

Grampian Housing Association Limited

**Report of the Board of Management and
Consolidated Financial Statements
31 March 2012**

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

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

For the year ended 31 March 2012

Contents

Board of Management, Executives and Advisers	1 – 3
Report of the Board of Management	4 – 13
Statement of Board of Management’s Responsibilities	14
Board of Management’s Statement on Internal Financial Controls	15
Auditor’s Reports	16 – 17
Income and Expenditure accounts	18 – 19
Balance Sheet	20
Cash Flow Statements	21 – 22
Accounting Policies and Notes to the Financial Statements	23 – 54

GRAMPIAN HOUSING ASSOCIATION LIMITED - CONSOLIDATED

BOARD OF MANAGEMENT, EXECUTIVES AND ADVISERS

For the year ended 31 March 2012

The Board of Management and Executive Officers

The Board of Management and the Executive Officers who held office during the year together with the interests of the board members at the year end in the share capital of the Association at 31 March 2012 and 2011 (or date of appointment if later) follow:

<i>Board members</i>		Number	Number
		2012	2011
Steve Delaney	(Chair)	1	1
Keith Jones	(Vice Chair)	1	1
Gordon Edwards		1	1
Val Fitzsimmons *	Appointed 28 September 2011	1	-
William McKimmie		1	1
Graham Morrison		1	1
Rae Munro #		1	1
Cllr Jim Noble	(Co-opted)	1	1
Cllr Richard Robertson #		1	1
George Ross		1	1
Cllr Gurudeo Saluja	(Co-opted)	1	1
Bruce Skene *	Appointed 28 September 2011	1	-
Alan Thomson		1	1
Ms Iris Walker *		1	1
David Young		1	1
Dr Leela Gautum	- Resigned 28 September 2011	-	1

*Customer board member

Sharing Owners

Executive officers

Neil Clapperton (Interim Chief Executive / Assistant Secretary)

Malcolm McNeil (Interim Secretary)

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.

GRAMPIAN HOUSING ASSOCIATION LIMITED - CONSOLIDATED

BOARD OF MANAGEMENT, EXECUTIVES AND ADVISERS

For the year ended 31 March 2012

The Board members at the year end listed below were also members of the Board of Management of Kirkgate Holdings Limited (a subsidiary of Grampian Housing Association Limited). On 15 March 2011 the Board of Management of Kirkgate Holdings Limited approved the conversion of the company to a private limited company and on 22 June 2011, Kirkgate Developments Limited was incorporated, with trading continuing under the new entity. This incorporated a change in its constitution from an Industrial & Provident Society to a company limited by shares. The full share capital of Kirkgate Developments Limited is owned by Grampian Housing Association Limited. These Board members had the following interests in the share capital of Kirkgate Holdings Limited at 31 March 2011 before the change in its constitution and continued on the Board of the newly formed Kirkgate Developments Limited.

		Number 2012	Number 2011
William McKimmie		1	1
George Ross		1	1
David Young		1	1
Graham Morrison	Resigned 22 June 2011	-	1
Alan Thomson	Resigned 22 June 2011	-	1

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

Donald Murdoch		-	1
Rhona Atkinson	Appointed 30 August 2011	1	-
Richard Dodunski	Appointed 30 August 2011	1	-
Peter Stephen	Appointed 30 August 2011	1	-
Gordon Edwards	Appointed 30 August 2011	1	-

GRAMPIAN HOUSING ASSOCIATION LIMITED - CONSOLIDATED

BOARD OF MANAGEMENT, EXECUTIVES AND ADVISERS

For the year ended 31 March 2012

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
78 Union Street
Aberdeen
AB10 1HH

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 2012

The Board of Management presents its report and audited financial statements for the year ended 31 March 2012.

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 and registered with The Scottish Charity Register as a registered charity. It has two subsidiaries: Kirkgate Developments Limited and Kirkgate Homes Limited (a dormant company).

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. As a registered charity, all 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 Developments Limited (formerly Kirkgate Holdings 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.

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 2011/12. 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 (SHR).

GRAMPIAN HOUSING ASSOCIATION LIMITED - CONSOLIDATED

REPORT OF THE BOARD OF MANAGEMENT

For the year ended 31 March 2012

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 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 200 units of new rental properties, all of which were in management at 31 March 2012. 34 new units were completed at Greyhope Road, Aberdeen ; 53 at Market Stance, Aberdeen ; 7 at Alba Road, Buckie ; 45 at Jamieson Place/Drive, Elgin ; 7 at McBeath Court, Elgin ; 16 at Grant Road West, Forres ; 27 at Twinning Link, Forres ; and 10 at Vienenburg Avenue, Forres. Also during the year 1 home passed from the Association's ownership, as tenants exercised their Right to Buy; against this, 2 properties were added to the Association's portfolio under the Mortgage to Rent scheme.

There were 42 new shared ownership properties built during 2011/12. Against this, 2 shared ownership properties were removed through sharing owners exercising their right to staircase to 100% ownership. There were some other staircasing changes over the year. The new developments added were all in Aberdeen : 12 at Abbey Road, 17 at Rona Place and 8 at Burnland Elrick. In addition to this, 7 properties were purchased at Errol Street, Aberdeen.

At the year-end the Group owned 2,846 rental properties, and had 470 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 2011/12 through substantial housing development activity encompassing both the final phase of Devanha volume procurement programme and new build properties for the Association. At the year-end there were 251 units in development, of which 127 units were for rent and 124 were for shared ownership. Looking to 2012/13 and beyond, developments will involve expansion of self funded and grant aided schemes in an environment of substantially reduced grant. Capital commitments of £15,140,000 were authorised and contracted for in the immediate future. The Group's capital investment on housing properties for the year ended 31 March 2012 was £14,312,000. This was funded in part by way of Housing Association Grant (HAG) funding from the Scottish Government, which amounted to £2,583,000, and other grants amounting to £777,000. The remainder was funded from the Group's own resources, which included £482,000 of sales proceeds from sharing owners and other property sales.

GRAMPIAN HOUSING ASSOCIATION LIMITED - CONSOLIDATED

REPORT OF THE BOARD OF MANAGEMENT

For the year ended 31 March 2012

Component Accounting

Following the implementation of the Statement of Recommended Practice – Accounting by registered social housing providers – Update 2010 (SORP 2010), the Association has implemented component accounting. As a result of the changes brought about by the SORP 2010 and the detailed guidance of the Technical Notes, the Association has adopted a new accounting policy, which has resulted in a prior period adjustment. Major components (Note 1) of our housing properties are identified and depreciated over specific economic life spans. Their replacement is then capitalised in fixed assets as they occur. The resulting prior period adjustment is shown in the relevant notes to the financial statements and detailed in Note 35. This resulted in an increase in reserves at 31 March 2011 of £1.673m

Income and expenditure

The Group had a turnover of £14,501,000, an increase of 4% on the previous year's turnover of £13,903,000. On this turnover the Group showed a surplus before tax of £1,375,000, compared with a loss of £83,000 in 2011. Operating costs at £11,113,000 fell by 13% on the 2011 figure of £12,753,000. The increase in Group turnover is mainly a result of the completion of developments and their transfer into management, combined with the normal annual rent increase. The overall decrease in operating costs is mainly affected by an amount of £1,265,571 being transferred out of cyclical repairs and being capitalised in the year, which is an increase of £1,196,256 on the 2011 balance of £69,315. The annual charge for day to day repairs, cyclical repairs and major repairs was also £519,000 less than the year 2011. This overall decrease was partially offset by an increase in the financial overheads of £318,000 due mainly to fees charged for the re-organisation of the loan facilities.

The impact of the componentisation of the rental properties is recognised in the accounts as a prior period adjustment and a revised depreciation and repairs capitalised figure for 2012. At 31 March 2011, the effect of these revisions was a prior period adjustment of £1,673,000. In the year to 31 March 2012, the adjustments resulted in an increase to reserves of £579,000. The overall effect of the component accounting re-statements amounted to a credit to reserves of £2,252,000 to date, which will be offset by higher annual depreciation charges going forward.

In July 2011, Kirkgate Developments Limited changed its status to a company registered as limited by shares and at this time, the properties previously held as housing properties, were reclassified as investment properties. Without taking this adjustment into account, the operational results showed an increase to turnover of 3% at £359,526 compared to £348,669 in 2011. This combined with a decrease in operating costs to £199,075, compared to £238,881 in 2011. This led to an increase to a surplus in 2012 of £36,905 compared to a deficit in 2011 of (£67,351). The change in classification of the properties resulted in an increase in the property values of £1,820,000 which was recognised as a revaluation reserve.

With Grampian Housing Association receiving charitable status from January 2011, the company's tax liability reduced to nil from a charge of £287,000 in 2011. Kirkgate Developments Limited's status change however, leaves it liable to taxation and the provision for the current year for deferred tax is £3,000. This charge however will not materialise until the commercial properties are disposed of.

The Association's repair costs, at £2,979,000 inclusive of overheads, represented 27% of total Group operating costs. During 2011/2012, significant upgrade works took place including flood prevention work at Huntly, bathroom replacements at Mastrick and Northfield and window replacements at Garthdee, Alford and Stonehaven. Work also included kitchen replacements at Nigg Kirk Road, boiler replacements at Forres and various other works including heating upgrades, insulation and painting. The Association also fitted carbon monoxide detectors in the rental properties over the year.

The Association is working towards compliance with the Scottish Housing Quality Standard by 2015 and has appointed a consultant to complete a full inspection on all properties to assess the remedial work required.

GRAMPIAN HOUSING ASSOCIATION LIMITED - CONSOLIDATED

REPORT OF THE BOARD OF MANAGEMENT

For the year ended 31 March 2012

Balance sheet

At the 31 March 2012 the Group gross cost of housing properties amounted to £206,757,000 (an increase of £16,456,000 on the 2011 balance of £190,301,000) and after allowing for depreciation and HAG these have a net book value of £73,194,000.

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 increased, on a net book value basis from £3,944,000 to £7,960,000, due mainly to the revaluation of Investment Properties of £1.597m and a transfer from Housing Property of £1.95m.

The Group's net work in progress fell in comparison to the prior year, from £1,637,000 to £418,000. 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 2011/12 and as at 31 March 2012 there were no significant developments under construction on behalf of other organisations.

Current debtors decreased from £2,311,000 to £2,155,000, chiefly driven by the receipt during 2011/12 of a significant HAG receivable balance included in debtors at the end of the prior year. Debtors due in more than one year decreased from £1,563,000 to £211,000 due primarily to grant received from the Devanha partnership. Cash at bank and in hand fell from £2,301,000 to £454,000.

Short-term creditors decreased from £9,720,000 to £5,697,000, 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 £55,919,000 to £64,677,000, through additional bank funding to support new developments.

Reserves

At the year-end revenue reserves had increased from £3,866,000 to £4,520,000, chiefly as a result of the surplus referred to above and the prior period adjustment for component accounting, detailed in Note 35 on page 54 which increased the reserves by £1.7m.

Designated reserves are resources internally generated from operations, which have been set aside to provide for planned cyclical repairs. A net amount of £861,000 was transferred into designated reserves, which now stand at £5,598,000. 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 2010/11 (see note 22 to the financial statements). During the year £121,000 of this reserve was used, and a further £31k was transferred to restricted reserves of Big Lottery Income received and a corresponding £31k of expenditure was incurred, leaving the reserve at the year end at £268,000.

The capital reserve has decreased from £1,834,000 to £1,812,000.

All properties within Kirkgate Developments Limited were revalued in the year, giving rise to a revaluation reserve of £1,820,000.

In summary, total reserves increased during the year from £10,827,000 to £14,019,000.

GRAMPIAN HOUSING ASSOCIATION LIMITED - CONSOLIDATED

REPORT OF THE BOARD OF MANAGEMENT

For the year ended 31 March 2012

Staffing

Staff numbers increased from 92 to 95 full time equivalent persons, with the increase mainly being due to an increase within the mobile team. Following the Chief Executive's retirement in June 2010, the Director of Housing and Property Services has assumed the role of Interim Chief Executive. Due to the delay in the formation of the Sirius

Group, the Association is currently in the process of making this a permanent placement. The Scottish Housing Regulator was informed about this decision and indicated its approval for this course of action.

New Initiatives

2011/12 saw the very end of the Scottish Government's current Wider Role funding programme. This fund was 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. Wider Role has been replaced with the People and Communities Fund from 1 July 2012 and a number of proposals are being worked up for the coming years. One key element of this Fund is that it is eligible to "Community Anchor Organisations", including, but not exclusive to RSLs. Development Trusts are also likely recipients and we have been working closely with some such Trusts in Aberdeenshire to work up community based projects and projects involving Renewable Energy.

During the year, the joint New Initiatives team continued to support both RSLs' aspirations in community focused initiatives and with an increasing emphasis on business development.

2011/12 was another busy year in terms of Wider Action activity. The SMART team continued to offer money advice to Langstane, Margaret Blackwood and Aberdeenshire Housing Partnership. In addition, Langstane received Wider Role funding to enable them to second an Estates Assistant to the SMART team to train as an Income Adviser alongside SMART's own Income Adviser, funded by Fairer Scotland Fund for Aberdeen City, who had another highly successful year with a financial gain for social housing tenants across the City of £472,000.

The Association completed its recession funding from the Lottery half way through the year, then was happily successful in a larger application for money advice and early intervention for five years commencing on 1 April 2012. This gives welcome security to staff acknowledging the value of the service they provide to those in financial difficulty.

SMART also continued to work in Moray, in partnership with the Moray Council, Moray CAB and two local credit unions. We worked in 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 2011/12, 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. The Team was also successful during the year in securing a small grant from the Health Improvement Fund and also a Community Jobs Fund placement. 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.

Following a successful bid to the Climate Challenge Fund the Association employed an Energy Adviser to work with tenants in North Aberdeen to raise awareness of energy efficiency issues and to reduce the carbon footprint in this area. This valuable work will continue for the next three years following another successful application.

The ASSIST Project had a change in line management this year to Chris Mathieson, Senior Support Services Officer, who also manages SMART. This has again improved the level of hands on management support that the staff receive. 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.

GRAMPIAN HOUSING ASSOCIATION LIMITED - CONSOLIDATED

REPORT OF THE BOARD OF MANAGEMENT

For the year ended 31 March 2012

New Initiatives (continued)

During the year we have been building towards the launch of a new furniture project for tenants of RSLs locally utilising an enhanced white goods scheme through one of our local Credit Unions, NESCU. One of our New Initiatives Managers has also taken a place on the NESCU board of management.

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 Aberdeen and Aberdeenshire to bring them access to good quality fruit and vegetables at a reasonable cost. In addition, the project allows volunteering and employment opportunities. In order to assist CFINE through a difficult financial period, the Association granted a small loan this year in addition to the Wider Role grant.

The Association has continued to work with Aberdeen Foyer and other local RSLs in supporting the Aberdeenshire Learning Initiative through learning houses in Peterhead and Fraserburgh, bringing much needed pre-employment support to vulnerable members of the community.

An exciting development over the year, has been researching the potential for creating a new enterprise within the Sirius Group to provide maintenance services for both GHA and LHA (and others). A Business Plan has been completed and reports have been prepared for the Boards of Management with a view to gaining agreement in principle to take the initiative forward.

Customer Participation

TIS (Tenants Information Service) was appointed to grow the membership and expand the work of *Count me in*, the Association's customer panel. The panel is one of the main ways the Association consults with its customers and continues to be recognised as best practice.

Panel activity throughout the year included discussion sessions and surveys on a range of topics including the rent and service charge/factoring review, pets policy and estate issues.

A joint open day was held again with Langstane Housing Association. A new feature for 2011/12 was the drop-in centre which proved popular with tenants as they were able to discuss individual tenancy related issues with relevant staff. Feedback from the event highlighted the success of the marketplace where information and advice organisations were exhibiting and the health and wellbeing checks.

The Customer Participation Working Group continues to meet every second month. Amongst its activities are reviewing implementation of the various activities contained in the customer participation strategy and TPAS (Tenant Participation Advisory Service) accreditation improvement plan as well as implementing the customer satisfaction survey action plan.

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

The Association is a member of the new North East Joint Tenant Participation Working Group (NETPJWG). Set up to co-ordinate joint tenant and resident participation initiatives in the North East its membership comprises staff and tenants of the respective local authorities (Aberdeen City, Aberdeenshire and The Moray Councils) and Registered Social Landlords (Aberdeenshire & Moray Housing Partnerships, Castlehill, Grampian & Langstane Housing Associations and Tenants First Housing Co-operative). To date the group has arranged consultation events in Aberdeen and Elgin in partnership with the Scottish Government about the Scottish Social Housing Charter.

Partnerships and future opportunities

Grampian Housing Association enjoyed one of its best years in 2011-2012 as it completed 243 new homes across the North East and started to diversify into new areas.

In its core business, the provision of affordable housing for rent and low cost home ownership, the growth in tenants came primarily from Moray where developments in Elgin and Forres provided much needed social rent.

GRAMPIAN HOUSING ASSOCIATION LIMITED - CONSOLIDATED

REPORT OF THE BOARD OF MANAGEMENT

For the year ended 31 March 2012

Partnerships and future opportunities (continued)

These investments also delivered two specialist projects for people with learning disabilities in Elgin and Buckie, on a core and cluster model locating small adapted flats for independent living supported by a central facility for staff and communal activity, all in the middle of mainstream housing. The creation of this new bespoke accommodation was in partnership with The Moray Council, who provided a third of the finance, and they will allow the authority to carry out long term plans for the disposal of older care homes that are no longer fit for purpose.

The remainder of the growth came from Aberdeen and its commuter belt. This included two self funded shared ownership projects at Elrick in Westhill and King Street in Aberdeen. Building on the success of our first project in Dyce in 2009 the latter was part of a programme with Barratt Scotland and others to deliver our expansion of shared ownership in the North East without grant. 2011-12 saw the Association start further phases on site at Auchmill and Dyce.

With persistent lobbying from Grampian and the SFHA, the Scottish Government agreed to review its position on shared ownership and this year marked a change in policy, bringing the tenure back into the fold with grant assistance in certain situations.

Although 2011-12 saw high levels of both housing completions and site starts, demonstrating the financial strength of the Association in the face of tougher times, it cannot continue. A long term assessment of the business' ability to provide new homes in a 30% grant regime shows that we will have to reduce output to 20% of our current level, or only 40 new homes per annum. The future of development depends to a large extent on the Association's ability to create the financial capacity to cross subsidise a higher house building rate and there are strong signs that Grampian will be able to do just that through efficiency savings and business diversification.

The Association initiated in 2011-2012 the creation of a maintenance company, initially in partnership with Langstane Housing Association. Changes in the tax regime have allowed this to be expanded to include potential cost sharing arrangements across all local social landlords in the North East. This model of working also offers Grampian and its peers the option of shared services across a range of other functions to take advantage of VAT savings and economies of scale without the complexities and challenges of closer and more formal constitutional structures.

This year saw significant progress in diversifying into renewable energy development and energy supply by establishing a strategy and a dedicated renewables team. The Association piloted the installation of photo-voltaic panels on a small number of homes in 2011-2012 and sought opportunities for investing in wind, biomass and hydro and prospected for off the shelf projects and new sites. Building on our past and continuing relationship with the NHS, Grampian has for the last few years been exploring opportunities for the development of accommodation and other infrastructure for the Health Service but in 2012 this also expanded to the field of renewable energy. The options available include the development of wind and biomass on hospital sites.

Investment in renewable energy is multi-purpose, providing alternative income streams and funding for both new build housing and wider role, and an opportunity to provide low cost green electricity for our tenants. Grampian also initiated in February 2012 work on the creation of a joint RSL energy supply company that would complement investment in renewable generation and make a direct impact on tenant utility bills and fuel poverty.

Partnerships and future opportunities (continued)

Despite ongoing and deep cuts in government investment in affordable housing, threatening changes in the welfare system and the longest and deepest recession for several generations, the Association is really well placed to take advantage of much more competitive construction costs and no lack of opportunity to build with or without grant.

GRAMPIAN HOUSING ASSOCIATION LIMITED - CONSOLIDATED

REPORT OF THE BOARD OF MANAGEMENT

For the year ended 31 March 2012

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 5.8% (4.8% + 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 2010/11	Peer Group 2010/11	Actual 2011/12	Target Budget 2011/12
% Void Loss	0.3%	0.9%	0.3%	0.8%
Non-Technical Arrears as a % of Net Rental Income – Current Tenants	3.8%	6.0%	2.6%	N/A
% Current Tenants Owing > 13 Weeks Rent	4.4%	5.7%	1.9%	N/A
% Total Rent Arrears	3.6%	4.4%	3.7%	N/A
Average Re-Let Time	19 days	26 days	22 days	N/A
Management and Maintenance Administration Costs per Unit	£833	£841	£865	N/A
Staff costs as % of Turnover	20.9%	N/A	20.8%	N/A
% Properties meeting SHQS	75.4%	85.0%	91.8%	92.3%
% Emergency Repairs completed within Target Response Time	99.8%	96.9%	99.6%	N/A
Unit Cost of Day to Day Repairs	£499	N/A	£447	£413

In considering these statistics, it should be noted that peer group comparisons for 2011/12 had not been published by the Scottish Housing Regulator at the time of preparing these financial statements. In comparing 2010/11 statistics, the Association's performance is better than the peer group average for all of the indicators listed above, with the exception of the % of properties meeting the Scottish Housing Quality Standard. The figure of 75.4% is in accordance with a 2010 stock condition survey which highlighted a number of SHQS failures. The Association was of the opinion that some failures were either inappropriately apportioned to the Association (e.g. where fences were the property of the tenants) or were repairs issues as opposed to SHQS failures. A further in-house survey has been underway for some months; this has enabled the Association to come to a more accurate view, and hence has substantially increased the % of properties meeting the Standard to 91.8% in 2011/12.

The Association's total rent arrears percentage increased slightly in 2011/12 in comparison to 2010/11, although this increase was anticipated because of the current economic climate and figures for both non-technical arrears and current tenants owing more than 13 weeks rent improved considerably. In 2011/12 void levels at 0.3% continued to significantly better both peer group performance and budgetary targets, although average re-let times increased slightly. The unit cost of reactive repairs fell significantly in 2011/12, although this fell short of an even more ambitious budgetary target.

GRAMPIAN HOUSING ASSOCIATION LIMITED - CONSOLIDATED

REPORT OF THE BOARD OF MANAGEMENT

For the year ended 31 March 2012

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 highlights key risks to the organisation. This document was last updated via the Audit Committee in August 2012, but will in future be the subject of quarterly updates by the Senior Management Team as well as an annual review by the Board. In addition to this, at the time of writing the Association is drawing up a series of operational risk registers for individual functions. Key strategic risks include increasingly onerous legislative requirements, property market stagnation and reduced state support for renewables projects. These risks will be mitigated by, among other actions: lobbying via umbrella groups & political representatives, business diversification and the creation of mechanisms designed to lock in necessary levels of state support.

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.

Maintenance Policies (continued)

It should be noted that a full stock condition survey was completed in 2010 and the findings of this has been noted and recommendations adopted. Replacement of components are now capitalised in the Balance Sheet in line with the Statement of Recommended Practice (SORP) 2010. It is expected that the cost of repairs to components will be charged to the Income and Expenditure Account, unless they are deemed to be improvements within the terms outlined in the SORP 2010.

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.

GRAMPIAN HOUSING ASSOCIATION LIMITED - CONSOLIDATED

REPORT OF THE BOARD OF MANAGEMENT

For the year ended 31 March 2012

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

28 August 2012

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

For the year ended 31 March 2012

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 2012

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 2012 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



Malcolm McNeil
Secretary

GRAMPIAN HOUSING ASSOCIATION LIMITED - CONSOLIDATED

Independent Auditor's report to the members of

Grampian Housing Association Limited

Corporate Governance

In addition to the audit of the financial statements, we have reviewed the Board of Management's statement on page 15 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 2009/4 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 15 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
Statutory Auditors
Chartered Accountants
First Floor, Quay 2
139 Fountainbridge
Edinburgh
EH3 9QG

Date: *31 August 2012*

GRAMPIAN HOUSING ASSOCIATION LIMITED - CONSOLIDATED

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 2012 (the "financial statements") on pages 18 to 54. 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 14, 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 2012 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

Statutory Auditors

Chartered Accountants

First Floor, Quay 2

139 Fountainbridge

Edinburgh

EH3 9QG

Date: *31 August 2012*

GRAMPIAN HOUSING ASSOCIATION LIMITED - CONSOLIDATED

CONSOLIDATED INCOME AND EXPENDITURE ACCOUNT

For the year ended 31 March 2012

	<i>Note</i>	2012	2011
		£000	As restated £000
Turnover	<i>1,2</i>	14,501	13,903
Cost of property sales		(13)	(26)
Operating costs		(11,113)	(12,753)
Operating surplus		3,375	1,124
Surplus on disposal of housing fixed assets		77	244
Interest receivable	<i>9</i>	5	7
Interest payable	<i>10</i>	(2,082)	(1,847)
Exceptional item	<i>22</i>	-	389
Surplus on ordinary activities before taxation		1,375	(83)
Taxation charge on surplus on ordinary activities	<i>11</i>	(3)	(287)
Surplus/(deficit) on ordinary activities after taxation for the financial year	<i>21</i>	1,372	(370)

All figures relate to continuing operations.

There is no difference between the surplus on ordinary activities for the period and the accumulated surplus for the period stated above, and their historical cost equivalents.

STATEMENT OF TOTAL RECOGNISED SURPLUSES AND DEFICITS FOR THE YEAR ENDED 31 MARCH 2012

	<i>Note</i>	2012	2011
		£000	As restated £000
Surplus/(deficit) for the year		1,372	(370)
Prior Period Adjustment	<i>35</i>	1,673	-
Revaluation gain on Investment Properties		1,820	-
Total surpluses and deficits recognised since the last reporting period		4,865	(370)

GRAMPIAN HOUSING ASSOCIATION LIMITED - CONSOLIDATED

HOUSING ASSOCIATION INCOME AND EXPENDITURE ACCOUNT

For the year ended 31 March 2012

	<i>Note</i>	2012	2011
		£000	As restated £000
Turnover	<i>1,2</i>	14,170	13,586
Operating costs		(10,971)	(12,545)
Operating surplus		3,199	1,041
Surplus on disposal of housing fixed assets		77	244
Interest receivable	<i>9</i>	77	89
Interest payable	<i>10</i>	(2,015)	(1,779)
Exceptional item	<i>22</i>	-	389
Surplus/(deficit) on ordinary activities before taxation		1,338	(16)
Taxation charge on surplus on ordinary activities	<i>11</i>	-	(294)
Surplus/(deficit) on ordinary activities after taxation for the financial year	<i>22</i>	1,338	(310)

All figures relate to continuing operations.

There is no difference between the surplus on ordinary activities for the period and the accumulated surplus for the period stated above, and their historical cost equivalents.

STATEMENT OF TOTAL RECOGNISED SURPLUSES AND DEFICITS FOR THE YEAR ENDED 31 MARCH 2012

	<i>Note</i>	2012	2011
		£000	As restated £000
Surplus/(deficit) for the year		1,338	(310)
Prior Period Adjustment	<i>35</i>	1,673	-
Total surpluses and deficits recognised since the last reporting period		3,011	(310)

GRAMPIAN HOUSING ASSOCIATION LIMITED - CONSOLIDATED

CONSOLIDATED AND HOUSING ASSOCIATION BALANCE SHEET

As at 31 March 2012

	Note	2012		2011	
		GROUP £000	ASSOCIATION £000	GROUP £000	ASSOCIATION £000
Tangible fixed assets					
Housing properties – gross cost					
less depreciation	12	196,914	196,914	185,907	184,140
Less Housing Association Grant	12	(115,951)	(115,951)	(114,205)	(114,205)
Less other grants	12	(7,769)	(7,769)	(6,992)	(6,992)
		<hr/>	<hr/>	<hr/>	<hr/>
		73,194	73,194	64,710	62,943
Other fixed assets	13	7,960	2,550	3,944	2,638
Fixed asset investments					
LIFT loans		5,480	5,480	14,555	14,555
LIFT grants		(5,480)	(5,480)	(14,555)	(14,555)
		<hr/>	<hr/>	<hr/>	<hr/>
		-	-	-	-
		<hr/>	<hr/>	<hr/>	<hr/>
Tangible fixed assets		81,154	75,744	68,654	65,581
Current assets					
Stock and work in progress	15	418	418	1,637	1,112
Debtors	16	2,155	2,151	2,311	2,672
Cash at bank and in hand	17	454	339	2,301	2,153
		<hr/>	<hr/>	<hr/>	<hr/>
		3,027	2,908	6,249	5,937
Creditors: amounts falling due					
within one year	18	(5,697)	(5,456)	(9,720)	(9,490)
		<hr/>	<hr/>	<hr/>	<hr/>
Net current liabilities		(2,669)	(2,548)	(3,471)	(3,553)
		<hr/>	<hr/>	<hr/>	<hr/>
Debtors: amounts falling due					
after more than one year	16	211	2,093	1,563	3,140
		<hr/>	<hr/>	<hr/>	<hr/>
Total assets less current					
liabilities		78,696	75,289	66,746	65,168
Creditors: amounts falling due					
after more than one year	19	(64,677)	(63,488)	(55,919)	(54,705)
		<hr/>	<hr/>	<hr/>	<hr/>
Net assets		14,019	11,801	10,827	10,463
		<hr/>	<hr/>	<hr/>	<hr/>
Capital and reserves					
Share capital	20,22	1	1	1	1
Designated reserve	21,22	5,598	5,598	4,737	4,737
Restricted reserve	21,22	268	268	389	389
Capital reserve	21,22	1,812	1,812	1,834	1,834
Revenue reserve	21,22	4,520	4,122	3,866	3,502
Revaluation reserve	21,22	1,820	-	-	-
		<hr/>	<hr/>	<hr/>	<hr/>
		14,019	11,801	10,827	10,463
		<hr/>	<hr/>	<hr/>	<hr/>

These financial statements were approved and authorised for issue by the Board of Management on 28 August 2012 by:

Steve Delaney
Chair

Gordon Edwards
Board Member

Malcolm McNeil
Secretary



20




GRAMPIAN HOUSING ASSOCIATION LIMITED - CONSOLIDATED

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 March 2012

	<i>Notes</i>	2012	2011	2011
		£000	£000	As restated £000
				£000
Cash inflow from operating activities	25		3,779	10,438
Returns on investments and servicing of finance				
Interest received		5		7
Interest paid		(2,082)		(1,912)
		<hr/>		<hr/>
Net cash outflow from returns on investments and servicing of finance			(2,077)	(1,905)
Taxation				
Corporation tax paid		(291)		(566)
		<hr/>		<hr/>
Net cash outflow on taxation			(291)	(566)
Capital expenditure and financial investment				
Acquisition and construction of housing properties		(14,877)		(30,273)
Purchase of other fixed assets		(62)		(53)
Capital grants received		3,360		20,074
Capital grants repaid		(837)		(2,173)
Sales of housing properties		379		384
Sales of other fixed assets		-		28
		<hr/>		<hr/>
Net cash outflow from capital expenditure and investing activities			(12,037)	(12,013)
			<hr/>	<hr/>
Net cash outflow before use of liquid resources and financing			(10,626)	(4,046)
Financing				
Loan advances received		8,972		3,000
Loan principal repayments		(194)		(207)
		<hr/>		<hr/>
Net cash inflow from financing	27		8,778	2,793
			<hr/>	<hr/>
(Decrease) / in cash in the year	26, 27		(1,847)	(1,253)
			<hr/> <hr/>	<hr/> <hr/>

GRAMPIAN HOUSING ASSOCIATION LIMITED - CONSOLIDATED

HOUSING ASSOCIATION CASH FLOW STATEMENT

For the year ended 31 March 2012

	<i>Notes</i>	2012	2011	
		£000	£000	As restated £000
				£000
Cash inflow from operating activities	28		3,078	10,251
Returns on investments and servicing of finance				
Interest received		77	89	
Interest paid		(2,015)	(1,844)	
		<hr/>	<hr/>	
Net cash outflow from returns on investments and servicing of finance			(1,938)	(1,755)
Taxation				
Corporation tax paid		(288)	(556)	
		<hr/>	<hr/>	
Net cash outflow on taxation			(288)	(556)
Capital expenditure and financial investment				
Acquisition and construction of housing properties		(14,312)	(30,273)	
Purchase of other fixed assets		(62)	(53)	
Capital grants received		3,360	20,074	
Capital grants repaid		(837)	(2,173)	
Sales of housing properties		379	384	
Sales of other fixed assets		-	28	
		<hr/>	<hr/>	
Net cash outflow from capital expenditure and investing activities			(11,472)	(12,013)
			<hr/>	<hr/>
Net cash outflow before use of liquid resources and financing			(10,620)	(4,073)
Financing				
Loan advances received		9,000	3,000	
Loan principal repayments		(194)	(187)	
		<hr/>	<hr/>	
Net cash inflow from financing	30		8,806	2,813
			<hr/>	<hr/>
(Decrease) in cash in the year	29,30		(1,814)	(1,260)
			<hr/> <hr/>	<hr/> <hr/>

GRAMPIAN HOUSING ASSOCIATION LIMITED - CONSOLIDATED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2012

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

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 except for investment properties which are stated at valuation. They comply with the Registered Social Landlords Accounting Requirements (Scotland) Order 2007 and with the Statement of Recommended Practice (SORP): Accounting by Registered Housing Providers Update 2010.

Basis of consolidation

The Group financial statements consolidate the results of Grampian Housing Association Limited, and its subsidiary company Kirkgate Developments 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 2013. 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 2012, 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 2012/13, 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 and when recognised.

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 less social housing and other public grants less accumulated depreciation. 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.

GRAMPIAN HOUSING ASSOCIATION LIMITED - CONSOLIDATED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2012

1. Accounting policies (continued)

- (c) Works to existing properties will generally be capitalised under the following circumstances;
- (i) Where a component of the housing property that has been treated separately for depreciation purposes and depreciated over its useful life is replaced or restored; or
 - (ii) Where the subsequent expenditure provides an enhancement of the economic benefits of the tangible fixed assets in excess of the previously assessed standard of performance. Such enhancement can occur if the improvements result in an increase in rental income, a material reduction in future maintenance costs or a significant extension of the life of a property.

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

The adoption of component accounting represents a change in accounting policy. Previously the major repair components of the Associations housing properties were deemed to be land and buildings. The major components are now deemed to be land, buildings, roofs, kitchens, bathrooms, windows and doors, lifts, heating systems, door entry systems and electrics. Each component has a substantially different economic life and is depreciated over this life. Depreciation rates are shown under (f) below. The new accounting policy is compliant with the SORP 2010.

- (d) 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.
- (e) 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.

- (f) Depreciation is charged on a straight line basis over the expected economic useful lives of each major component that makes up the housing property as follows:

Land	Not depreciated
Buildings	100 years
Roofs	60 years
Kitchens	15 years
Bathrooms	25 years
Windows and Doors	25 years
Lifts	30 years
Heating Systems	20 years
Door Entry Systems	15 years
Electrics	30 years

No depreciation is charged on these assets in the year of purchase, but a full year's charge is made on the year of disposal.

Other fixed assets

Other fixed assets excluding Investment Properties are stated at cost. Commercial properties include the capitalised costs of the land acquisition, which is made up of the valuation certificate and other development costs to date.

Depreciation is provided on all other fixed assets other than freehold land and Investment Properties at rates calculated to write down the cost of other fixed assets on a straight line basis over their expected useful lives as follows:

GRAMPIAN HOUSING ASSOCIATION LIMITED - CONSOLIDATED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2012

1. Accounting policies (continued)

Other fixed assets (continued)

Commercial buildings	100 years
Commercial property improvements	15 years
Heritable property	50 years
Plant, machinery, fixtures and motor vehicles	3 to 5 years
Computer hardware and software	4 years

Kirkgate's properties were held as housing property and commercial property until 22 June 2011, when the company converted to a limited company, at which time the properties transferred to investment properties. Until that time other fixed assets in Kirkgate were depreciated as follows:

Roofing	60 years
Bathrooms	20 years
Kitchens	15 years
Heating	10 years
Carpets	5 years
Commercial Property	30 years

Investment properties are re-valued annually by the directors and every third year by independent Chartered Surveyors on an open market basis. Depreciation is not provided on investment properties except where the unexpired lease term exceeds 20 years where the properties are depreciated evenly over the period of the lease. This treatment is a departure from the requirements of the Companies Act 2006 concerning depreciation of fixed assets. However, these properties are not held for their consumption but as investments, the disposal of which would not materially affect any trading operations of the company. In such a case it is the current value of these investments, and changes in that current value, which are of prime importance. Consequently, for the proper appreciation of the financial position, the accounting treatment required by FRSSE 2008 is considered appropriate for investment properties. Depreciation or amortisation is only one of the many factors reflected in the annual valuation, and the amount which might otherwise have been shown cannot be separately identified or quantified.

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.

A restricted reserve was created for Big Lottery Funding received to fund the SMART project offering money advice to Grampian, Langstane, Margaret Blackwood and Aberdeenshire Housing Partnership. A corresponding level of expenditure was incurred during the year.

A restricted reserve was created for Big Lottery Funding received to fund the SMART project offering money advice to Grampian, Langstane, Margaret Blackwood and Aberdeenshire Housing Partnership. A corresponding level of expenditure was incurred during the year.

GRAMPIAN HOUSING ASSOCIATION LIMITED - CONSOLIDATED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2012

Capital reserve

1. Accounting policies (*continued*)

Restricted reserve (continued)

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. Kirkgate Developments Limited is still liable to tax.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

Deferred tax is recognised in the Statement of Total Recognised Gains and Losses on revaluations where at the balance sheet date there is a binding agreement to sell the asset and the gain or loss expected to arise on sale has been recognised.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

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.

Leases and obligations

All leases are "operating leases" and the annual rentals are charged to profit and loss on a straight line basis over the lease term.

Rent free periods or other incentives received for entering into a lease are accounted for over the period of the lease so as to spread the benefit received over the lease term or, if shorter, the period ending when prevailing market rentals will become payable.

GRAMPIAN HOUSING ASSOCIATION LIMITED - CONSOLIDATED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2012

1. Accounting policies *(continued)*

Leases and obligations (continued)

Assets held under finance leases are included in tangible fixed assets and are depreciated on a straight line basis over their economic useful lives. Rentals payable are apportioned between the finance charge and a reduction of the outstanding obligation for future amounts payable; the finance charge being allocated to accounting periods over the lease term so as to produce a constant rate of charge on the remaining balance of the obligation. The Associations obligation under finance leases are secured on the asset to which the leases relate.

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.

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

For the year ended 31 March 2012

2. Particulars of turnover, operating costs and operating surplus /(deficit)

Group:	Turnover	Operating costs	Operating surplus /(deficit)	Operating surplus for previous period of account As restated
	£000	£000	£000	£000
Social lettings (note 3)	10,702	(7,313)	3,389	938
Other activities (note 4a)	3,799	(3,813)	(14)	186
Total	14,501	(11,126)	3,375	1,124
Total for previous period of account as restated	13,903	(12,779)	1,124	

Housing Association:	Turnover	Operating costs	Operating surplus/ (deficit)	Operating surplus for previous period of account As restated
	£000	£000	£000	£000
Social lettings (note 3)	10,702	(7,313)	3,389	938
Other activities (note 4b)	3,468	(3,658)	(190)	103
Total	14,170	(10,971)	3,199	1,041
Total for previous period of account as restated	13,586	(12,545)	1,041	

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

For the year ended 31 March 2012

3. Particulars of turnover, operating costs and operating surplus/(deficit) from social letting activities	General Needs Housing		Shared Ownership Housing		Total	Total for previous period of account As restated £000
	£000	£000	£000	£000		
Group and Association						
Rent receivable net of service charges	9,299	865	10,164	8,893		
Service charges	473	106	579	546		
Gross income from rents and service charges	9,772	971	10,743	9,439		
Less Voids	(38)	(3)	(41)	(66)		
Net income from rents and service charges	9,734	968	10,702	9,373		
Grants from Scottish Ministers	-	-	-	-		
Other revenue grants	-	-	-	-		
Total turnover from social letting activities	9,734	968	10,702	9,373		
Management and maintenance administration costs	(2,472)	(370)	(2,842)	(2,560)		
Service costs	(692)	-	(692)	(643)		
Planned and cyclical maintenance including major repairs costs	(1,209)	-	(1,209)	(2,509)		
Reactive maintenance costs	(1,259)	-	(1,259)	(1,306)		
Bad debts – rent and service charges	(115)	(16)	(131)	(84)		
Depreciation of social housing	(1,131)	(49)	(1,180)	(1,202)		
Impairment of social housing	-	-	-	(131)		
Operating costs for social letting activities	(6,878)	(435)	(7,313)	(8,435)		
Operating surplus for social letting activities	2,856	533	3,389	938		
Operating surplus for social letting activities for previous period of account as restated	525	413	938			

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

For the year ended 31 March 2012

4a. Particulars of turnover, operating costs and operating surplus/(deficit) from other activities	Grants from Scottish Ministers £000	Other revenue grants £000	Other income £000	Total turnover £000	Operating costs – bad debts £000	Other operating costs £000	Operating surplus/(deficit) £000	Total from Other Activities-2011 £000
Wider role activities undertaken to support the community, other than the provision, construction, improvement and management of housing property	76	279	-	355	-	(488)	(133)	(60)
Care and repair of property	-	-	-	-	-	-	-	-
Factoring	-	-	389	389	(20)	(425)	(56)	(98)
Development and construction of property activities	137	-	-	137	-	(624)	(487)	(290)
Support activities	-	-	-	-	-	-	-	-
Care activities	-	-	-	-	-	-	-	-
Agency/management services – RSLs	25	-	26	51	-	-	51	298
Other agency/management services	-	-	43	43	-	(132)	(89)	(72)
Developments for sale to RSLs	-	-	-	-	-	-	-	-
Developments and improvements for sale to non RSLs	-	-	-	-	-	-	-	-
Big Lottery Grant Fund	-	31	-	31	-	(31)	-	-
Honestake / LIFT	20	20	392	432	-	(392)	40	96
First Tranche Shared Ownership sales	-	-	1,734	1,734	-	(1,428)	306	30
Market rent	-	-	226	226	-	(106)	120	12
New property sales	-	-	-	-	-	(13)	(13)	(27)
Other Activities (material) – Foyer	-	-	209	209	-	(44)	165	183
Other activities (non material)	-	-	192	192	-	(110)	82	114
Total from other activities	258	330	3,211	3,799	(20)	(3,793)	(14)	186
Total from other activities –2011	789	447	3,294	4,530	-	(4,344)	186	186

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

For the year ended 31 March 2012

4b. Particulars of turnover, operating costs and operating surplus/(deficit) from other activities	Grants from Scottish Ministers	Other revenue grants	Other income	Total turnover	Operating costs – bad debts	Other operating costs	Operating surplus/(deficit)	Total from Other Activities- 2011
	£000	£000	£000	£000	£000	£000	£000	£000
Wider role activities	76	279	-	355	-	(488)	(133)	(60)
Care and repair of property	-	-	-	-	-	-	-	-
Factoring	-	-	389	389	(20)	(425)	(56)	(98)
Development and construction of property activities	137	-	-	137	-	(624)	(487)	(290)
Support activities	-	-	-	-	-	-	-	-
Care activities	-	-	-	-	-	-	-	-
Agency management services for RSLs	25	-	26	51	-	-	51	298
Other agency/management services	-	-	43	43	-	(132)	(89)	(72)
Developments for sale to RSLs	-	-	-	-	-	-	-	-
Developments and improvements for sale to non RSL's	-	-	-	-	-	-	-	-
Big Lottery Grant Fund	-	31	-	31	-	(31)	-	-
Homestake / LIFT	20	20	392	432	-	(392)	40	96
First Tranche Shared Ownership sales	-	-	1,734	1,734	-	(1,428)	306	30
Market Rent	-	-	-	-	-	-	-	-
New Property Sales	-	-	-	-	-	-	-	-
Other Activities (material) – Foyer	-	-	209	209	-	(44)	165	183
Other activities (non material)	-	-	87	87	-	(74)	13	16
Total from other activities	258	330	2,880	3,468	(20)	(3,638)	(190)	103
Total from other activities – 2011	789	447	2,977	4,213	-	(4,110)	103	103

GRAMPIAN HOUSING ASSOCIATION LIMITED - CONSOLIDATED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2012

5. Housing stock (Group)

	Units under development		Units under management	
	2012	2011	2012	2011
Housing accommodation for letting:				
New build and mixed funded	<u>127</u>	<u>188</u>	<u>2,846</u>	<u>2,682</u>
Home ownership accommodation:				
Shared ownership	<u>124</u>	<u>77</u>	<u>470</u>	<u>431</u>

Housing stock (Association)

	Units under development		Units under management	
	2012	2011	2012	2011
Housing accommodation for letting:				
New build and mixed funded	<u>127</u>	<u>188</u>	<u>2,814</u>	<u>2,644</u>
Home ownership accommodation:				
Shared ownership	<u>124</u>	<u>77</u>	<u>470</u>	<u>431</u>

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 and who are receiving emoluments of £60,000 or more.

	2012	2011
	£000	£000
Total emoluments payable to directors (including pension contributions)	<u>356</u>	<u>352</u>
Emoluments payable to the highest paid director (excluding pension contributions)	<u>76</u>	<u>72</u>
Pension contributions	<u>8</u>	<u>7</u>
	<u>84</u>	<u>79</u>

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 £32,668 (2011: £32,284) in respect of directors.

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

	2012	2011
	No	No
Up to £60,000	-	4
£60,001 - £70,000	3	1
£70,001 - £80,000	-	2
£80,001 - £90,000	2	-

GRAMPIAN HOUSING ASSOCIATION LIMITED - CONSOLIDATED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2012

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	
	2012	2011
Administration	81	81
Maintenance	14	11
	<u>95</u>	<u>92</u>

The aggregate payroll costs of these persons were as follows:

	2012	2011
	£000	£000
Wages and salaries	2,528	2,493
Social security costs	238	231
Other pension costs	175	177
	<u>2,941</u>	<u>2,901</u>

8. Operating surplus on ordinary activities

	2012	2012	2011	2011
	Group £000	Association £000	As restated Group £000	As restated Association £000
<i>Operating surplus on ordinary activities before taxation is stated after charging:</i>				
Depreciation – housing fixed assets	1,212	1,180	1,233	1,202
Depreciation – non-housing fixed assets	143	134	150	145
Repairs (cyclical, major, day to day)	2,979	2,979	4,608	4,608
Auditors' remuneration:				
External Audit	32	20	26	22
Remuneration to bodies connected with Baker Tilly UK Audit LLP	42	42	65	64
Internal Audit	13	13	11	11
Operating lease rentals:				
Buildings	210	210	226	226
Other	23	23	17	17
Impairment of housing fixed assets	-	-	131	131
Impairment of investment properties	38	-	53	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

9. Interest receivable

	2012	2012	2011	2011
	Group £000	Association £000	Group £000	Association £000
Bank interest receivable	5	5	7	7
Other interest receivable	-	72	-	82
	<u>5</u>	<u>77</u>	<u>7</u>	<u>89</u>

GRAMPIAN HOUSING ASSOCIATION LIMITED - CONSOLIDATED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2012

10. Interest payable and similar charges

	2012 Group £000	2012 Association £000	2011 Group £000	2011 Association £000
On bank loans and overdrafts	2,091	2,022	1,968	1,898
On all other loans payable	181	181	197	197
Interest charged on late payment of taxation		-	8	8
Less interest capitalised in Fixed Assets and WIP	(190)	(188)	(326)	(324)
	<u>2,082</u>	<u>2,015</u>	<u>1,847</u>	<u>1,779</u>

11. Taxation

Group

Analysis of charge in year	2012 £000	2011 As restated £000
<i>UK corporation tax</i>		
Current tax on income for the year	-	282
Adjustment in respect of previous years	-	(10)
	<u>-</u>	<u>272</u>
Total current tax	-	272
Deferred tax movement	3	15
Adjustment in respect of previous periods	-	-
	<u>3</u>	<u>287</u>
Tax on surplus on ordinary activities	3	287

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 26% (2011: 28%). The differences are explained below:

	2012 £000	2011 As restated £000
<i>Current tax reconciliation</i>		
Surplus on ordinary activities before tax	1,375	(83)
Effect of Prior Period Adjustment	-	664
Less current year Charity Profit	(1,338)	-
Current tax charge / (credits) at 26% (2011: 28%)	<u>10</u>	<u>162</u>
<i>Effects of:</i>		
Expenses not deductible for tax purposes	2	13
Income not taxable for tax purposes	(9)	-
Other timing differences	-	(3)
Depreciation for year in excess of capital allowances	(4)	486
Unrelieved Tax losses	1	-
Profit on sale of housing properties (including allowable overheads)	-	(110)
Depreciation on assets not qualifying for capital allowances	-	168
Indexation on capital gains	-	16
Adjustments to tax charge in respect of prior years	-	(12)
Capital Gains rolled over	-	(11)
Rate change – ACAs	-	(459)
Rate change – other	-	15
S485 adjustment (post 17 January 2011 profit)	-	(51)

GRAMPIAN HOUSING ASSOCIATION LIMITED - CONSOLIDATED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2012

Total current tax charge (see above)	-	272
	<hr/>	<hr/>

11. Taxation (continued)

Association

Analysis of charge in year

	2012	2011
		As restated
	£000	£000
<i>UK corporation tax</i>		
Current tax on income for the year	-	282
Adjustment in respect of previous years	-	-
	<hr/>	<hr/>
Total current tax	-	282
Deferred tax movement	-	(475)
Adjustment in respect of previous periods	-	487
Tax on profit on ordinary activities	-	-
	<hr/>	<hr/>
Tax on surplus on ordinary activities	-	294
	<hr/>	<hr/>

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 26% (2011: 28%). The differences are explained below:

	2012	2011
		As restated
	£000	£000
<i>Current tax reconciliation</i>		
Surplus on ordinary activities before tax	-	(16)
Effect of Prior Period Adjustment	-	664
	<hr/>	<hr/>
Current tax charge / (credits) at 26% (2011: 28%)	-	181
<i>Effects of:</i>		
Expenses not deductible for tax purposes	-	6
Other timing differences	-	(15)
Depreciation for year in excess of capital allowances	-	490
Profit on sale of housing properties (including allowable overheads)	-	(110)
Depreciation on assets not qualifying for capital allowances	-	168
	-	58
Indexation on capital gains	-	16
Capital gains rolled over	-	(12)
Rate change – ACAs	-	(459)
Rate change – other	-	15
S485 adjustment (post 17 January 2011 profit)	-	(56)
	<hr/>	<hr/>
Total current tax charge (see above)	-	282
	<hr/>	<hr/>

GRAMPIAN HOUSING ASSOCIATION LIMITED - CONSOLIDATED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2012

11. Taxation (continued)

Deferred taxation

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

	2012 Group £000	2012 Association £000	2011 Group £000	2011 Association £000
Balance brought forward	30	-	15	(12)
Income and Expenditure account movement arising during the year	3	-	15	12
Balance carried forward	<u>33</u>	<u>-</u>	<u>30</u>	<u>-</u>

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

	2012 Provided £000	2012 Potential Provision £000	2011 Provided £000	2011 Potential Provision £000
Group				
Excess of taxation allowances over depreciation of fixed assets	33	-	31	-
Losses	-	-	(1)	-
Deferred tax liability/(asset) (see note 16)	<u>33</u>	<u>-</u>	<u>30</u>	<u>-</u>

GRAMPIAN HOUSING ASSOCIATION LIMITED - CONSOLIDATED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2012

12. Tangible fixed assets - housing properties (Group)

	Held for Letting £000	Under Construction £000	Completed Shared Ownership £000	Shared Ownership Under Construction £000	Total £000
<i>Cost</i>					
At 1 April 2011	147,330	21,820	17,940	3,211	190,301
Prior Period adjustment (Note 35)	4,532	-	-	-	4,532
As restated	151,862	21,820	17,940	3,211	194,833
Additions	1,571	9,039	1,810	1,892	14,312
Transfers	26,264	(25,072)	1,272	(2,464)	-
Transfer to other fixed assets (Note 13)	(1,953)	-	-	-	(1,953)
Disposals	(255)	-	(180)	-	(435)
At 31 March 2012	177,489	5,787	20,842	2,639	206,757
<i>Depreciation</i>					
At 1 April 2011	3,788	-	480	-	4,268
Prior Period adjustment (Note 35)	4,658	-	-	-	4,658
As restated	8,446	-	480	-	8,926
Provided during year	1,163	-	49	-	1,212
Eliminated on disposals	(106)	-	(3)	-	(109)
Transfer to other fixed assets (Note 13)	(186)	-	-	-	(186)
At 31 March 2012	9,317	-	526	-	9,843
<i>Housing Association Grant</i>					
At 1 April 2011	87,004	18,988	10,012	-	116,004
Prior Period adjustment (Note 35)	(1,799)	-	-	-	(1,799)
As restated	85,205	18,988	10,012	-	114,205
Additions	526	2,057	-	-	2,583
Transfers	15,655	(15,655)	-	-	-
Disposals / repayments	(789)	-	(48)	-	(837)
At 31 March 2012	100,597	5,390	9,964	-	115,951
<i>Other Grants</i>					
At 1 April 2011	6,409	466	110	7	6,992
Public grant received	777	-	-	-	777
Transfers	730	(730)	7	(7)	-
At 31 March 2012	7,916	(264)	117	-	7,769
<i>Net book value</i>					
At 31 March 2012	59,063	661	10,831	2,639	73,194
At 1 April 2011 as restated	51,802	2,366	7,338	3,204	64,710

GRAMPIAN HOUSING ASSOCIATION LIMITED - CONSOLIDATED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2012

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

Development administration costs capitalised amounted to £125,076 (2011 £330,826) for which development allowances amounted to £11,687 (2011 £19,678).

Interest capitalised amounted to £190,351 (2011 £325,844).

None of the Group's land or buildings were held under a lease

Total Spend Major Repairs during 2011/12 amounted to £2,444,000 (2011 £2,973,000) of which £1,266,000 (2011 £69,000) was capitalised. Of the amount capitalised £1,266,000 (2011 £69,000) related to replacement of components and £nil (2011 £nil) related to improvements.

The 2011 valuation exercise relating to the Association's stock, as detailed in note 12 (Association), 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 £38,462 relating to the 2 remaining Collieston Investment properties.

GRAMPIAN HOUSING ASSOCIATION LIMITED - CONSOLIDATED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2012

12. Tangible fixed assets - housing properties (Association)

	Held for letting £000	Under Construction £000	Completed Shared Ownership £000	Shared Ownership Under Construction £000	Total £000
<i>Cost</i>					
At 1 April 2011	145,377	21,820	17,940	3,211	188,348
Prior Period adjustment (Note 35)	4,532	-	-	-	4,532
As restated	149,909	21,820	17,940	3,211	192,880
Additions	1,571	9,039	1,810	1,892	14,312
Transfers	26,264	(25,072)	1,272	(2,464)	-
Disposals	(255)	-	(180)	-	(435)
At 31 March 2012	177,489	5,787	20,842	2,639	206,757
<i>Depreciation</i>					
At 1 April 2011	3,602	-	480	-	4,082
Prior Period adjustment (Note 35)	4,658	-	-	-	4,658
As restated	8,260	-	480	-	8,740
Provided during year	1,131	-	49	-	1,180
Eliminated on disposals	(74)	-	(3)	-	(77)
At 31 March 2012	9,317	-	526	-	9,843
<i>Housing Association Grant</i>					
At 1 April 2011	87,004	18,988	10,012	-	116,004
Prior Period adjustment (Note 35)	(1,799)	-	-	-	(1,799)
As restated	85,205	18,988	10,012	-	114,205
Additions	526	2,057	-	-	2,583
Transfers	15,655	(15,655)	-	-	-
Disposals / repayments	(789)	-	(48)	-	(837)
At 31 March 2012	100,597	5,390	9,964	-	115,951
<i>Other Grants</i>					
At 1 April 2011	6,409	466	110	7	6,992
Public grant received	777	-	-	-	777
Transfers	730	(730)	7	(7)	-
At 31 March 2012	7,916	(264)	117	-	7,769
<i>Net book value</i>					
At 31 March 2012	59,063	661	10,831	2,639	73,194
At 1 April 2011 as restated	50,035	2,366	7,338	3,204	62,943

GRAMPIAN HOUSING ASSOCIATION LIMITED - CONSOLIDATED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2012

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

Development administration costs capitalised amounted to £125,076 (2011 £330,826) for which development allowances amounted to £11,687 (2011 £19,678).

Interest capitalised amounted to £188,351 (2011 £323,844).

None of the Association's land or buildings were held under a lease

Total Spend on Cyclical and Major Repairs during 2011/12 amounted to £2,444,000 (2011 £2,973,000) of which £1,266,000 (2011 £69,000) was capitalised. Of the amount capitalised £1,266,000 (2011 £69,000) related to replacement of components and £nil (2011 £nil) related to improvements.

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 did not highlight any impairment of properties.

GRAMPIAN HOUSING ASSOCIATION LIMITED - CONSOLIDATED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2012

13. Tangible fixed assets – other (Group)

	Investment properties £000	Commercial Properties £000	Heritable land and buildings £000	Plant and machinery, fixtures and motor vehicles £000	Computer hardware and software £000	Total £000
<i>Cost</i>						
At 1 April 2011	-	2,370	2,149	392	612	5,523
Transfer from housing properties (Note 12)	1,953	-	-	-	-	1,953
Transfers	1,327	(1,327)	-	-	-	-
Additions	565	-	-	34	28	627
Disposals	(32)	-	(4)	(26)	-	(62)
Revaluation	1,636	-	-	-	-	1,635
At 31 March 2012	5,410	1,043	2,145	400	640	9,676
<i>Depreciation</i>						
At 1 April 2011	-	183	546	291	559	1,579
Transfer from housing properties (Note 12)	186	-	-	-	-	186
Transfers	21	(21)	-	-	-	-
Provided during year	9	24	44	37	29	143
Eliminated on disposals	(32)	-	-	(14)	-	(46)
Impairment	38	-	-	-	-	38
Revaluation	(184)	-	-	-	-	(184)
At 31 March 2011	-	186	590	314	588	1,616
<i>Net book value</i>						
At 31 March 2012	5,410	857	1,555	86	52	7,960
At 1 April 2011	-	2,187	1,603	101	53	3,944

Included in heritable land and buildings is land costing £260,000. Net accumulated interest capitalised in tangible fixed assets at 31 March 2012 amounted to £17,337 (2011 - £17,337). No Interest was capitalised in the year.

A review of potential impairment of Kirkgate Holdings' properties resulted in the recognition of an impairment of £38,462 relating to the 2 remaining Collieston Investment properties.

Investment properties, which are all freehold, were valued on an open market existing use basis at various dates between 22 June 2011 and 26 July 2012 by Shepherd, Chartered Surveyors, in accordance with the Statement of Assets Valuation Practice No. 4 and the Guidance Notes of the Royal Institution of Chartered Surveyors. No depreciation is provided in respect of investment properties.

**Investment
Properties**

On an historical cost basis these fixed assets would have been included at:

	2012 £000	2011 £000
Cost	3,813	3,280
Aggregate depreciation	245	207

Included in motor vehicles are assets purchased under finance leases with a net book value amounting to £24,496. The depreciation charged during the year in respect of these assets totalled £2,859.

GRAMPIAN HOUSING ASSOCIATION LIMITED - CONSOLIDATED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2012

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
<i>Cost</i>					
At 1 April 2011	1,043	2,149	392	612	4,196
Additions	-	-	34	28	62
Disposals	-	(4)	(26)	-	(30)
At 31 March 2012	1,043	2,145	400	640	4,228
<i>Depreciation</i>					
At 1 April 2011	162	546	291	559	1,558
Provided during year	24	44	37	29	134
Eliminated on disposals	-	-	(14)	-	(14)
At 31 March 2012	186	590	314	588	1,678
<i>Net book value</i>					
At 31 March 2012	857	1,555	86	52	2,550
At 1 April 2011	881	1,603	101	53	2,638

Included in heritable land and buildings is land costing £260,000. Net accumulated interest capitalised in tangible fixed assets at 31 March 2012 amounted to £17,337 (2011 - £17,337). No Interest was capitalised in the year.

Assets held under finance leases, capitalised and included in plant, machinery, fixtures and motor vehicles within tangible fixed assets are as follows:

	2012 £000	2011 £000
Cost	27	-
Accumulated depreciation	(3)	-
Total	24	-

The finance leases relate to 2 vans leased for the mobile cleaning division.

14. Investments

All investments held are shares in subsidiary undertakings.

The Association owns 2 shares in Kirkgate Homes Limited at a cost of £2 (2011: £2). At 31 March 2012 Kirkgate Homes Limited was a dormant company. The association owns one share in Kirkgate Developments Limited at a cost of £1.

GRAMPIAN HOUSING ASSOCIATION LIMITED - CONSOLIDATED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2012

15. Stock and work in progress

	2012	2012	2011	2011
	Group	Association	Group	Association
	£000	£000	£000	£000
Housing stock	203	203	30	30
Work in progress – Cost	2,947	2,947	32,280	31,755
Work in progress – HAG	(2,941)	(2,941)	(31,538)	(31,538)
Shared ownership	209	209	865	865
	<u>418</u>	<u>418</u>	<u>1,637</u>	<u>1,112</u>

Included within Group work and progress in 2011 is the Collieston Development undertaken by Kirkgate Holdings. This development was transferred into management in 2012. The amount of interest capitalised on this development in the year was £1,715 (2011: £1,821).

16. Debtors

	2012	2012	2011	2011
	Group	Association	Group	Association
	£000	£000	£000	£000
Due < 1 Year				
HAG receivable	934	934	1,082	1,082
Rental debtors	224	224	238	238
Prepayments and accrued income	193	194	248	248
Other debtors	804	785	743	721
Loan to subsidiary undertaking due within one year	-	14	-	383
	<u>2,155</u>	<u>2,151</u>	<u>2,311</u>	<u>2,672</u>
Due > 1 Year				
Redistributed HAG due from Devanha	-	-	1,405	1,405
Other debtors due after more than one year	211	211	158	158
Loan to subsidiary undertaking due after more than one year	-	1,882	-	1,577
	<u>211</u>	<u>2,093</u>	<u>1,563</u>	<u>3,140</u>

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

	2012	2012	2012	2011	2011	2011
	Debtor	Provided	Net debtor	Debtor	Provided	Net debtor
	£000	£000	£000	£000	£000	£000
Due from current tenants	355	(200)	155	310	(145)	165
Due from former tenants	124	(124)	-	182	(164)	18
Due from housing benefit	69	-	69	55	-	55
	<u>548</u>	<u>(324)</u>	<u>224</u>	<u>547</u>	<u>(309)</u>	<u>238</u>

£31,465 of bad debt was written off during the period (2011: £43,026).

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 (2011: £235,000) on a specific deposit account.

GRAMPIAN HOUSING ASSOCIATION LIMITED - CONSOLIDATED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2012

18. Creditors: amounts falling due within one year

	2012	2012	2011	2011
	Group	Association	Group	Association
	£000	£000	£000	£000
Loans (secured) (see note 19)	244	219	233	210
Trade creditors	1,352	1,340	3,895	3,886
Other creditors	1,753	1,753	1,739	1,739
Accruals and deferred income	1,646	1,493	2,463	2,301
Payments on account	533	533	1,072	1,072
Deposits	18	-	16	-
Other taxes and social security	118	118	272	282
Deferred tax liability (see note 11)	33	-	30	-
	<u>5,697</u>	<u>5,456</u>	<u>9,720</u>	<u>9,490</u>

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

	2012	2012	2011	2011
	Group	Association	Group	Association
	£000	£000	£000	£000
Loans (secured)	64,795	63,581	56,028	54,791
Less: due within one year (note 18)	(244)	(219)	(233)	(210)
	<u>64,551</u>	<u>63,362</u>	<u>55,795</u>	<u>54,581</u>
Lease creditor	23	23	-	-
Deferred income	103	103	124	124
	<u>64,677</u>	<u>63,488</u>	<u>55,919</u>	<u>54,705</u>

Lease instalments are due as follows:

	2012	2012	2011	2011
	Group	Association	Group	Association
	£000	£000	£000	£000
In one year or less	7	7	-	-
Between one and two years	7	7	-	-
Between two and five years	7	7	-	-
In five years and more	7	7	-	-
	<u>28</u>	<u>28</u>	<u>-</u>	<u>-</u>

GRAMPIAN HOUSING ASSOCIATION LIMITED - CONSOLIDATED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2012

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

Loans are repayable in instalments due as follows:

	2012	2012	2011	2011
	Group	Association	Group	Association
	£000	£000	£000	£000
Monthly instalments	727	727	13,519	13,519
Monthly instalments, interest only, with bullet repayment of principal July 2014	-	-	10,000	10,000
Quarterly instalments, interest only until 31 January 2013	-	-	5,000	5,000
Quarterly instalments, interest only until 21 August 2022	-	-	5,000	5,000
Quarterly instalments, interest only until 22 August 2022 *	-	-	5,000	5,000
Quarterly instalments, interest only until 22 August 2027	-	-	5,000	5,000
Quarterly instalments, interest only until 30 July 2032	8,250	8,250	8,250	8,250
Rollercoaster profile until 17 December 2040	51,750	51,750	-	-
Quarterly instalments, principal and interest until 28 November 2036	1,214	-	1,237	-
Bi-annual instalments, interest only, with bullet repayment of principal November 2016	1,162	1,162	1,177	1,177
Bi-annual instalments	1,692	1,692	1,845	1,845
	<hr/>	<hr/>	<hr/>	<hr/>
	64,795	63,581	56,028	54,791
	<hr/>	<hr/>	<hr/>	<hr/>

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

During 2011 there was a review of the loan facilities resulting in an additional £20 million facility secured from the Royal Bank of Scotland in May. The combined revised RBS / HBOS facility was also the subject of revised hedging arrangements which took place from October. Through forward fixing of loans, this has allowed the Association to continue to benefit from low variable interest rates in the short term with further fixes to be put in place from 2012 /13.

At 31 March 2012 the last instalment of loans falls to be repaid in the year ending 31 March 2041 (2011: 31 March 2037). Interest is charged at rates between 1.9% and 8.75%, (2011: 1.108% and 8.75%).

Amounts are repayable as follows:

	2012	2012	2011	2011
	Group	Association	Group	Association
	£000	£000	£000	£000
In one year or less	244	219	233	210
Between one and two years	228	228	2,747	2,724
Between two and five years	818	735	15,748	15,669
In five years and more	63,505	62,399	37,300	36,188
	<hr/>	<hr/>	<hr/>	<hr/>
	64,795	63,581	56,028	54,791
	<hr/>	<hr/>	<hr/>	<hr/>

GRAMPIAN HOUSING ASSOCIATION LIMITED - CONSOLIDATED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2012

20. Share capital

Group and Association

	2012	2011	2012	2011
Shares of £1 each fully paid	Number	Number	£000	£000
At 1 April	412	415	1	1
Issued in year	6	7	-	-
Withdrawn in year	(29)	(10)	-	-
At 31 March	389	412	1	1

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

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

	Revenue reserve £000	Designated reserve £000	Restricted reserve £000	Capital reserve £000	Revaluation reserve £000	Share capital £000	Total shareholders' funds £000
Balance at 1 April 2011 as originally reported	2,193	4,737	389	1,834	-	11	9,154
Prior Period Adjustment (Note 35)	<u>1,673</u>	-	-	-	-	-	<u>1,673</u>
At 1 April 2011 as restated	3,866	4,737	389	1,834	-	1	10,827
Surplus for year	1,372	-	-	-	-	-	1,372
Transfer from restricted reserve	152	-	(152)	-	-	-	-
Transfer to restricted reserve	(31)	-	31	-	-	-	-
Transfer from capital reserve	22	-	-	(22)	-	-	-
Transfer to designated reserves	(2,948)	2,948	-	-	-	-	-
Transfer from designated reserve	2,087	(2,087)	-	-	-	-	-
Revaluation	-	-	-	-	1,820	-	1,820
Balance at 31 March 2012	4,520	5,598	268	1,812	1,820	11	14,019

GRAMPIAN HOUSING ASSOCIATION LIMITED - CONSOLIDATED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2012

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 2011 as originally reported	1,829	4,737	389	1,834	1	8,790
Prior Period Adjustment (Note 35)	<u>1,673</u>					<u>1,673</u>
At 1 April 2011 as restated	3,502	4,737	389	1,834	1	10,463
Surplus for year	1,338	-	-	-	-	1,338
Transfer from restricted reserve	152	-	(152)	-	-	-
Transfer to restricted reserve	(31)	-	31	-	-	-
Transfer from capital reserve	22	-	-	(22)	-	-
Transfer to designated reserve	(2,948)	2,948	-	-	-	-
Transfer from designated reserve	2,087	(2,087)	-	-	-	-
Balance at 31 March 2012	<u><u>4,122</u></u>	<u><u>5,598</u></u>	<u><u>268</u></u>	<u><u>1,812</u></u>	<u><u>1</u></u>	<u><u>11,801</u></u>

Exceptional item/Restricted Reserve:

£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 are held and released as relevant expenditure is incurred.

23. Designated reserve (Group and Association)

	Balance at 1 April 2011 £000	Transfers in £000	Transfers out £000	Balance at 31 March 2012 £000
Cyclical maintenance reserve	4,726	2,946	(2,087)	5,585
Other	11	2	-	13
	<u>4,737</u>	<u>2,948</u>	<u>(2,087)</u>	<u>5,598</u>

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

Anticipated spend on cyclical and major repairs over the next five years is £10,600,000.

24. Commitments – Group and Association

(a) Capital commitments authorised and contracted for at 31 March 2012 amounted to £15,140,000 (2011: £11,200,000). 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:

	2012		2011	
	Land and Buildings £000	Other £000	Land and buildings £000	Other £000
Operating leases which expire:				
In second to fifth years inclusive	-	226	-	226
Over five years	226	-	226	-
	<u>226</u>	<u>226</u>	<u>226</u>	<u>226</u>

GRAMPIAN HOUSING ASSOCIATION LIMITED - CONSOLIDATED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2012

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

Group	2012	2011
	£000	As restated £000
Operating surplus	3,375	1,124
Adjustments:		
Depreciation on non-housing fixed assets	143	150
Depreciation on housing fixed assets	1,212	1,233
Impairment of housing fixed assets	-	131
Gain/(loss) on sale of housing fixed assets	77	(2)
Loss/ on sale of non-housing fixed assets	-	(2)
Impairment of other fixed assets	38	53
Deferred income release	(21)	(21)
Movement in working capital:		
Decrease in stock and work in progress	1,219	4,208
Decrease in debtors	1,572	319
(Decrease)/Increase in creditors	(3,836)	3,245
Cash inflow from operating activities	3,779	10,438

26. Analysis of changes in net debt (Group)

	At 31 March 2011	Cashflows	Other non-cash movements	At 31 March 2012
	£000	£000	£000	£000
Cash in hand, at bank	2,301	(1,847)	-	454
Debt due within one year	(244)	(4)	15	(233)
Debt due after more than one year	(55,795)	(8,756)	-	(64,551)
Total debt	(56,039)	(8,760)	15	(64,784)
Total	(53,738)	(10,607)	15	(64,330)

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

	2011 £000	2011 £000
(Decrease) in cash in the period	(1,847)	(1,253)
Cash inflow from debt financing	(8,760)	(2,793)
Loan premium amortisation	15	15
Change in debt resulting from cash flows	(10,592)	(4,031)
Net debt at beginning of period	(53,738)	(49,696)
Net debt at end of period	(64,330)	(53,727)

GRAMPIAN HOUSING ASSOCIATION LIMITED - CONSOLIDATED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2012

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

Association	2012	2011
	£000	As restated £000
Operating surplus	3,199	1,041
Adjustments:		
Depreciation on non-housing fixed assets	134	145
Depreciation on housing fixed assets	1,180	1,202
Impairment of housing fixed assets	-	131
Profit of sale of housing fixed assets	77	-
Profit on sale of non-housing fixed assets	-	(2)
Deferred income	(21)	(21)
Movement in working capital:		
Decrease in stock and work in progress	694	4,212
Decrease in debtors	1,568	331
(Decrease)/Increase in creditors	(3,753)	3,212
Cash inflow from operating activities	<u>3,078</u>	<u>10,251</u>

29. Analysis of changes in net debt (Association)

	At 31 March 2011	Cashflows	Other non-cash movements	At 31 March 2012
	£000	£000	£000	£000
Cash in hand, at bank	2,153	(1,814)	-	339
Debt due within one year	(210)	(24)	15	(219)
Debt due after more than one year	(54,581)	(8,781)	-	(63,362)
Total debt	<u>(54,791)</u>	<u>(8,805)</u>	<u>15</u>	<u>(63,581)</u>
Total	<u>(52,638)</u>	<u>(10,619)</u>	<u>15</u>	<u>(63,242)</u>

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

	2012	2011
	£000	£000
(Decrease)/increase in cash in the period	(1,814)	(1,260)
Cash inflow from debt financing	(8,806)	(2,813)
Loan premium amortisation	16	14
Change in debt resulting from cash flows	<u>(10,604)</u>	<u>(4,059)</u>
Net debt at beginning of period	<u>(52,638)</u>	<u>(48,579)</u>
Net debt at end of period	<u><u>(63,242)</u></u>	<u><u>(52,638)</u></u>

GRAMPIAN HOUSING ASSOCIATION LIMITED - CONSOLIDATED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2012

31. Group structure

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

Individual accounts have been prepared for Kirkgate Developments Limited. Kirkgate Developments Limited is consolidated in the group financial statements of Grampian Housing Association as Grampian Housing Association is the sole owner of the shares in Kirkgate Holdings Limited.

32. Contingent Liabilities

- (a) 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.
- (b) 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.

- (c) Housing Association Grant allocated to components (as detailed in Note 1) that have subsequently been replaced by the Association are recognised in the Income and Expenditure account, with the cost of the replacement and any additional funding for this replacement being capitalised. The recycled grant recognised in the Income and Expenditure account at 31 March 2012 was £1,941,000 (31 March 2011: £1,799,000).

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 £175,000 (2011: £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.

GRAMPIAN HOUSING ASSOCIATION LIMITED - CONSOLIDATED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2012

33. Pension schemes (continued)

Defined contribution pension scheme (continued)

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.

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 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.

GRAMPIAN HOUSING ASSOCIATION LIMITED - CONSOLIDATED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2012

33. Pension schemes (continued)

Defined contribution pension scheme (continued)

The preliminary triennial valuation results as at September 2011 were received in March 2012 but, as the valuation will not be finalised until later this year, this disclosure note must still refer to the 2008 valuation results as the last completed valuation.

The Scheme Actuary's preliminary results for 30 September 2011 show that the Plan's assets at that date were £780 million and the Plan's Technical Provisions (ie past service liabilities) were £928 million. The valuation therefore revealed a shortfall of assets compared with the value of liabilities of £148 million, equivalent to a funding level of 84%.

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.

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.

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, and The Pensions Act 2011 has more recently altered the definition of Series 3 of the Growth Plan so that a liability arises to employers from membership of any Series except Series 4. 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 liability attributable to employment with the leaving employer compared to the total amount of the Plan's liabilities (relating to employment with all the currently participating employers). The leaving employer's debt therefore includes a share of any 'orphan' liabilities in respect of previously participating employers. The amount of the debt therefore depends on many factors including total 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 2011. As of this date the estimated employer debt for Grampian Housing Association Limited was £1,205,743 (2011: £1,009,705).

The Association has also been notified that it be required to pay additional contributions in relation to the past service deficit. Commencing 1 April 2013, this will result in additional contributions of £72,760 per annum.

At the balance sheet date there were 20 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 Chief Executive of the Association is a member of the Board of Community Food Initiatives North East (CFINE).

During the year to 31 March 2012, the following transactions were effected in relation to CFINE Enterprise Ltd

A loan of £25,000 was made to CFINE with interest charged at 6.5%. The loan is fully repayable in instalments starting in December 2012 and ending in November 2014.

Interest Received on loan £542

Purchase of fruit for staff totalled £120 (2011: £120)

GRAMPIAN HOUSING ASSOCIATION LIMITED - CONSOLIDATED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2012

34. Related party disclosures (continued)

Purchase of fruit for Cash in Your Pocket Project events totalled £389 (2011: £580)

The Chief Executive of the Association is also a director of Rural Housing Service (RHS).

In the year to 31 March 2012 the following transactions were effected in relation to RHS

Contribution towards Aberdeenshire Rural Housing Project £4,000 (2011: £Nil)

Annual Housing Conference £299 (2011: £220)

The Director of Corporate Services is also a board member of Aberdeen Foyer Limited.

In the year to 31 March 2012 Aberdeen Foyer vacated their lease for office accommodation.

During the year to 31 March 2012 the following transactions were effected in relation to the Foyer

Housing Rent Receivable £139,432.77 (2011: £140,072)

Restaurant rent receivable £33,350 (2011: £34,392)

Amounts paid in advance for restaurant rent £103,350 (2011: £124,200)

Office accommodation rent £32,631.9 (2011: £52,211)

Repairs Management and other services £3,533 (2011: £14,989)

Amounts due from Foyer at 31 March 2012 £11,814.05 (2011: £89)

Amounts payable to Foyer at 31 March 2012 £538 (2011: £408)

The Director of Development and the Chair of the Association, Mr Steven Delaney, were both serving as members of the Board of Grampian Community Care Charitable Trust (GCCCT) with Mr Delaney serving as Chair of the Trust. Both resigned during the financial year.

Grampian Care in the Community Charitable Trust (GCCCT) in the year to 31 March 2012 terminated the arrangement for management and property support services and the provision of office accommodation and transferred the provision of these functions to Castlehill Housing Association.

The Association continues to provide ad-hoc emergency property support services on a fully rechargeable basis.

During the year to 31 March 2012 the following transactions were effected in relation to GCCCT

Management Services receivable £14,232 (2011: £23,859)

Office accommodation rent receivable £1,015 (2011: £1,454)

Amounts due from GCCCT at 31 March 2012 £13,291 (2011: £25,007)

Amounts due to GCCCT at 31 March 2012 £Nil (2011: £Nil)

The directors of Development and Finance all fulfil the same role for Langstane Housing Association Limited (LHA) The Development and Finance departments of the Association occupy accommodation owned by LHA.

During the year to 31 March 2012 the following transactions were effected in relation to LHA

Management services receivable £57,471 (2011: £47,892)

Factoring and other charges receivable £176,278 (2011: £118,081)

Office rent and support costs payable £68,425 (2011: £50,118)

LIFT Property Marketing Allowances Receivable £Nil (2011: £30,705)

Amounts due from LHA as at 31 March 2012 £45,388 (2011: £50,950)

Amounts due to LHA as at 31 March 2012 £3,600 (2011: £167)

The Chief Executive of the Association is also a director of Devanha Ltd.

One board member, David Young, is a member of the board of Devanha Limited and of the board of Aberdeen Foyer Limited.

GRAMPIAN HOUSING ASSOCIATION LIMITED - CONSOLIDATED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2012

34. Related party disclosures (continued)

Devanha Ltd 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 all partners.

During the year to 31 March 2012 the following transactions were effected in relation to Devanha.

Management services receivable £3,300 (2011: £4,567)
Reimbursement of expenses £183 (2011: £542)
Contribution to funding of Devanha £3,750 (2011: £13,500)
Amounts due from Devanha as at 31 March 2012 £9 (2011: £Nil)

During the year to 31 March 2012 there were three tenant board members, Iris Walker, Val Fitzimmons and Bruce Skene. All transactions between the Association and the tenant board members were on the same terms as other tenants and board members.

The company has taken the exemption available under FRS8 in relation to disclosing related party transactions with Kirkgate Developments Limited.

35. Prior Period Adjustment – Group and Association

Following the implementation of the Statement of Recommended Practice – Accounting by Registered Social Housing Providers – Update 2010 (SORP 2010), the Association has implemented component accounting. As a result of the changes brought about by the SORP 2010 and the detailed guidance of the Technical Notes, the Association has adopted a new accounting policy, which has resulted in a prior period adjustment.

The principle of component accounting is to account separately for each major component of a property asset with substantially different useful economic lives, and to depreciate them over their individual useful economic life. This change in accounting policy has resulted in major works expenditure written off in prior years being capitalised, and an additional depreciation charge now being recognised.

The effect of this change in accounting policy on the 31 March 2011 financial statements is shown below. 31 March 2011 opening reserves have been increased by £2,337,000 of which £3,925,000 relates to increased depreciation, £4,463,000 relates to major repairs previously written off to the Income and Expenditure Account now capitalised as components and £1,799,000 relates to HAG now allocated across components.

Effect on 31 March 2011 Income & Expenditure Account due to implementation of component accounting:

	£'000
Increase depreciation charge	(733)
Decreased major works charged against income	<u>69</u>
Decrease in surplus for the year	<u>- (664)</u>

In addition the overall effect on the balance sheet as at 31 March 2011 has been to:

Increase fixed asset cost	4,532
Decrease fixed asset HAG (note 32)	1,799
Increase fixed asset depreciation	<u>(4,658)</u>
Net movement in the balance sheet	<u>1,673</u>

The effect of this change in accounting policy on the 31 March 2012 results has been to increase the surplus by £579,000.