorised and contracted for in the immediate future. The Group's capital investment on housing properties for the year ended 31 March 2011 was £29,585,000. This was funded in part by way of Housing Association Grant (HAG) funding from the Scottish Government, which amounted to £17,558,000, and other grants amounting to £750,000. The remainder was funded from the Group's own resources, which included £575,000 of sales proceeds from sharing owners and other property sales, from which capital grants (HAG) of £119,000 were repaid.

GRAMPIAN HOUSING ASSOCIATION LIMITED - CONSOLIDATED

REPORT OF THE BOARD OF MANAGEMENT

For the year ended 31 March 2011

Income and expenditure

The Group had a turnover of £13,903,000, a reduction of 23% on the previous year's turnover of £18,145,000. On this turnover the Group showed a surplus before tax of £581,000, compared with £1,472,000 in 2010. Operating costs at £12,089,000 fell by 18% on the 2010 figure of £14,719,000. The significant fall in Group turnover is chiefly a result of decreased Homestake (LIFT) sales (down 65% to £1,946,000) and a reduction in First Tranche Shared Ownership sales (down 85% to £181,000), both reflective of a lower level of development and resulting sales activity in these areas during 2010/11. In addition, there were no sales of Kirkgate's new build properties at Collieston during 2010/11, whereas the prior year included £430,000 of sales income in relation to this development. The reduction in Group turnover was in part offset by increased revenue from rents and services charges, which saw an increase of 10% to £9,373,000 through a mix of additional property and rent inflation. The reduced surplus was due to a variety of factors, chiefly including a 36% increase in total repairs spend, from £3,396,000 to £4,638,000, a 12% increase in interest payable to £1,847,000 reflecting a higher level of borrowing, partly offset by the aforementioned net income increases from rents and service charges.

The Group had exceptional income of £389,000 in 2010/11 relating to the set aside of excess Right to Buy receipts which had previously been repayable under the Scottish Homes LSVT contract. These receipts can be instead be used by the Association for activities to support the Government's Economic Recovery Programme. The amounts have been transferred to a restricted reserve where the funds will be held until relevant expenditure is incurred.

A reduced surplus combined with the Association receiving charitable status from January 2011 resulted in the Group's tax liability reducing significantly to £287,000 from £619,000 in the previous period.

The Association's repair costs, at £4,638,000 inclusive of overheads, represented 38% of total Group operating costs. During 2010/2011, significant upgrade works took place with new bathroom replacements in Northfield and Mastrick; Air Source Heat Pumps were fitted in Alford, Aboyne, Hopeman, Burghead and Newmachar where there is no gas provision; window, door and boiler replacements were provided throughout Aberdeen City, Aberdeenshire and Moray; roofing repairs were carried out in Aberdeen; and heat meters were installed for the district heating system in Lossiemouth. In addition, a number of carbon monoxide detectors were purchased, and flood guards and works were carried out to properties in Huntly that flooded in late 2009. The Association also continues to have a substantial outlay for servicing and safety checks as required by legislation to ensure the safety of tenants. At 31 March 2011, outstanding costs associated with Scottish Housing Quality Standard compliance by 2015 are estimated at £1,039,000, although a full inspection is proposed for all properties held within the next three years.

Balance sheet

At the 31 March 2011 the gross cost of housing properties amounted to £190,301,000 (an increase of £29,396,000 on the 2010 balance of £160,905,000) and after allowing for depreciation and HAG these have a net book value of £63,037,000.

Updated valuations of the Group's housing stock, undertaken by DTZ in June 2011, indicate both market and existing use values in excess of these amounts (see note 12 to the Accounts). Other tangible fixed assets decreased slightly, on a net book value basis from £4,031,000 to £3,907,000, due mainly to depreciation charges.

The Group's net work in progress fell in comparison to the prior year, from £5,875,000 to £1,637,000. This reflects the fact that at the end of the prior year work in progress included a number of assets under construction on behalf of other Housing Associations and the Devanha partners. These schemes were completed during 2010/11 and as at 31 March 2011 there were no significant developments under construction on behalf of other organisations.

Current debtors decreased from £5,085,000 to £2,311,000, chiefly driven by the receipt during 2010/11 of a significant HAG receivable balance included in debtors at the end of the prior year. Debtors due in more than one year increased from £105,000 to £1,563,000 due primarily to grant receivable from the Devanha partnership. Cash at bank and in hand fell from £3,554,000 to £2,301,000; this was again influenced by uncertainty surrounding the exact timing of grant receipt at year end, albeit that the amounts involved were less than the 2010 equivalent.

Balance sheet (continued)

Short-term creditors increased from £7,072,000 to £9,683,000, reflecting both grant owed to Devanha and invoices received post year end following a re-tendering processes where some existing contractual arrangements ceased in March 2011. Long-term creditors increased from £53,562,000 to £55,919,000, through additional bank funding to support new developments.

Reserves

At the year-end revenue reserves had increased from £2,063,000 to £2,193,000, chiefly as a result of the surplus referred to above.

Designated reserves are resources internally generated from operations, which have been set aside to provide for planned cyclical repairs. A net amount of £141,000 was transferred out of designated reserves, which now stand at £4,737,000. 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).

A restricted reserve of £389,000 was established during 2010/11 to restrict excess Right to Buy receipts released to the income and expenditure account as exceptional income during the year (see note 19 to the financial statements).

The capital reserve has decreased from £1,860,000 to £1,834,000. In summary, total reserves increased during the year from £8,802,000 to £9,154,000.

Staffing

Staff numbers increased from 90 to 92 full time equivalent persons. A key change in staffing occurred shortly after the start 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 had worked closely together prior to June 2010 as part of a phased hand-over of duties towards the retirement date.

New Initiatives

2010/11 was the last year of the Scottish Government's current Wider Role funding programme. This fund is focused on helping RSLs to support the Scottish Government to tackle poverty, provide early intervention support for vulnerable households and look to improve employability prospects for local people.

The impact of the impending creation of the Sirius Group continued to increase with the joint New Initiatives team supporting both RSLs aspirations in community focused initiatives.

2010/11 was another busy year in terms of Wider Action activity. The Financial Inclusion Project (SMART) took a significant leap forward in taking Langstane Housing Association on board, as well as offering a service to Margaret Blackwood and Aberdeenshire Housing Partnership. This was achieved through new Wider Role grant which allowed us to increase our staffing levels. The Income Advice post, funded by Fairer Scotland Fund for Aberdeen City had another highly successful year with a financial gain for social housing tenants across the City of £363,000. However, considerable time and energy was spent in campaigning to keep this funding, as the Council threatened to cut it completely. The annual evaluation of SMART money advice and income advice projects gave rise to very positive feedback, indicating the health and quality of life improvements that follow this type of intervention.

The Association is now into a year of recession funding from the Lottery of £20,000 for the SMART project.

New Initiatives (continued)

The Association expanded its money advice provision in Moray, working in partnership with the Moray Council, Moray CAB and two local credit unions. We are reaching out into the more deprived communities in Moray to provide locally based money advice to residents. This has been funded by a match of Fairer Scotland Fund and Wider Role.

During the year 2010/11, the Association continued to host and manage the Cash in Your Pocket development team, which provides a combined referral system and database for financial services, provides training and community capacity building as well as co-ordinating partner activity in the City. This is funded through the Fairer Scotland Fund, which was again under threat. At present we have received funding for an additional six months, pending a review of financial inclusion services. Aberdeenshire Council also supports Cash in Your Pocket to develop throughout Aberdeenshire, again providing the central referral system and trying to build up a picture of the needs and services available throughout the wide geographic area.

Alongside the Cash in Your Pocket team, the Warm Zone Project has worked 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. The project met its objectives, door knocking approximately 7,000 houses, referring 442 on for energy advice and carrying out benefit checks for 228 households. The project achieved a financial gain for residents of £215,000. This project ended on 31 March 2011.

The Association has been successful in applying to the Climate Challenge Fund and will be employing an energy adviser next year to work with tenants in North Aberdeen to raise awareness of energy efficiency issues and to reduce the carbon footprint in this area.

ASSIST Project, now under the line management of the New Initiatives Manager from Langstane, has had another busy year. This service, which supports vulnerable clients of both Grampian and Tenants First Housing Co-operative to sustain tenancies, is in receipt of funding again this year from Aberdeenshire Council's Homelessness Strategy. Additional funding from Wider Role has continued the project's focus on early intervention with vulnerable groups. The project increased its gradings with the Care Commission following a very positive inspection. Feedback from clients via the annual client survey continues to be very positive.

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. This project continues in Aberdeenshire only for the coming year. We also received wider role funding this year again to work in partnership with Pathways, Aberdeen City Council and Job Centre Plus on a project to support the over 50s back into employment. This project ended on 31 March 2011.

Customer Participation

Knowledge Partnership was appointed to conduct a customer satisfaction survey amongst all of the Association's tenants and sharing owners. 33% of tenants and 30% of sharing owners responded to the postal survey. One of the key strengths highlighted was that 88% of tenants and 70% of sharing owners who responded were satisfied with the services provided by the Association. The consultant drew up an action plan with recommendations for improvement. Its implementation is being led by the cross-departmental customer participation working group which now has sharing owners as well as tenants amongst its members.

The joint customer conference with Langstane Housing Association is an established feature of the annual participation calendar. This year it was used as a platform to consult with tenants about the new Scottish Social Housing Charter in a session led by the Tenant Participation Advisory Service (TPAS).

Customer Participation (continued)

A survey was conducted amongst Count me in (customer panel) panel members about the new Void Policy and Tenancy DVD. It was encouraging to see membership of the panel increase to around 150, largely as a result of recruiting tenants moving into new developments. Following the retirement of consultants Housing Plus, arrangements will be made to tender for the appointment of a new consultant to conduct panel surveys. Count me in continues to be recognised as good practice and the best way for the Association to consult with customers about reviews of service and policy, particularly in view of its wide geographical spread.

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

Partnerships and future opportunities

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, 2010/11 has seen the Association continue to work in partnership with a number of local agencies and developers on a range of projects. Work on the Timmer Market site – a joint development with NHS Grampian in Aberdeen city centre – was completed at the end of the financial year, as was the development of Arran Avenue in the Lang Stracht.

Following completion of the offices and laboratories of the Scottish Environmental Protection Agency (SEPA), the Association's site partners at Greyhope Road, work on Grampian's residential properties commenced and has continued apace throughout 2010/11.

The Greyhope Road site is the Association's final development through the Devanha consortium and the penultimate scheme in the overall programme. In light of funding constraints, no further development is planned through the consortium. However, the five Registered Social Landlords (RSLs) who participated in Devanha are now looking at other ways in which they can continue to work together on projects to achieve value for money and efficiencies, and Grampian through the Sirius Group hopes to give new emphasis and energy to the collaborative approach to development that Devanha started.

Building on the success achieved in the previous year, the Association proactively sought new opportunities to use its innovative funding model to develop further shared ownership properties without grant throughout 2010/11. Two new projects – one with Barratt in Aberdeen and the second with Bett Partnerships in Aberdeenshire – are now set to deliver more than fifty new affordable homes. Work got underway on both sites in April 2011. Discussions with a number of developers are underway in respect of a range of sites, which may be suitable for further self funded shared ownership projects.

The Association opened discussions with NHS Grampian at the end of 2010 about a possible partnership to deliver staff and key worker accommodation at the Foresterhill Campus on a Market Rent basis. Negotiations continue with NHS Grampian on this particular proposal.

The Association has a well-established partnership with Aberdeen Foyer and continues to provide support and accommodation for the organisation as it delivers invaluable support and assistance to many young people with challenging lifestyles.

2010/11 was Grampian's last full year in partnership with Grampian Community Care Charitable Trust (GCCCT), as the Trust joins forces with Castlehill Housing Association, who specialise in supported accommodation, in October 2011.

Building on the progress made in previous years, the Association continued to work closely with local partners to deliver a common housing register (CHR) – Apply4homes - for the Aberdeenshire and Moray areas. Although it was hoped that the CHR would be launched in 2010/11, this has been further delayed until February 2012.

Partnerships and future opportunities (continued)

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 and the vast majority of passports issued were realised by the applicants. Grampian also continued to market New Supply Shared Equity properties on behalf of 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. 2010/11 saw the Association work in partnership with a number of local and national housing associations to produce a new tenancy DVD that clearly explains the basic principles of the Scottish Secure Tenancy Agreement. This is also available in two community languages and with English subtitles. The Association also continued to participate in a Back Office Benchmarking Club for Scottish Housing Associations. This provides useful comparisons with counterparts elsewhere, but the club would benefit from broader membership which is the aim of a relaunch exercise in 2011/12.

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 was 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.

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 2009/10	Peer Group 2009/10	Actual 2010/11	Target Budget 2010/11
% Void Loss	0.7%	1.0%	0.3%	0.7%
Non-Technical Arrears as a % of Net Rental Income – Current Tenants	3.4%	5.8%	3.8%	N/A
% Current Tenants Owing > 13 Weeks Rent	4.3%	5.1%	4.4%	N/A
% Total Rent Arrears	3.4%	4.3%	3.6%	N/A
Average Re-Let Time	20 days	29 days	19 days	N/A
Management and Maintenance Administration Costs per Unit	£873	£863	£847	N/A
Staff costs as % of Turnover	15.6%	N/A	20.9%	N/A
% Properties meeting SHQS	95.2%	80.5%	75.4%	92.3%
% Emergency Repairs completed within Target Response Time	99.5%	95.9%	99.8%	N/A
Unit Cost of Day to Day Repairs	£412	N/A	£499	£376

Key Performance Indicators (KPIs) (continued)

In considering these statistics, it should be noted that peer group comparisons for 2010/11 had not been published by the Scottish Housing Regulator at the time of preparing these financial statements. In comparing 2009/10 statistics, the Association's performance is better than the peer group average for all of the indicators listed above, with the exception of a slightly higher than average Management and Maintenance Administration Costs per unit, a cost which has fallen by 3% in 2010/11. The Association's rent arrears percentages increased slightly in 2010/11 in comparison to 2009/10, although this increase was anticipated because of the current economic climate. In 2010/11 void levels fell and emergency repairs response times improved further. Staff costs as a % of Turnover increased as a result of a significant reduction in Homestake (LIFT) sales with no corresponding reduction in staff costs due to the fact that the generation of sales income in this area is not labour intensive.

There has been a significant fall in the percentage of properties meeting the Scottish Housing Quality Standard (SHQS). The 2010 stock condition survey highlighted a number of SHQS failures, which the Association did not anticipate or dispute. These include fencing, pathways and kitchen failures. The Association is of the opinion that some failures are either inappropriately apportioned to the Association (e.g. where fences are the property of the tenants) or are repairs issues as opposed to SHQS failures, although it is accepted that there may be failures that are unexpected due to lifestyle choices etc. To ensure that the Association has a clear understanding of its stock, a 100% stock condition survey has been instructed (in-house) and will commence when a three-year fixed term post is filled.

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. Internal Auditors have been appointed and are progressing internal audit activity following an audit needs assessment.

The Board has prepared a Strategic Risk Register, which highlighted key risks to the organisation. This document was last updated via the Audit Committee in August 2010, but will in future be the subject of quarterly updates as well as an annual review. 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 predicable 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. It should be noted that a full stock condition survey was completed in 2010 and the findings of this are currently being analysed. 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).

Maintenance Policies (continued)

To comply with the latest SORP, the accounting treatment of repair costs will be changing significantly from next year as all RSLs are required to component account for housing fixed assets for accounting periods beginning on or after 1 April 2011. The precise impact on the Association's accounts cannot be determined until further work is undertaken in this area. It is anticipated that asset values will increase to reflect greater capitalisation of assets and reserves/profitability will increase, although this will be offset by higher depreciation. As this is purely a change in accounting treatment, there will be no implications in terms of cash flow.

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.

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

Malcolm McNeil
Secretary

30 August 2011

GRAMPIAN HOUSING ASSOCIATION LIMITED CONSOLIDATED

STATEMENT OF BOARD OF MANAGEMENT'S RESPONSIBILITIES

For the year ended 31 March 2011

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.

GRAMPIAN HOUSING ASSOCIATION LIMITED - CONSOLIDATED

BOARD OF MANAGEMENT'S STATEMENT ON INTERNAL FINANCIAL CONTROLS

For the year ended 31 March 2011

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, internal and 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.

An Internal Audit Needs Assessment has been developed by the Association in accordance with established audit practice, and internal audit has been in operation this year.

The Board of Management has reviewed the system of internal financial control in the Group for the year ended 31 March 2011 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

M.G. McNeil.

Malcolm McNeil
Secretary

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 31 August 2011

Independent Auditor's report to the members of

Grampian Housing Association Limited

We have audited the group and parent company financial statements of Grampian Housing Association Limited for the year ended 31 March 2011 (the "financial statements") which comprise the Group and Association Income and Expenditure Account, the Group and Association Balance Sheet, the Group and Association Cash Flow Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

Respective responsibilities of the Board and auditor
As explained more fully in the Board's Responsibilities Statement set out on page 12, the Board are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements
A description of the scope of an audit of financial statements is provided on the APB's website at *www.frc.org.uk/apb/scope/private.cfm.*

Opinion on financial statements
In our opinion the financial statements:
- give a true and fair view of the state of the Group's and Association's affairs as at 31 March 2011 and of the income and expenditure of the Group and the income and expenditure of the Association for the year then ended;
- have been prepared in accordance with the requirements of the Industrial and Provident Societies Acts 1965 to 2002, the Industrial and Provident Societies (Group Accounts) Regulations 1969, Schedule 7 to the Housing (Scotland) Act 2001 and the Registered Social Landlords Accounting Requirements (Scotland) Order 2007.

Matters on which we are required to report by exception
We have nothing to report in respect of the following matters where the Industrial and Provident Societies Acts 1965 to 2002 requires us to report to you if, in our opinion:

- A satisfactory system of control over transactions has not been maintained; or
- the Association has not kept proper accounting records; or
- the financial statements are not in agreement with the books of account of the Association; or
- we have not received all the information and explanations we require for our audit.

Baker Tilly UK Audit LLP

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

31 August 2011

GRAMPIAN HOUSING ASSOCIATION LIMITED - CONSOLIDATED

CONSOLIDATED INCOME AND EXPENDITURE ACCOUNT

For the year ended 31 March 2011

	Note	**2011**	2010
		£000	£000
Turnover	*1,2*	**13,903**	18,145
Cost of property sales		**(26)**	(410)
Operating costs		**(12,089)**	(14,719)
Operating surplus		**1,788**	3,016
Surplus on disposal of housing fixed assets		**244**	100
Interest receivable	*9*	**7**	11
Interest payable	*10*	**(1,847)**	(1,655)
Exceptional item	*22*	**389**	-
Surplus on ordinary activities before taxation		**581**	1,472
Taxation charge on surplus on ordinary activities	*11*	**(287)**	(619)
Surplus on ordinary activities after taxation for the financial year	*21*	**294**	853

All figures relate to continuing operations.

The Group has no recognised surpluses or deficits other than those included in the above Income and Expenditure Account, 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 2011

	Note	**2011** **£000**	2010 £000
Turnover	*1,2*	**13,586**	17,433
Operating costs		**(11,881)**	(14,605)
Operating surplus		**1,705**	2,828
Surplus on disposal of housing fixed assets		**244**	100
Interest receivable	*9*	**89**	97
Interest payable	*10*	**(1,779)**	(1,594)
Exceptional item	*22*	**389**	-
Surplus on ordinary activities before taxation		**648**	1,431
Taxation charge on surplus on ordinary activities	*11*	**(294)**	(606)
Surplus on ordinary activities after taxation for the financial year	*22*	**354**	825

All figures relate to continuing operations.

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

CONSOLIDATED BALANCE SHEET

As at 31 March 2011

	Note	2011 GROUP £000	2011 ASSOCIATION £000	2010 GROUP £000	2010 ASSOCIATION £000
Tangible fixed assets					
Housing properties – gross cost less depreciation	*12*	**186,033**	**184,266**	157,260	155,462
Less Housing Association Grant	*12*	**(116,004)**	**(116,004)**	(98,565)	(98,565)
Less other grants	*12*	**(6,992)**	**(6,992)**	(8,295)	(8,295)
		63,037	**61,270**	50,400	48,602
Other fixed assets	*13*	**3,944**	**2,638**	4,031	2,757
Fixed asset investments					
LIFT loans		**14,555**	**14,555**	3,891	3,891
LIFT grants		**(14,555)**	**(14,555)**	(3,505)	(3,505)
		-	**-**	386	386
Tangible fixed assets		**66,981**	**63,908**	54,817	51,745
Current assets					
Stock and work in progress	*15*	**1,637**	**1,112**	5,875	5,324
Debtors	*16*	**2,311**	**2,672**	5,085	5,440
Cash at bank and in hand	*17*	**2,301**	**2,153**	3,554	3,413
		6,249	**5,937**	14,514	14,177
Creditors: amounts falling due within one year	*18*	**(9,720)**	**(9,490)**	(7,072)	(6,847)
Net current (liabilities)/assets		**(3,471)**	**(3,553)**	7,442	7,330
Debtors: amounts falling due after more than one year	*16*	**1,563**	**3,140**	105	1,688
Total assets less current liabilities		**65,073**	**63,495**	62,364	60,763
Creditors: amounts falling due after more than one year	*19*	**(55,919)**	**(54,705)**	(53,562)	(52,327)
Net assets		**9,154**	**8,790**	8,802	8,436
Capital and reserves					
Share capital	*20*	**1**	**1**	1	1
Designated reserve	*21,22*	**4,737**	**4,737**	4,878	4,878
Restricted reserve	*21,22*	**389**	**389**	-	-
Capital reserve	*21,22*	**1,834**	**1,834**	1,860	1,860
Revenue reserve	*21,22*	**2,193**	**1,829**	2,063	1,697
		9,154	**8,790**	8,802	8,436

These financial statements were approved and authorised for issue by the Board of Management on 30 August 2011 by:

Steve Delaney

Steve Delaney
Chair

Gordon Edwards
Board Member

Malcolm McNeil
Secretary

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 March 2011

	Notes	2011 £000	2011 £000	2010 £000	2010 £000
Cash inflow from operating activities	25		**10,369**		3,991
Returns on investments and servicing of finance					
Interest received		7		11	
Interest paid		(1,912)		(1,600)	
Net cash outflow from returns on investments and servicing of finance			**(1,905)**		(1,589)
Taxation					
Corporation tax paid		(566)		(98)	
Net cash outflow on taxation			**(566)**		(98)
Capital expenditure and financial investment					
Acquisition and construction of housing properties		(30,204)		(25,602)	
Purchase of other fixed assets		(53)		(92)	
Capital grants received		20,074		17,849	
Capital grants repaid		(2,173)		(51)	
Sales of housing properties		384		184	
Sales of other fixed assets		28		33	
Net cash outflow from capital expenditure and investing activities			**(11,944)**		(7,679)
Net cash outflow before use of liquid resources and financing			**(4,046)**		(5,375)
Financing					
Loan advances received		3,000		8,689	
Loan principal repayments		(207)		(199)	
Net cash inflow from financing	27		**2,793**		8,490
(Decrease) / increase in cash in the year	26, 27		**(1,253)**		3,115

GRAMPIAN HOUSING ASSOCIATION LIMITED

HOUSING ASSOCIATION CASH FLOW STATEMENT

For the year ended 31 March 2011

	Notes	2011 £000	2011 £000	2010 £000	2010 £000
Cash inflow from operating activities	*28*		**10,182**		3,787
Returns on investments and servicing of finance					
Interest received		**89**		97	
Interest paid		**(1,844)**		(1,538)	
Net cash outflow from returns on investments and servicing of finance			**(1,755)**		(1,441)
Taxation					
Corporation tax paid		**(556)**		(97)	
Net cash outflow on taxation			**(556)**		(97)
Capital expenditure and financial investment					
Acquisition and construction of housing properties		**(30,204)**		(25,602)	
Purchase of other fixed assets		**(53)**		(92)	
Capital grants received		**20,074**		17,812	
Capital grants repaid		**(2,173)**		(51)	
Sales of housing properties		**384**		184	
Sales of other fixed assets		**28**		33	
Net cash outflow from capital expenditure and investing activities			**(11,944)**		(7,716)
Net cash outflow before use of liquid resources and financing			**(4,073)**		(5,467)
Financing					
Loan advances received		**3,000**		8,689	
Loan principal repayments		**(187)**		(179)	
Net cash inflow from financing	*30*		**2,813**		8,510
(Decrease)/increase in cash in the year	*29,30*		**(1,260)**		3,043

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2011

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. In June 2011 the Group secured a facility for an additional £20 million of borrowing from the Royal Bank of Scotland plc. Recent cash flow forecasts covering a period of 1 year from the signing of these financial statements indicate that existing loan facilities will meet the Group's borrowing requirements to late 2012. These forecasts include a significant level of investment in self-funded shared ownership developments. The Group is also currently working with a number of other RSLs in Scotland looking at innovative ways of funding future developments in the absence of the levels of Housing Association Grant paid by the Scottish Government in recent years. The Board 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.

The Group had net current liabilities at 31 March 2011, caused by a mixture of reductions in work in progress, HAG receivable and cash balances, allied to increased year end accruals. This in turn led to increased net cash outflow in the first quarter of 2011/12, and is chiefly an issue of timing caused in part by expiry of contractual arrangements at financial year end.

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.

(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.

1. Accounting policies *(continued)*

(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 on a straight line basis over their estimated useful lives as follows:

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.

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

The commercial property owned by Kirkgate Holdings is depreciated over the properties useful economic life of 30 years.

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

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.

1. Accounting policies *(continued)*

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.

Restricted reserve

A restricted reserve was created to restrict the excess Right to Buy receipts released to the income and expenditure account as exceptional income during 2010/11. The funds held in this reserve are to be used to meet the cost of activities that support the Government's Economic Recovery Programme.

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

In January 2011 the Association became a registered charity and therefore from this date is not liable to tax on its charitable activities.

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 the 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.

1. Accounting policies *(continued)*

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.

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 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, with the cost of the property and the HAG shown separately, 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.

2. Particulars of turnover, operating costs and operating surplus

Group:

	Turnover	Operating costs	Operating surplus	Operating surplus for previous period of account
	£000	£000	£000	£000
Social lettings (note 3)	9,373	(7,771)	1,602	2,300
Other activities (note 4a)	4,530	(4,344)	186	716
Total	**13,903**	**(12,115)**	**1,788**	3,016
Total for previous period of account	18,145	(15,129)	3,016	

Housing Association:

	Turnover	Operating costs	Operating surplus	Operating surplus for previous period of account
	£000	£000	£000	£000
Social lettings (note 3)	9,373	(7,771)	1,602	2,300
Other activities (note 4b)	4,213	(4,110)	103	528
Total	**13,586**	**(11,881)**	**1,705**	2,828
Total for previous period of account	17,433	(14,605)	2,828	

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

Group and Association	General Needs Housing	Supported Housing Accommodation	Shared Ownership Housing	Total	Total for previous period of account
	£000	£000	£000	£000	£000
Rent receivable net of service charges	8,128	-	765	8,893	8,107
Service charges	448	-	98	546	509
Gross income from rents and service charges	**8,576**	-	**863**	**9,439**	**8,616**
Less Voids	(64)	-	(2)	(66)	(64)
Net income from rents and service charges	8,512	-	861	9,373	8,552
Grants from Scottish Ministers	-	-	-	-	-
Other revenue grants	-	-	-	-	-
Total turnover from social letting activities	**8,512**	-	**861**	**9,373**	**8,552**
Management and maintenance administration costs	(2,184)	-	(376)	(2,560)	(2,521)
Service costs	(643)	-	-	(643)	(572)
Planned and cyclical maintenance including major repairs costs	(2,578)	-	-	(2,578)	(1,658)
Reactive maintenance costs	(1,306)	-	-	(1,306)	(1,003)
Bad debts – rent and service charges	(77)	-	(7)	(84)	(94)
Depreciation of social housing	(404)	-	(65)	(469)	(404)
Impairment of social housing	(131)	-	-	(131)	-
Operating costs for social letting activities	**(7,323)**	-	**(448)**	**(7,771)**	**(6,252)**
Operating surplus for social letting activities	**1,189**	-	**413**	**1,602**	**2,300**
Operating surplus for social letting activities for previous period of account	1,893	-	407	2,300	

4(a) Particulars of turnover, operating costs and operating surplus /(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	Total from Other Activities-2010 £000
Wider role activities undertaken to support the community, other than the provision, construction, improvement and management of housing property	239	358	-	-	**597**	-	(657)	(60)	(172)
Care and repair of property	-	-	-	-	-	-	-	-	-
Factoring	-	-	-	360	**360**	-	(458)	(98)	(82)
Development and construction of property activities	314	-	-	-	**314**	-	(604)	(290)	(328)
Support activities	-	-	-	-	-	-	-	-	-
Care activities	-	-	-	-	-	-	-	-	-
Agency/management services – RSLs	176	-	-	122	**298**	-	-	298	532
Other agency/management services	-	-	-	59	**59**	-	(131)	(72)	(75)
Developments for sale to RSLs	-	-	-	-	-	-	-	-	-
Developments and improvements for sale to non RSLs	-	-	-	-	-	-	-	-	-
Big Lottery Grant Fund	-	42	-	-	**42**	-	(42)	-	-
Homestake / LIFT	49	47	-	1,946	**2,042**	-	(1,946)	96	218
First Tranche Shared Ownership sales	-	-	-	181	**181**	-	(151)	30	237
Market rent	-	-	-	216	**216**	-	(204)	12	71
New property sales	-	-	-	-	-	-	(27)	(27)	20
Other Activities (material) – Foyer	-	-	-	234	**234**	-	(51)	183	163
Other activities (non material)	11	-	-	176	**187**	-	(73)	114	132
Total from other activities	**789**	**447**	-	**3,294**	**4,530**	-	**(4,344)**	**186**	716
Total from other activities –2010	956	319	-	8,318	9,593	(18)	(8,859)	716	

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

Association:	Grants from Scottish Ministers	Other revenue grants	Supporting people income	Other income	Total turnover	Operating costs – bad debts	Other operating costs	Operating surplus/ (deficit)	Total from Other Activities- 2010
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Wider role activities	239	358	-	-	**597**	-	(657)	(60)	(172)
Care and repair of property	-	-	-	-	**-**	-	-	-	-
Factoring	-	-	-	360	**360**	-	(458)	(98)	(82)
Development and construction of property activities	314	-	-	-	**314**	-	(604)	(290)	(328)
Support activities	-	-	-	-	**-**	-	-	-	-
Care activities	-	-	-	-	**-**	-	-	-	-
Agency management services for RSLs	176	-	-	122	**298**	-	-	298	532
Other agency/management services	-	-	-	59	**59**	-	(131)	(72)	(75)
Developments for sale to RSLs	-	-	-	-	**-**	-	-	-	-
Developments and improvements for sale to non RSLs	-	-	-	-	**-**	-	-	-	-
Big Lottery Grant Fund	-	42	-	-	**42**	-	(42)	-	-
Homestake / LIFT	49	47	-	1,946	**2,042**	-	(1,946)	96	218
First Tranche Shared Ownership sales	-	-	-	181	**181**	-	(151)	30	237
Commercial rent	-	-	-	-	**-**	-	-	-	-
Other Activities (material) – Foyer	-	-	-	234	**234**	-	(51)	183	163
Other activities (non material)	11	-	-	75	**86**	-	(70)	16	35
Total from other activities	**789**	**447**	**-**	**2,977**	**4,213**	**-**	**(4,110)**	**103**	528
Total from other activities – 2010	956	319	-	7,606	8,881	(18)	(8,335)	528	

5. Housing stock (Group)

	Units under development		Units under management	
	2011	2010	**2011**	2010
Housing accommodation for letting:				
New build and mixed funded	**188**	272	**2,682**	2,492
Home ownership accommodation:				
Shared ownership	**77**	-	**431**	435

Housing stock (Association)

	Units under development		Units under management	
	2011	2010	**2011**	2010
Housing accommodation for letting:				
New build and mixed funded	**188**	272	**2,644**	2,454
Home ownership accommodation:				
Shared ownership	**77**	-	**431**	435

6. Remuneration of members of the Board of Management and directors

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

Directors are defined as the Chief Executive and any other senior staff reporting directly to the Chief Executive or the Board.

	2011	2010
	£000	£000
Total emoluments payable to directors (including pension contributions)	**352**	373
Emoluments payable to the highest paid director (excluding pension contributions)	**72**	86
Pension contributions	**7**	8
	79	94

The Interim Chief Executive is a member of the Association's defined contribution pension scheme as disclosed in note 33.

The Association made pension contributions of £32,284 (2010: £33,768) in respect of directors.

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

	2011	2010
	No	No
Up to £60,000	**4**	-
£60,001 - £70,000	**1**	3
£70,001 - £80,000	**2**	1
£80,001 - £90,000	**-**	-
£90,001 - £100,000	**-**	1

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 2011	2010
Administration	**81**	79
Maintenance	**11**	11
	92	90

The aggregate payroll costs of these persons were as follows:

	2011 £000	2010 £000
Wages and salaries	**2,493**	2,410
Social security costs	**231**	220
Other pension costs	**177**	177
	2,901	2,807

8. Operating surplus on ordinary activities

	2011 Group £000	2011 Association £000	2010 Group £000	2010 Association £000
Operating surplus on ordinary activities before taxation is stated after charging:				
Depreciation – housing fixed assets	**500**	**469**	439	403
Depreciation – non-housing fixed assets	**150**	**145**	167	161
Repairs (cyclical, major, day to day)	**4,638**	**4,638**	3,396	3,396
Auditors' remuneration:				
Audit	**26**	**22**	30	26
Remuneration to bodies connected with Baker Tilly UK Audit LLP	**65**	**64**	17	16
Operating lease rentals:				
Buildings	**226**	**226**	225	225
Other	**17**	**17**	20	20
Impairment of housing fixed assets	**131**	**131**	-	-
Impairment of work in progress	**53**	-	-	-

9. Interest receivable

	2011 Group £000	2011 Association £000	2010 Group £000	2010 Association £000
Bank interest receivable	7	7	6	6
Other interest receivable	-	82	5	91
	7	89	11	97

10. Interest payable and similar charges

	2011 Group £000	2011 Association £000	2010 Group £000	2010 Association £000
On bank loans and overdrafts	1,968	1,898	1,796	1,726
On all other loans payable to Group entities	197	197	208	208
Interest charged on late payment of taxation	8	8	-	-
Less interest capitalised in Fixed Assets and WIP	(326)	(324)	(349)	(340)
	1,847	1,779	1,655	1,594

11. Taxation

Group

Analysis of charge in year

	2011 £000	2010 £000
UK corporation tax		
Current tax on income for the year	282	403
Adjustment in respect of previous years	(10)	163
Total current tax	272	566
Deferred tax movement	15	53
Adjustment in respect of previous periods	-	-
Tax on surplus on ordinary activities	287	619

Factors affecting the tax charge for the current year

The current tax charge for the year differs from the charge calculated at the UK corporation tax rate of 28% *(2010: 28%)*. The differences are explained below:

	2011 £000	2010 £000
Current tax reconciliation		
Surplus on ordinary activities before tax	581	1,472
Current tax charge / (credits) at 28% *(2010: 28%)*	162	412
Effects of:		
Expenses not deductible for tax purposes	13	12
Other timing differences	(3)	(20)
Depreciation for year in excess of capital allowances	486	(20)
Profit on sale of housing properties (including allowable overheads)	(110)	(59)
Depreciation on assets not qualifying for capital allowances	168	148
Capitalised interest	-	(97)
Capital gains	58	26
Indexation on capital gains	16	16
Capital gains rolled over	(12)	(12)
Adjustments to tax charge in respect of prior years	(11)	163
Rate change – ACAs	(459)	-
Rate change – other	15	(3)
S485 adjustment (post 17 January 2011 profit)	(51)	-
Total current tax charge (see above)	272	566

11. Taxation *(continued)*

Factors that may affect future tax charges

(i) In the year ended 31 March 2011 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 £5,620.

Association

Analysis of charge in year

	2011 £000	2010 £000
UK corporation tax		
Current tax on income for the year	**282**	393
Adjustment in respect of previous years	**-**	162
Total current tax	**282**	555
Deferred tax movement	**(475)**	39
Adjustment in respect of previous periods	**487**	12
Tax on profit on ordinary activities	**-**	-
Tax on surplus on ordinary activities	**294**	606

Factors affecting the tax charge for the current year

The current tax charge for the year differs from the charge calculated at the UK corporation tax rate of 28% *(2010: 28%)*. The differences are explained below:

	2011 £000	2010 £000
Current tax reconciliation		
Surplus on ordinary activities before tax	**648**	1,431
Current tax charge / (credits) at 28% *(2010: 28%)*	**181**	401
Effects of:		
Expenses not deductible for tax purposes	**6**	8
Other timing differences	**(15)**	(20)
Depreciation for year in excess of capital allowances	**490**	(18)
Profit on sale of housing properties (including allowable overheads)	**(110)**	(59)
Depreciation on assets not qualifying for capital allowances	**168**	148
Capitalised interest	**-**	(97)
Capital gains	**58**	26
Indexation on capital gains	**16**	16
Capital gains rolled over	**(12)**	(12)
Adjustments to tax charge in respect of prior years	**-**	162
Rate change – ACAs	**(459)**	-
Rate change – other	**15**	-
S485 adjustment (post 17 January 2011 profit)	**(56)**	-
Total current tax charge (see above)	**282**	555

11. Taxation *(continued)*

Factors that may affect future tax charges

(i) In the year ended 31 March 2011 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 £5,620.

Deferred taxation

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

	2011 Group £000	**2011 Association £000**	2010 Group £000	2010 Association £000
Balance brought forward	**15**	**(12)**	(38)	(63)
Income and Expenditure account movement arising during the year	**15**	**12**	53	51
Adjustment in respect of previous periods	**-**	**-**	-	-
Balance carried forward	**30**	**-**	15	(12)

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

	2011 Provided £000	**2011 Potential Provision £000**	2010 Provided £000	2010 Potential Provision £000
Group				
Excess of taxation allowances over depreciation of fixed assets	**31**	**-**	30	30
Other timing differences	**-**	**-**	(15)	473
Losses	**(1)**	**-**	-	-
Deferred tax liability/(asset) (see note 16)	**30**	**-**	15	503
Association				
Excess of taxation allowances over depreciation of fixed assets	**-**	**-**	3	3
Other timing differences	**-**	**-**	(15)	473
Losses	**-**	**-**	-	-
Deferred tax liability/(asset) (see note 16)	**-**	**-**	(12)	476

Full provision has not been made for deferred tax relating to previously identified timing differences, as the Association obtained charitable status in January 2011 and it is therefore unlikely that these timing differences will reverse.

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
Cost					
At 1 April 2010	123,330	19,712	17,863	-	160,905
Additions	858	25,292	224	3,211	29,585
Transfers	23,184	(23,184)	-	-	-
Disposals	(42)	-	(147)	-	(189)
At 31 March 2011	147,330	21,820	17,940	3,211	190,301
Depreciation					
At 1 April 2010	3,226	-	419	-	3,645
Provided during year	435	-	65	-	500
Eliminated on disposals	(4)	-	(4)	-	(8)
Impairment	131	-	-	-	131
At 31 March 2011	3,788	-	480	-	4,268
Housing Association Grant					
At 1 April 2010	70,282	18,162	10,121	-	98,565
Additions	2,800	14,758	-	-	17,558
Transfers	13,932	(13,932)	-	-	-
Disposals	(10)	-	(109)	-	(119)
At 31 March 2011	87,004	18,988	10,012	-	116,004
Other Grants					
At 1 April 2010	6,345	1,840	110	-	8,295
Additions	-	743	-	7	750
Transfers	64	(64)	-	-	-
Public grant repaid	-	(2,053)	-	-	(2,053)
At 31 March 2011	6,409	466	110	7	6,992
Net book value					
At 31 March 2011	50,129	2,366	7,338	3,204	63,037
At 1 April 2010	43,477	(290)	7,213	-	50,400

See page 36 for details of valuations and a review for impairment in relation to the Association's stock. A valuation exercise was undertaken in January 2009 for property held by Kirkgate Holdings Limited; DTZ 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. The 2011 valuation exercise relating to the Association's stock, as detailed below, highlighted that Existing Use Values have risen by 10.3% since 2009, with market values falling by 7.6% on average.

A review of potential impairment of Kirkgate Holdings' properties resulted in the recognition of an impairment of £53,037 relating to the 2 remaining Collieston properties.

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

Security has been granted to lenders in respect of housing properties. Net cumulated interest capitalised in housing properties at 31 March 2011 amounted to £1,793,611 (2010: £1,519,426). The amount capitalised in the year was £274,185 (2010: £115,446). The total expenditure in the year on works to existing properties amounted to £4,638,489 (2010: £3,410,394). Of this, £Nil (2010: £Nil) has been capitalised in line with the Association's accounting policy on work to existing housing properties.

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
Cost					
At 1 April 2010	121,377	19,712	17,863	-	158,952
Additions	858	25,292	224	3,211	29,585
Transfers	23,184	(23,184)	-	-	-
Disposals	(42)	-	(147)	-	(189)
At 31 March 2011	145,377	21,820	17,940	3,211	188,348
Depreciation					
At 1 April 2010	3,071	-	419	-	3,490
Provided during year	404	-	65	-	469
Eliminated on disposals	(4)	-	(4)	-	(8)
Impairment	131	-	-	-	131
At 31 March 2011	3,602	-	480	-	4,082
Housing Association Grant					
At 1 April 2010	70,282	18,162	10,121	-	98,565
Additions	2,800	14,758	-	-	17,558
Transfers	13,932	(13,932)	-	-	-
Disposals	(10)	-	(109)	-	(119)
At 31 March 2011	87,004	18,988	10,012	-	116,004
Other Grants					
At 1 April 2010	6,345	1,840	110	-	8,295
Additions	-	743	-	7	750
Transfers	64	(64)	-	-	-
Public grant repaid	-	(2,053)	-	-	(2,053)
At 31 March 2011	6,409	466	110	7	6,992
Net book value					
At 31 March 2011	48,362	2,366	7,338	3,204	61,270
At 1 April 2010	41,679	(290)	7,213	-	48,602

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

A full valuation of the Association's housing stock was carried out on 30 November 2007, by the external valuer DTZ. On an Existing Use Valuation, Social Housing basis (EUV-SH), a property report valuation of £61,098,000 was produced. A valuation of selected unencumbered Grampian stock by DTZ took place in June 2009; where subject to previous valuation, it was found that Existing Use Values had changed little over this period.

As part of the process to set up a new loan facility in 2011/12, DTZ carried out a valuation in June 2011 of all Grampian stock encumbered under existing loan facilities, together with a relatively small number of previously unencumbered properties. In total, this exercise encompassed 2,574 units which represent some 84% of the Association's combined rental and shared ownership stock at 31 March 2011. On an Existing Use Valuation, Social Housing basis (EUV-SH), the properties in question were valued in total at £65,907,000. This compares positively with previous surveys: on a like for like basis, unit Existing Use Values increased by 19% from the 2007 valuation and by 10.3% from the 2009 equivalent. Market valuation was also updated for 1,983 of the surveyed properties, and yielded a total of £96,396,000. As expected, this figure represented a like for like decline from previous valuations, but the average per unit decrease of 7.6% compares favourably with other housing sector indicators during this period.

A further review of potential impairment was carried out in preparing these accounts, which involved comparing net book values with future cash flows (measured through EUV-SH) on a scheme by scheme basis for all properties included in the June 2011 DTZ valuation. This review resulted in the recognition of an impairment of £130,748 relating to 2 schemes, Cromarty Place in Lossiemouth and 118 Walker Road.

13. Tangible fixed assets – other (Group)

	Commercial properties £000	Heritable land and buildings £000	Plant and machinery, fixtures and motor vehicles £000	Computer hardware and software £000	Total £000
Cost					
At 1 April 2010	2,370	2,145	415	604	5,534
Additions	-	4	40	8	52
Disposals	-	-	(63)	-	(63)
At 31 March 2011	2,370	2,149	392	612	5,523
Depreciation					
At 1 April 2010	153	504	293	516	1,466
Provided during year	30	42	35	43	150
Eliminated on disposals	-	-	(37)	-	(37)
At 31 March 2011	183	546	291	559	1,579
Net book value					
At 31 March 2011	**2,187**	**1,603**	**101**	**53**	**3,944**
At 1 April 2010	2,180	1,641	122	88	4,031

Included in heritable land and buildings is land costing £260,000. Net accumulated interest capitalised in tangible fixed assets at 31 March 2011 amounted to £17,337. No Interest was capitalised in the year.

13. Tangible fixed assets – other (Association)

	Commercial properties £000	Heritable land and buildings £000	Plant and machinery, fixtures and motor vehicles £000	Computer hardware and software £000	Total £000
Cost					
At 1 April 2010	1,043	2,145	415	604	4,207
Additions	-	4	40	8	52
Disposals	-	-	(63)	-	(63)
At 31 March 2011	1,043	2,149	392	612	4,196
Depreciation					
At 1 April 2010	137	504	293	516	1,450
Provided during year	25	42	35	43	145
Eliminated on disposals	-	-	(37)	-	(37)
At 31 March 2011	162	546	291	559	1,558
Net book value					
At 31 March 2011	**881**	**1,603**	**101**	**53**	**2,638**
At 1 April 2010	906	1,641	122	88	2,757

Included in heritable land and buildings is land costing £260,000. Net accumulated interest capitalised in tangible fixed assets at 31 March 2011 amounted to £17,337. No interest was capitalised in the year.

14. Investments

The Association owns 2 shares in Kirkgate Homes Limited at a cost of £2 (2010: £2). At 31 March 2011 Kirkgate Homes Limited was a dormant company.

15. Stock and work in progress

	2011 Group £000	**2011 Association £000**	2010 Group £000	2010 Association £000
Housing stock	**30**	**30**	144	144
Work in progress – Cost	**32,280**	**31,755**	26,760	26,209
Work in progress – HAG	**(31,538)**	**(31,538)**	(21,176)	(21,176)
Shared ownership	**865**	**865**	147	147
	1,637	**1,112**	5,875	5,324

Included within Group work and progress is the Collieston Development undertaken by Kirkgate Holdings. The amount of interest capitalised on this development in the year was £1,821 (2010: £9,328).

16. Debtors

	2011 Group £000	2011 Association £000	2010 Group £000	2010 Association £000
HAG receivable	1,082	1,082	3,460	3,460
Rental debtors	238	238	290	290
Prepayments and accrued income	248	248	129	129
Other debtors	743	721	1,206	1,225
Deferred taxation (see note 11)	-	-	-	12
Loan to subsidiary undertaking due within one year	-	383	-	324
	2,311	2,672	5,085	5,440
Redistributed HAG due from Devanha	1,405	1,405	-	-
Other debtors due after more than one year	158	158	105	105
Loan to subsidiary undertaking due after more than one year	-	1,577	-	1,583
	1,563	3,140	105	1,688

The above figure for rental debtors (Group and Association) is made up as follows:

	2011 Debtor £000	2011 Provided £000	2011 Net debtor £000	2010 Debtor £000	2010 Provided £000	2010 Net debtor £000
Due from current tenants	310	(145)	165	288	(136)	152
Due from former tenants	182	(164)	18	175	(78)	97
Due from housing benefit	55	-	55	41	-	41
	547	(309)	238	504	(214)	290

£43,026 of bad debt was written off during the period (*2010: £125,355*).

17. 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 (*2010: £235,000*) on a specific deposit account.

18. Creditors: amounts falling due within one year

	2011 Group £000	2011 Association £000	2010 Group £000	2010 Association £000
Loans (secured) (see note 19)	233	210	221	199
Trade creditors	3,895	3,886	3,845	3,833
Other creditors	1,739	1,739	140	164
Accruals and deferred income	2,463	2,301	2,082	1,906
Payments on account	1,072	1,072	189	189
Deposits	16	-	14	-
Corporation tax	272	282	566	556
Deferred tax liability (see note 11)	30	-	15	-
	9,720	9,490	7,072	6,847

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

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

	2011 Group £000	2011 Association £000	2010 Group £000	2010 Association £000
Loans (secured)	**56,028**	**54,791**	53,249	51,992
Less: due within one year	**(233)**	**(210)**	(221)	(199)
	55,795	**54,581**	53,028	51,793
Amounts due re excess RTB Sales	**-**	**-**	389	389
Deferred income	**124**	**124**	145	145
	55,919	**54,705**	53,562	52,327

Exceptional item:
Included in creditors due after more than one year at 31 March 2010 was £389,000 relating to excess Right to Buy receipts which had previously been repayable under the Scottish Homes LSVT contract. In August 2010 Grampian Housing Association received a signed Termination Agreement from the Scottish Government confirming that there was no longer a requirement to repay this amount and that it and could be used instead for activities to support the Government's Economic Recovery Programme. The amounts no longer repayable have been treated as exceptional income in 2010/11 and then transferred to a restricted reserve (see note 22) where the funds will be held until relevant expenditure is incurred.

Loans are repayable in instalments due as follows:

	2011 Group £000	2011 Association £000	2010 Group £000	2010 Association £000
Monthly instalments	**13,519**	**13,519**	13,562	13,562
Monthly instalments, interest only, with bullet repayment of principal July 2014	**10,000**	**10,000**	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	**1,237**	**-**	1,257	-
Bi-annual instalments, interest only, with bullet repayment of principal November 2016	**1,177**	**1,177**	1,191	1,191
Bi-annual instalments	**1,845**	**1,845**	1,989	1,989
	56,028	**54,791**	53,249	51,992

* 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 2011 the last instalment of loans falls to be repaid in the year ending 31 March 2037 *(2010: 31 March 2037)*. Interest is charged at rates between 1.108% and 8.75%, *(2010:1.08% and 8.75%)*.

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

Amounts are estimated as repayable as follows:	**2011 Group £000**	**2011 Association £000**	2010 Group £000	2010 Association £000
In one year or less	**233**	**210**	221	199
Between one and two years	**2,747**	**2,724**	228	207
Between two and five years	**15,748**	**15,669**	14,106	14,031
In five years and more	**37,300**	**36,188**	38,694	37,555
	56,028	**54,791**	53,249	51,992

20. Share capital

Group

Shares of £1 each fully paid	**2011 Number**	2010 Number	**2011 £000**	2010 £000
At 1 April	415	444	1	1
Issued in year	7	2	-	-
Withdrawn in year	(10)	(31)	-	-
At 31 March	**412**	415	**1**	1

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

Association

Shares of £1 each fully paid	**2011 Number**	2010 Number	**2011 £000**	2010 £000
At 1 April	415	444	1	1
Issued in year	7	2	-	-
Withdrawn in year	(10)	(31)	-	-
At 31 March	**412**	415	**1**	1

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

	Revenue reserve £000	**Designated reserve £000**	**Restricted reserve £000**	**Capital reserve £000**	**Share capital £000**	**Total shareholders' funds £000**
Balance at 1 April 2010	2,063	4,878	-	1,860	1	8,802
Surplus for year	294	-	-	-	-	294
Removal of historic consolidation adjustment	58					58
Transfer from capital reserve	26	-	-	(26)	-	-
Transfer to designated Reserves	(2,420)	2,420	-	-	-	-
Transfer from designated reserve	2,561	(2,561)	-	-	-	-
Transfer from general reserve (Exceptional item – see below)	(389)	-	389	-	-	-
Balance at 31 March 2011	**2,193**	**4,737**	**389**	**1,834**	**1**	**9,154**

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

	Revenue Reserve £000	Designated reserve £000	Restricted reserve £000	Capital reserve £000	Share capital £000	Total shareholders' funds £000
Balance at 1 April 2010	1,697	4,878	-	1,860	1	8,436
Surplus for year	354	-	-	-	-	354
Transfer from capital reserve	26	-	-	(26)	-	-
Transfer to designated reserve	(2,420)	2,420	-	-	-	-
Transfer from designated reserve	2,561	(2,561)	-	-	-	-
Transfer from general reserve (Exceptional item – see below)	(389)	-	389	-	-	-
Balance at 31 March 2011	**1,829**	**4,737**	**389**	**1,834**	**1**	**8,790**

Exceptional item:
£389,000 no longer repayable under the Scottish Homes LSVT contract has been treated as exceptional income in 2010/11 and then transferred to a restricted reserve where the funds will be held until relevant expenditure is incurred (see note 19 for further details).

23. Designated reserve (Group and Association)

	Balance at 1 April 2010 £000	Transfers in £000	Transfers out £000	Balance at 31 March 2011 £000
Cyclical maintenance and major repairs reserve	4,869	2,418	(2,561)	**4,726**
Other	9	2	-	**11**
	4,878	2,420	(2,561)	**4,737**

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 £8,900,000.

24. Commitments – Group and Association

(a) Capital commitments authorised and contracted for at 31 March 2011 amounted to £11,200,000 (*2010:* £14,784,000). 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:

	2011		2010	
	Land and Buildings £000	**Other £000**	Land and buildings £000	Other £000
Operating leases which expire:				
In second to fifth years inclusive	-	**17**	-	20
Over five years	**226**	-	225	-

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

Group	2011 £000	2010 £000
Operating surplus	**1,787**	3,016
Adjustments:		
Depreciation on non-housing fixed assets	**150**	166
Depreciation on housing fixed assets	**500**	435
Impairment of housing fixed assets	**131**	-
Gain on sale of non-housing fixed assets	**(2)**	(8)
Impairment of work in progress	**53**	
Deferred income	**(21)**	(21)
Prior period reserves adjustment	**-**	439
Movement in working capital:		
Decrease in stock and work in progress	**4,208**	1
Decrease/(increase) in debtors	**319**	(627)
Increase in creditors	**3,244**	590
Cash inflow from operating activities	**10,369**	3,991

26. Analysis of changes in net debt (Group)

	At 31 March 2010 £000	Cashflows £000	Other non-cash movements £000	At 31 March 2011 £000
Cash in hand, at bank	3,554	(1,253)	-	**2,301**
Debt due within one year	(221)	(27)	15	**(233)**
Debt due after more than one year	(53,029)	(2,766)	-	**(55,795)**
Total debt	(53,250)	(2,793)	15	**(56,028)**
Total	(49,696)	(4,046)	15	**(53,727)**

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

	2011 £000	2010 £000
(Decrease)/increase in cash in the period	**(1,253)**	3,115
Cash inflow from debt financing	**(2,793)**	(8,490)
Loan premium amortisation	**15**	15
Change in debt resulting from cash flows	**(4,031)**	(5,360)
Net debt at beginning of period	**(49,696)**	(44,336)
Net debt at end of period	**(53,727)**	(49,696)

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

Association	2011 £000	2010 £000
Operating surplus	**1,705**	2,828
Adjustments:		
Depreciation on non-housing fixed assets	**145**	161
Depreciation on housing fixed assets	**469**	403
Impairment of housing fixed assets	**131**	-
Profit on sale of non-housing fixed assets	**(2)**	(8)
Deferred income	**(21)**	(21)
Prior period reserves adjustment	**-**	439
Movement in working capital:		
Decrease/(increase) in stock and work in progress	**4,212**	(310)
Decrease/(increase) in debtors	**331**	(420)
Increase in creditors	**3,212**	715
Cash inflow from operating activities	**10,182**	3,787

29. Analysis of changes in net debt (Association)

	At 31 March 2010 £000	Cashflows £000	Other non-cash movements £000	At 31 March 2011 £000
Cash in hand, at bank	3,413	(1,260)	-	**2,153**
Debt due within one year	(199)	(26)	15	**(210)**
Debt due after more than one year	(51,793)	(2,788)	-	**(54,581)**
Total debt	(51,992)	(2,814)	15	**(54,791)**
Total	(48,579)	(4,074)	15	**(52,638)**

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

	2011 £000	2010 £000
(Decrease)/increase in cash in the period	**(1,260)**	3,043
Cash inflow from debt financing	**(2,814)**	(8,510)
Loan premium amortisation	**15**	15
Change in debt resulting from cash flows	**(4,059)**	(5,452)
Net debt at beginning of period	**(48,579)**	(43,127)
Net debt at end of period	**(52,638)**	(48,579)

31. Group structure

The Association is a Registered Social Landlord, incorporated in Scotland and has two subsidiaries, Kirkgate Homes Limited and Kirkgate Holdings Limited. Kirkgate Homes Limited is a dormant company.

Individual accounts have been prepared for Kirkgate Holdings Limited. Kirkgate Holdings Limited is consolidated in the group financial statements of Grampian Housing Association as Grampian Housing Association has common control of Kirkgate Holdings Limited.

32. 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 accurately this liability, as a result of which no provision is made for this heading. This shortfall arises from a number of sources including the housing market downturn, the addition of unbudgeted elements such as stage 2 adaptations and more ambitious special needs accommodation in Moray.

Action taken to address and offset the shortfall in part is a review of final grant payable to individual projects which could and is creating an element of surplus grant within a cash limited total. In addition Grampian has taken action to reduce its and Devanha's exposure by converting two New Supply Shared Equity projects to shared ownership. As a result of this the Association has reached agreement with its Devanha partners on the exact method of distribution of any surplus grant and on a restriction of Grampian's exposure to further increases in the shortfall as a result of market or site conditions at Donside, the last remaining project on site. Even with these guarantees in place, it is likely to take until 2013 to obtain absolute clarity following completion of all projects.

33. 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 *(2010: £177,000)*.

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.

33. 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 23 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 out of Plan's total 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 were completed in 2009 and have been formalised. The valuation of the Plan was performed by a professionally qualified actuary using the Projected Unit Method. The market value of the Plan's assets at the valuation date was £742 million and the Plan's Technical Provisions (i.e. past service liabilities) were £771 million. The valuation therefore revealed a shortfall of assets compared with the value of liabilities of £29 million, equivalent to a funding level of 96%.

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

	%pa
Rate of return pre retirement	7.6
Rate of return post retirement:	
Active / Deferred	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 10 years.

The Scheme Actuary has prepared a funding position update as at 30 September 2010. The market value of the Plan's assets at that date was £780 million and the Plan's Technical Provisions (i.e. past service liabilities) were £825 million. The valuation therefore revealed a shortfall of assets compared with the value of liabilities of £45 million, equivalent to a funding level of 95%.

33. 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 the steps to be taken to make up the shortfall.

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

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

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 buy-out basis i.e. the cost of securing benefits by purchasing annuity policies from an insurer, plus an allowance for expenses) with the assets of the 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 2010. As of this date the estimated employer debt for Grampian Housing Association Limited was £1,009,705 (2010: £1,071,578).

At the balance sheet there were 22 active members of the Pensions Trust's Flexible Retirement Plan and 9 active members of the Pensions Trust's Ethical Fund.

34. Related party disclosures

The outgoing Chief Executive of Grampian Housing Association Limited was a Board member of Aberdeen Foyer Limited up until his retirement from the Association on 30 June 2011, and remains Chair 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.

34. Related party disclosures *(continued)*

During the year to 31 March 2011 the following transactions were effected in relation to the Foyer:

Housing rent receivable £140,072 (2010: £149,703)
Restaurant rent receivable £34,392 (2010: £32,308)
Amounts paid in advance for restaurant rent £124,200 (2010: £138,247)
Office accommodation rent £52,211 (2010: £54,176)
Repairs management and other services £14,989 (2010: £12,278)
Amounts due from Foyer at 31 March 2011 £89 (2010: £10,791)
Amounts payable to Foyer at 31 March 2011 £408 (2010: £92)

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), with Mr Delaney currently serving as Chair of the Trust.

During the year to 31 March 2011 the following transactions were effected in relation to GCCCT:

Management services receivable £23,859 (2010: £30,738)
Office accommodation rent receivable £1,454 (2010: £1,893)
Amounts due from GCCCT at 31 March 2011 £25,007 (2010: £14,528)

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.

During the year to 31 March 2011 the following transactions were effected in relation to LHA:

Management services receivable £47,892 (2010: £38,681)
Office rent receivable £Nil (2010: £2,360)
Factoring and other charges receivable £118,081 (2010: £113,586)
Office rent and support costs payable £50,118 (2010: £46,343)
LIFT property marketing allowances receivable £30,705 (2010: £34,073)
Amounts due from LHA as at 31 March 2011 £50,950 (2010: £92,959)
Amounts due to LHA as at 31 March 2011 £167 (2010: £5,548)

During the year there was one tenant board member, Iris Walker. All transactions between the Association and the tenant board member 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 2011 the following transactions were effected in relation to Devanha:

Management services receivable £4,567 (2010: £8,147)
Reimbursement of expenses £542 (2010: £711)
Contribution to funding of Devanha £13,500 (2010: £2,000)