Grampian Housing Association Limited

Report of the Board of Management and Consolidated Financial Statements
31 March 2013

Registration Particulars:

Financial Conduct Authority	Housing (Scotland) Act 2010 Registered Number 1769 R (S) (FSA)
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

REPORT OF THE BOARD OF MANAGEMENT AND FINANCIAL STATEMENTS

For the year ended 31 March 2013

Contents

GRAMPIAN HOUSING ASSOCIATION LIMITED

BOARD OF MANAGEMENT, EXECUTIVES AND ADVISERS

For the year ended 31 March 2013

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 2013 and 2012 (or date of appointment if later) follow:

Board members		**Number 2013**	Number 2012
Steve Delaney	(Chair)	1	1
Keith Jones	(Vice Chair)	1	1
Amanze Ejiogu	(Appointed 26 February 2013)	1	-
Gordon Edwards		1	1
Val Fitzsimmons *	(Resigned 14 February 2013)	-	1
William McKimmie	(Resigned 11 December 2012)	-	1
Graham Morrison		1	1
Rae Munro #		1	1
Cllr Jim Noble	(Co-opted) (Resigned 20 September 2012)	-	1
Nora Radcliffe	(Appointed 26 February 2013)	1	-
Richard Robertson #		1	1
George Ross		1	1
Cllr Gurudeo Saluja	(Co-opted)(Resigned 20 September 2012)	-	1
Mary Scott	(Appointed 14 February 2013)	1	-
Bruce Skene *	(Resigned 10 July 2012)	-	1
Fiona Sommerville	(Appointed 26 February 2013)	1	-
Alan Thomson	(Resigned 26 June 2012)	-	1
Ms Iris Walker *	(Resigned 17 January 2013)	-	1
Ray Walkinshaw	(Appointed 26 February 2013)	1	-
David Young		1	1

*Customer board member # Sharing Owners

Executive officers

Neil Clapperton (Chief Executive / Assistant Secretary)

Malcolm McNeil (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. The Board members at the year end listed below were also members of the Board of Management of Kirkgate Developments Limited (a subsidiary of Grampian Housing Association Limited):

William McKimmie (Resigned from GHA only 11 December 2012)
George Ross
David Young
Graham Morrison
Gordon Edwards
Fiona Somerville (Appointed 26 February 2013)

The following were members of Kirkgate Developments Limited only:
Donald Murdoch (Chair)
Rhona Atkinson (Resigned 3 May 2013)
Richard Dodunski
Martin Ford (Appointed 26 February 2013)
Glen Reynolds (Appointed 26 February 2013)
Peter Stephen (Resigned 27 June 2013)
Mark Wynne (Appointed 26 February 2013)

GRAMPIAN HOUSING ASSOCIATION LIMITED

BOARD OF MANAGEMENT, EXECUTIVES AND ADVISERS

For the year ended 31 March 2013

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

REPORT OF THE BOARD OF MANAGEMENT AND FINANCIAL STATEMENTS

For the year ended 31 March 2013

The Board of Management presents its report and audited financial statements for the year ended 31 March 2013.

Legal status

Grampian Housing Association Limited (the Association), is incorporated in Scotland and registered with the Financial Conduct Authority (formally the Financial Services Authority) under the Industrial and Provident Societies Act 1965, as a registered Housing Association and registered with The Office of the Scottish Charity Regulator as a registered charity.

It has three wholly owned subsidiaries :-

Kirkgate Developments Limited
Kirkgate Homes Limited (a dormant company); and
Grampian Community Energy Limited (a dormant company)

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 are developments for sale and market rent as well as developing opportunities for social enterprise and commercial and community facilities. In the future, Kirkgate Developments Limited and other planned subsidiaries 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. In recruiting new members, the group aims to ensure that the correct balance of skills and experience exists and that these reflect the needs of the business. The Board receives regular training and updates from a variety of sources and members attend external conferences and events on a regular basis. Following a recent independent review of governance, it is intended that existing methods of Board appraisal and assessment are further developed and improved.

Group structure

The Association no longer plans to form a group structure with Langstane Housing Association with both parties preferring to develop a strategic alliance. This will support greater strategic co-operation and allow the sharing of services and joint procurement.

Housing Stock

During the year, the Group added 88 properties (2012: 200) to its rental portfolio. Of these, 48 were new build, 10 were off-the-shelf purchases and 2 were mortgage to rent properties. One disposal was made through Right to Buy and a disposal finalised to a local housing association. 40 new builds were in Elgin and 8 were mid market rental builds in Westhill. The 10 off-the-shelf purchases were located in Alford and the 2 mortgage to rent properties were in Aberdeen and Inverurie which offset the 2 disposals in Aberdeen and Peterhead respectively.

In addition, 53 shared ownership properties (2012: 42) were added to its portfolio. Of these, 50 were self-funded new builds in Aberdeen and Aberdeenshire (40 and 10 properties respectively). The 4 properties in Alford were grant funded by Aberdeenshire Council. 3 outright purchases were concluded in Aberdeen.

At the year end the Group had 2,934 (2012: 2,846) rental properties (15 of which were mid market rent) and 523 shared ownership properties in its ownership / part ownership. An additional 60 properties are leased directly to Aberdeen Foyer and factoring services provided to approximately 3,200 households.

The Association continues to operate the Scottish Government's Open Market Shared Equity (OMSE) in the Grampian area. This scheme is one element of the Government's Low-cost Initiatives for First Time Buyers (LIFT).

Throughout the year, stock improvements have been made in a number of areas – kitchen, bathroom, window and boiler replacements were carried out in Aberdeen City, window and boiler replacements in Aberdeenshire, and kitchen replacements in Moray. The Association continues to improve energy efficiency in its hard to treat properties and is currently undertaking a pilot project to inform future insulation effectiveness.

The priority in the next two financial years will be Scottish Housing Quality Standard achievement. In particular, energy efficiency measures will be improved in stock where this is below published standards.

Rent policy

The Association's vision is "that by 2017, Grampian will be a better landlord and annually house more people in housing need than it does now". To achieve this vision it is important that rents are affordable but sufficient to meet business requirements. As a result the Association has traditionally applied a Retail Price Index (RPI) rent increase plus one per cent on an annual basis. It is the December RPI figure that is used and is applied on 1 July (or as soon after if the lease agreement does not allow for increase on that date). On this basis a rent increase of 4.1% (3.1% + 1%) was approved and applied following tenant consultation.

Development

The Group's growth continued in 2012/13 through housing development activity for the Association. At the year-end there were 211 units in development, of which 129 units were for rent and 82 were for shared ownership. Capital commitments of £11,800,000 were authorised and contracted for in the immediate future. The Group's capital investment on housing properties for the year ended 31 March 2013 was £10,511,000. This was funded in part by way of Housing Association Grant (HAG) funding from the Scottish Government, which amounted to £1,478,000, and other grants amounting to £981,000. The remainder was funded from the Group's own resources and the recent loan facilities received from the Royal Bank of Scotland.

GRAMPIAN HOUSING ASSOCIATION LIMITED

REPORT OF THE BOARD OF MANAGEMENT

For the year ended 31 March 2013

Income and expenditure

The Group had a turnover of £16,010,000, an increase of 10.6% on the previous year's turnover of £14,501,000. On this turnover the Group showed a surplus before tax of £2,011,000, compared with a surplus of £1,375,000 in 2012. Operating costs at £11,340,000 remained in line with the 2012 figure of £11,113,000. 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 operating costs are shown net of an amount of £555,878 being transferred out of planned and cyclical repairs and being capitalised in the year, which is a decrease of £709,693 on the 2012 balance of £1,265,571. The annual charge for day to day repairs, cyclical repairs and major repairs was £53,502 more than the previous year. This overall decrease was partially offset by an increase in the financial overheads of £406,020 due mainly to increased interest due to the increase in the loan facilities.

Kirkgate Developments Limited's operational results showed an increase to turnover of 6% at £381,714 compared to £359,526 in 2012. This combined with a decrease in operating costs to £157,948, compared to £171,364 in 2012 led to an increase of pre tax surplus in 2013 of £101,454 compared to a surplus in 2012 of £36,905. The annual revaluation of the investment properties resulted in a decrease in the revaluation reserve of £51,990.

With Grampian Housing Association having charitable status, the company's tax liability is £nil. Kirkgate Developments Limited is liable to taxation and there has been a gift aid of £88,228 (2012: £nil) excess taxable profits back to the parent company, Grampian Housing Association of £88,228 so no taxation is due for the current year. Although there is a prior year charge of £6,000 and a deferred tax charge of £3,000 leaving a deferred tax liability of £36,000 relating to Kirkgate Developments Limited.

The Association's day to day repair costs, at £1,898,821 inclusive of overheads, represented 17% of total Group operating costs. During 2012/2013, significant upgrade works took place under planned and cyclical repairs including windows and doors replacements at Lossiemouth and Turiff and kitchens at Torry. Work also included bathroom replacements at Nigg Kirk Road and various other works including heating upgrades, insulation and painting. 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.

Balance sheet

At the 31 March 2013 the Group gross cost of housing properties amounted to £216,777,000 (an increase of £10,020,000 on the 2012 balance of £206,757,000) and after allowing for depreciation and HAG these have a net book value of £79,492,000, (2012: £73,194,000).

Other tangible fixed assets decreased on a net book value basis from £7,960,000 to £7,867,000 incorporating a decrease in the valuation of Kirkgate's investment properties of £52,000.

The Group's net work in progress remained at a similar value to the prior year, at £556,000 compared to £418,000 in 2012. This balance represents the fact that there was little development activity in progress at the year end.

Current debtors decreased from £2,155,000 to £1,354,000, chiefly driven by the receipt of HAG receivable balances included in debtors at the end of the prior year. Cash at bank and in hand rose from £454,000 to £923,000.

Short-term creditors increased from £5,697,000 to £17,078,000, comprising a restructuring of the bank loans meaning a new facility of £15,000,000 was partially used to repay an existing £11,000,000 facility. Long-term creditors decreased from £64,677,000 to £57,253,000 reflecting this change in classification of the £11,000,000 loan.

Reserves

At the year end the revenue reserve had increased from £4,520,000 to £5,374,000, chiefly as a result of the surplus referred to above.

Designated reserves are reserves identified for specific purposes. They are split into two areas, resources internally generated from operations, which have been set aside to provide for planned cyclical repairs and resources set aside to meet the past service deficit contributions payable on the Growth Plan Pension, (although not yet legally required to be recognised as a liability) it was felt it would be prudent to recognise these contributions due to be paid and as such to get this aside in a designated reserve. A net amount of £451,000 was transferred into repairs designated reserves, which now stand at £6,049,000. 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). An amount of £718,000 was provided during the year for the potential pension deficit.

The amount set aside of £718,000 represents the Net Present Value of the contributions payable towards the past service deficit in the growth plan that is being repaid annually until 2024.

A restricted reserve of £268,000 comprises the balance on a reserve established during 2010/11 to restrict excess Right to Buy receipts released to the Income and Expenditure account as exceptional income during 2010/11 and a reserve for Big Lottery income. There was no movement on this reserve during the year.

The capital reserve has decreased from £1,812,000 to £1,790,000.

All properties within Kirkgate Developments Limited were revalued in the year, resulting in a decrease in the revaluation reserve of £51,990.

In summary, total reserves increased during the year from £14,019,000 to £15,968,000.

Staffing

Average staff numbers increased from 95 to 97 full time equivalent persons, with the increase mainly being due to an increase within the mobile team. In May 2013 a permanent appointment was made to the position of Chief Executive after a period of interim appointment pending the outcome of discussion with Langstane Housing Association in respect of a new group structure. This appointment was followed by a permanent appointment to the position of Director of Housing and Property Services. Both positions were appointed through a process of open and competitive recruitment. Within the Finance Department additional and qualified staff have been appointed to assist with the demands of a challenging financial environment for Housing Associations.

New Initiatives

2012/13 was the first year of the Scottish Government's new fund, the People and Communities Fund which prioritises Employability and Preventative Action. The Association was successful quite early on, working in partnership with CFINE and NESCU, in securing funding for a new project called AHEAD which addresses disadvantage in Aberdeen and Aberdeenshire through a holistic approach.

A new 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, most notably in Huntly and Fraserburgh.

New Initiatives (Continued)

Further applications were made to the People and Communities Fund for an employability project in partnership with Pathways and also for Energy and Income Advice in Moray. The former of these applications is pending a final decision at present, expected to be positive, and the latter was unsuccessful.

During the year, the joint New Initiatives team continued to support both Grampian and Lanstane's aspirations in community focused initiatives and with an increasing emphasis on business development. It should be noted, however, that with the breakdown of the Group Structure and Langstane's subsequent internal management review, that the future of this joint departmental approach is in doubt.

2012/13 has been a very active year for the Association's SMART Project and saw the first of a five year funding award from the Big Lottery involving a £76,778 grant towards the project with the remainder of the cost coming from partners – Grampian, Castlehill, Langstane, Blackwood Homes and Tenants First Sanctuary. Between the money advice and income advice elements of the project, a financial gain of £892,806 was achieved for tenants in the North East and over 500 tenants received help with their finances.

During the year 2012/13, 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. Towards the latter part of the year, the team has contributed to ongoing discussions within the City about provisions to tackle the effects of Welfare Reform including a new Hub. 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.

2012/13 was the first in a new three year Climate Challenge Fund award whereby the Association employs an Energy Adviser to work with tenants in disadvantaged areas of Aberdeen to raise awareness of energy efficiency issues and to reduce the carbon footprint in this area. This year the project has concentrated on North Aberdeen.

The ASSIST Project continued to provide a support service to vulnerable clients of both Grampian and Tenants First Sanctuary to sustain tenancies, with no major changes in the service or funding this year, but a Lottery application in progress for future funding and a change of direction to focus on clients with mental health and addiction issues.

In February of this year we launched a new furniture project for tenants of RSLs locally utilising an enhanced white goods scheme through one of our local Credit Unions, NESCU.

An exciting development over the year, has been researching the potential for creating a new partnership enterprise to provide maintenance services for Grampian Housing Association, Langstane Housing Association and Castlehill Housing Association. Most recently, consultants were brought in to review and strengthen the business case due to report in June 2013 with a view to setting up the company later in the year. This project is currently progressing and we hope to see the new enterprise in operation in 2014.

In addition, a range of smaller community based projects were progressed to enhance services, facilities and partnership working across the Grampian area, eg at Kingseat.

Customer Participation

The joint approach to tenant participation in the North East has been proactively pursued through our membership of North East Tenants, Residents and Landlords Together (NETRALT).

Instead of the Association's traditional annual customer conference, all the RSLs based in the North East joined in with Aberdeen City Council's tenants open day. We were pleased to achieve a comparable turnout to that of the conference from amongst our customers. Similar events have been planned with the local authorities and RSLs in Aberdeenshire and Moray. Through partnership working in this way we are achieving economies of scale and are also benefitting from larger turnouts at events. In view of the requirement to involve tenants in the Scottish Social Housing Charter (SSHC) and new scrutiny framework, the focus of these events is to engage with tenants and encourage them to get involved in these new initiatives.

Customer Participation (Continued)

Following a recruitment drive through *Keynote*, membership of the panel increased to 160 customers. Working with the Tenants Information Service (TIS) we continued to consult with *Count me in*. In addition to discussion sessions on the pets policy and estate management issues, a survey on anti-social behaviour was carried out.

Other surveys conducted included the occupier feedback surveys for developments at Buckie, Elgin and Forres.

Staff on the customer participation working group met regularly and the focus of activities was on recruiting new tenant members for the group.

The Association hosted a TIS Teatime Talk Session about tenant scrutiny which was well attended by our tenants as well as tenants from other landlords. Leading on from this we recruited a new Board member from amongst our tenant base.

Partnerships and future opportunities

Grampian Housing Association continued to enjoy a healthy development programme in 2012/2013 as it completed 141 new homes across the North East and started to diversify into new areas.

Although 2012/13 saw high levels of housing completions the financial strength of the Association to continue developing in the face of tougher times has reached a critical point and commitments are under review in the context of a revised business plan. 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 with the aid of efficiency savings and business diversification.

The Association has been working with a wide coalition of housing associations with stock in the North East in 2012/2013 on the creation of a maintenance company. 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 progress in diversifying into renewable energy development and energy supply by creating a project programme and working with community groups and other associations nationally to develop proposals for a Scotland wide renewable energy development company, as well as carrying out extensive research into the creation of a national social enterprise utility. Building on our past and continuing relationship with the NHS, Grampian developed a proposal for mid market accommodation for Health Service staff.

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 can take advantage of much more competitive construction costs and no lack of opportunity to build with or without grant. The challenge it faces in 2013 is how to reshape its activities in order to give it the financial headroom to make the best of that opportunity.

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 4.1% (3.1% + 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 2011/12	Peer Group 2011/12	Actual 2012/13	Target 2012/13
% Void Loss	0.3%	0.8%	0.3%	0.8%
Non-Technical Arrears as a % of Net Rental Income – Current Tenants	2.6%	3.1%	2.9%	N/A
% Total Rent Arrears	3.7%	4.8%	4.3%	N/A
Average Re-Let Time	22 days	26 days	16 days	N/A
Management and Maintenance Administration Costs per Unit	£865	£975	£860	N/A
Staff costs as % of Turnover	20.8%	N/A	20.6%	N/A
% Properties meeting SHQS	91.8%	86.6%	90.8%	92.0%
% Emergency Repairs completed within Target Response Time	99.6%	96.2%	97.3%	N/A
Unit Cost of Day to Day Repairs	£447	N/A	£452	£464

In considering these statistics, it should be noted that peer group comparisons for 2012/13 had not been published by the Scottish Housing Regulator at the time of preparing these financial statements. In comparing 2011/12 statistics, the Association's performance is better than the peer group average for all relevant indicators listed above.

The Association's rent arrears increased slightly in 2012/13 in comparison to 2011/12, although this increase was anticipated because of the current economic climate and this will be an area of continued managerial focus in the light of welfare reform measures. In 2012/13 void levels at 0.3% continued to significantly better both peer group performance and budgetary targets, and average re-let times also reduced significantly. Performance in responding to emergency repairs declined slightly in 2012/13, whilst remaining indicators were broadly static.

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. New Internal Auditors have recently been appointed and an audit plan will be drawn up in the appropriate manner. This will ensure that the Board meets its regulatory and business requirements in respect of ensuring appropriate systems of control are in place.

A Strategic Risk Register, which highlights key risks to the organisation, is in place and this is reviewed on a quarterly basis through the Audit Committee. An Operational Risk register is in place and reports in respect of major development projects contain specific risk analysis as well as describing how risks are controlled. Key strategic risks include increasingly onerous legislative requirements, housing constraints and welfare reform.

Risk Management (Continued)

These risks will be mitigated by, among other actions: lobbying via umbrella groups and political representatives, improved medium term planning and increased resourcing of arrears management. The Association has also identified the increasing pension deficit as an issue, however has put in place a plan to avoid this being realised and is taking advice as to how this risk might be removed either in part or full.

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 draw downs 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 planned and cyclical repairs are carried out in the medium term to deal with the gradual and predicable deterioration of building components. In compliance with the component accounting changes in 2012, the cost of some of these repairs will be charged to the Income and Expenditure Account and the balance will be capitalised to Fixed Assets. In addition, the Group has a long-term programme of major repairs to cover for works, which have become necessary since the original developments were completed, including works required by subsequent legislative changes. This includes replacement or repairs to components of the properties, which have come to the end of their economic lives.

It should be noted that a full stock condition survey was completed in 2010 and the findings of this has been noted and recommendations adopted. A further update to this survey is currently being undertaken.

Credit payment policy

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

Statement as to the disclosure of information to auditors

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

Auditors

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

By order of the Board

Malcolm McNeil
Secretary

27 August 2013

STATEMENT OF BOARD OF MANAGEMENT'S RESPONSIBILITIES AND STATEMENT ON INTERNAL FINANCIAL CONTROLS

For the year ended 31 March 2013

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, Part 6 of the Housing (Scotland) Act 2010 and the Registered Social Landlords Determination of Accounting Requirements April 2012. 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.

STATEMENT OF BOARD OF MANAGEMENT'S RESPONSIBILITIES AND STATEMENT ON INTERNAL FINANCIAL CONTROLS

For the year ended 31 March 2013

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 misstatement 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 2013 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.

By order of the Board of Management

Malcolm McNeil
Secretary

Independent Auditor's report to the members of

Grampian Housing Association Limited

We have audited the group and parent association financial statements of Grampian Housing Association Limited for the year ended 31 March 2013 (the "financial statements") on pages 14 to 46. 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 11, 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 http://www.frc.org.uk/Our-Work/Codes-Standards/Audit-and-assurance/Standards-and-guidance/Standards-and-guidance-for-auditors/Scope-of-audit/UK-Private-Sector-Entity-(issued-1-December-2010).aspx.

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 2013 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, Part 6 of the Housing (Scotland) Act 2010 and the Registered Social Landlords Determination of Accounting Requirements April 2012.

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: 5/9/13

CONSOLIDATED INCOME AND EXPENDITURE ACCOUNT

For the year ended 31 March 2013

	Note	**2013**	2012
		£000	£000
Turnover	*1,2*	**16,010**	14,501
Cost of property sales		**-**	(13)
Operating costs	*2*	**(11,340)**	(11,113)
Operating surplus		**4,670**	3,375
(Deficit)/Surplus on disposal of housing fixed assets		**(192)**	77
Interest receivable	*9*	**7**	5
Interest payable	*10*	**(2,474)**	(2,082)
Surplus on ordinary activities before taxation		**2,011**	1,375
Taxation charge on surplus on ordinary activities	*11*	**(9)**	(3)
Surplus on ordinary activities after taxation for the financial year	*21*	**2,002**	1,372

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 2013

	Note	**2013**	2012
		£000	£000
Surplus for the year		**2,002**	1,372
Revaluation (loss)/gain on Investment Properties	*13*	**(53)**	1,820
Total surpluses and deficits recognised since the last reporting period		**1,949**	3,192

GRAMPIAN HOUSING ASSOCIATION LIMITED

HOUSING ASSOCIATION INCOME AND EXPENDITURE ACCOUNT

For the year ended 31 March 2013

	Note	2013	2012
		£000	£000
Turnover	*1,2*	15,689	14,170
Operating costs		(11,244)	(10,971)
Operating surplus		4,445	3,199
Gift Aid Received		88	-
(Deficit)/surplus on disposal of housing fixed assets		(192)	77
Interest receivable	*9*	60	77
Interest payable	*10*	(2,404)	(2,015)
Surplus on ordinary activities before taxation		1,997	1,338
Taxation charge on surplus on ordinary activities	*11*	-	-
Surplus on ordinary activities after taxation for the financial year	*22*	1,997	1,338

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.

There were no recognised gains or losses other than the surplus for the year.

GRAMPIAN HOUSING ASSOCIATION LIMITED

CONSOLIDATED AND HOUSING ASSOCIATION BALANCE SHEET

As at 31 March 2013

	Note	2013 GROUP £000	2013 ASSOCIATION £000	2012 GROUP £000	2012 ASSOCIATION £000
Tangible fixed assets					
Housing properties – gross cost less depreciation	*12*	**205,590**	**205,590**	196,914	196,914
Less Housing Association Grant	*12*	**(117,348)**	**(117,348)**	(115,951)	(115,951)
Less other grants	*12*	**(8,750)**	**(8,750)**	(7,769)	(7,769)
		79,492	**79,492**	73,194	73,194
Other fixed assets	*13*	**7,867**	**2,510**	7,960	2,550
Fixed asset investments					
LIFT loans		**5,540**	**5,540**	5,480	5,480
LIFT grants		**(5,540)**	**(5,540)**	(5,480)	(5,480)
		-	**-**	-	-
Tangible fixed assets		**87,359**	**82,002**	81,154	75,744
Current assets					
Stock and work in progress	*15*	**556**	**556**	418	418
Debtors	*16*	**1,354**	**1,426**	2,155	2,151
Cash at bank and in hand	*17*	**923**	**852**	454	339
		2,833	**2,834**	3,027	2,908
Creditors: amounts falling due within one year	*18*	**(17,078)**	**(16,934)**	(5,697)	(5,456)
Net current liabilities		**(14,245)**	**(14,100)**	(2,669)	(2,548)
Debtors: amounts falling due after more than one year	*16*	**107**	**1,982**	211	2,093
Total assets less current liabilities		**73,221**	**69,884**	78,696	75,289
Creditors: amounts falling due after more than one year	*19*	**(57,253)**	**(56,086)**	(64,677)	(63,488)
Net assets		**15,968**	**13,798**	14,019	11,801
Capital and reserves					
Share capital	*20,22*	**1**	**1**	1	1
Designated reserve	*21,22*	**6,767**	**6,767**	5,598	5,598
Restricted reserve	*21,22*	**268**	**268**	268	268
Capital reserve	*21,22*	**1,790**	**1,790**	1,812	1,812
Revenue reserve	*21,22*	**5,374**	**4,972**	4,520	4,122
Revaluation reserve	*21*	**1,768**	**-**	1,820	-
		15,968	**13,798**	14,019	11,801

These financial statements were approved and authorised for issue by the Board of Management on 27 August 2013 by:

Steve Delaney
Chair

Steve Delaney

Gordon Edwards
Board Member

Malcolm McNeil
Secretary

GRAMPIAN HOUSING ASSOCIATION LIMITED

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 March 2013

	Notes	2013		2012	
		£000	£000	£000	£000
Cash inflow from operating activities	*25*		**4,923**		3,779
Returns on investments and servicing of finance					
Interest received		**7**		5	
Interest paid		**(2,473)**		(2,082)	
Net cash outflow from returns on investments and servicing of finance			**(2,466)**		(2,077)
Taxation					
Corporation tax paid		**(6)**		(291)	
Net cash outflow on taxation			**(6)**		(291)
Capital expenditure and financial investment					
Acquisition and construction of housing properties		**(10,511)**		(14,877)	
Purchase of other fixed assets		**(97)**		(62)	
Capital grants received		**2,459**		3,360	
Capital grants repaid		**(81)**		(837)	
Sales of housing properties		**491**		379	
Sales of other fixed assets		**31**		-	
Net cash outflow from capital expenditure and investing activities			**(7,708)**		(12,037)
Net cash outflow before use of liquid resources and financing			**(5,257)**		(10,626)
Financing					
Loan advances received		**8,500**		8,972	
Loan principal repayments		**(2,774)**		(194)	
Net cash inflow from financing	*27*		**5,726**		8,778
Increase/(Decrease) in cash in the year	*26, 27*		**469**		(1,847)

GRAMPIAN HOUSING ASSOCIATION LIMITED

HOUSING ASSOCIATION CASH FLOW STATEMENT

For the year ended 31 March 2013

	Notes	2013		2012	
		£000	£000	£000	£000
Cash inflow from operating activities	*28*		**4,829**		3,078
Returns on investments and servicing of finance					
Interest received		**60**		77	
Interest paid		**(2,404)**		(2,015)	
Net cash outflow from returns on investments and servicing of finance			**(2,344)**		(1,938)
Taxation					
Corporation tax paid		**-**		(288)	
Net cash outflow on taxation			**-**		(288)
Capital expenditure and financial investment					
Acquisition and construction of housing properties		**(10,511)**		(14,312)	
Purchase of other fixed assets		**(98)**		(62)	
Capital grants received		**2,459**		3,360	
Capital grants repaid		**(81)**		(837)	
Sales of housing properties		**491**		379	
Sales of other fixed assets		**31**		-	
Net cash outflow from capital expenditure and investing activities			**(7,709)**		(11,472)
Net cash outflow before use of liquid resources and financing			**(5,224)**		(10,620)
Financing					
Loan advances received		**8,500**		9,000	
Loan principal repayments		**(2,763)**		(194)	
Net cash inflow from financing	*30*		**5,737**		8,806
Increase/(Decrease) in cash in the year	*29,30*		**513**		(1,814)

1. Accounting policies

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

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 Determination of Accounting Requirements April 2012 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 March 2013 the Group secured a facility for an additional £15 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. 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 2013 of £14,245,000 caused chiefly by the timing of the loan drawdown arrangements following set up of the new £15m facility.

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

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

Housing properties, housing association grant and depreciation

(a) Housing properties are stated at cost 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.

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 represented a change in accounting policy last year. 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. This 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. The impairment has been calculated over a length of 30 years as it is felt this is a fair representation of future income from the properties as they are held as long term income generating 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:

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

Investment properties are re-valued annually 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.

Pension reserve

This reserve represents the Net Present Value of the contributions payable towards the past service deficit in the SHAPs Growth Plan. These funds are held to provide for future liability in line with the past service debt notified to the Association as payable annually until 2024.

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.

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.

1. **Accounting policies *(continued)***

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.

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.

1. Accounting policies *(continued)*

VAT

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

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

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

Shared Ownership

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

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

Group:

	Turnover	Operating costs	Operating surplus	Operating surplus /(deficit) for previous period of account
	£000	£000	£000	£000
Social lettings (note 3)	11,928	(7,615)	4,313	3,389
Other activities (note 4a)	4,082	(3,725)	357	(14)
Total	**16,010**	**(11,340)**	**4,670**	3,375
Total for previous period of account as restated	14,501	(11,126)	3,375	

Housing Association:

	Turnover	Operating costs	Operating surplus	Operating surplus/(deficit) for previous period of account As restated
	£000	£000	£000	£000
Social lettings (note 3)	11,957	(7,644)	4,313	3,389
Other activities (note 4b)	3,732	(3,600)	132	(190)
Total	**15,689**	**(11,244)**	**4,445**	3,199
Total for previous period of account as restated	14,170	(10,971)	3,199	

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

Group	General Needs Housing	Shared Ownership Housing	Total	Total for previous period of account
	£000	£000	£000	£000
Rent receivable net of service charges	10,172	1,043	11,215	10,164
Service charges	637	118	755	579
Gross income from rents and service charges	**10,809**	**1,161**	**11,970**	**10,743**
Less Voids	(39)	(3)	(42)	(41)
Net income from rents and service charges	10,770	1,158	11,928	10,702
Grants from Scottish Ministers	-	-	-	-
Other revenue grants	-	-	-	-
Total turnover from social letting activities	**10,770**	**1,158**	**11,928**	**10,702**
Management and maintenance administration costs	(2,520)	(395)	(2,915)	(2,842)
Service costs	(706)	-	(706)	(692)
Planned and cyclical maintenance including major repairs costs	(1,169)	-	(1,169)	(1,209)
Reactive maintenance costs	(1,313)	-	(1,313)	(1,259)
Bad debts – rent and service charges	(73)	(11)	(84)	(131)
Depreciation of social housing	(1,313)	(115)	(1,428)	(1,180)
Impairment of social housing	-	-	-	-
Operating costs for social letting activities	**(7,094)**	**(521)**	**(7,615)**	**(7,313)**
Operating surplus for social letting activities	**3,676**	**637**	**4,313**	**3,389**
Operating surplus for social letting activities for previous period of account as restated	2,856	533	3,389	

Association	General Needs Housing	Shared Ownership Housing	Total	Total for previous period of account
	£000	£000	£000	£000
Rent receivable net of service charges	10,201	1,043	11,244	10,164
Service charges	637	118	755	579
Gross income from rents and service charges	**10,838**	**1,161**	**11,999**	**10,743**
Less Voids	(39)	(3)	(42)	(41)
Net income from rents and service charges	10,799	1,158	11,957	10,702
Grants from Scottish Ministers	-	-	-	-
Other revenue grants	-	-	-	-
Total turnover from social letting activities	**10,799**	**1,158**	**11,957**	**10,702**
Management and maintenance administration costs	(2,549)	(395)	(2,944)	(2,842)
Service costs	(706)	-	(706)	(692)
Planned and cyclical maintenance including major repairs costs	(1,169)	-	(1,169)	(1,209)
Reactive maintenance costs	(1,313)	-	(1,313)	(1,259)
Bad debts – rent and service charges	(73)	(11)	(84)	(131)
Depreciation of social housing	(1,313)	(115)	(1,428)	(1,180)
Impairment of social housing	-	-	-	-
Operating costs for social letting activities	**(7,123)**	**(521)**	**(7,644)**	**(7,313)**
Operating surplus for social letting activities	3,676	637	4,313	3,389
Operating surplus for social letting activities for previous period of account as restated	2,856	533	3,389	

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

Group:	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-2012
	£000	£000	£000	£000	£000	£000	£000	£000
Wider role activities undertaken to support the community, other than the provision construction, improvement and management of housing property	-	173	-	**173**	-	(426)	**(253)**	(133)
Care and repair of property								-
Factoring	-	-	418	**418**	(17)	(443)	**(42)**	(56)
Development and construction of property activities	138	-	-	**138**	-	(517)	**(379)**	(487)
Support activities	-	-	-	-	-	-	-	-
Care activities	-	-	-	-	-	-	-	-
Agency/management services – RSLs	22	-	152	**174**	-	-	**174**	51
Other agency/management services	-	-	32	**32**	-	(86)	**(54)**	(89)
Developments for sale to RSLs	-	-	-	-	-	-	-	-
Developments and improvements for sale to non RSLs	-	-	-	-	-	-	-	-
Surplus on Big Lottery Grant Fund	-	108	-	**108**	-	(31)	**77**	-
Homestake / LIFT	28	18	-	**46**	-	-	**46**	40
First Tranche Shared Ownership sales	-	-	2,306	**2,306**	-	(1,940)	**366**	306
Market rent			352	**352**	-	(127)	**225**	120
New property sales	-	-	-	-	-	-	-	(13)
Other Activities (material) – Foyer	-	-	183	**183**	-	(68)	**115**	165
Other activities (non material)	26	-	126	**152**	-	(70)	82	82
Total from other activities	**214**	299	3,569	4,082	(17)	(3,708)	357	(14)
Total from other activities –2012	258	330	3,211	3,799	(20)	(3,793)	**(14)**	

For the year ended 31 March 2013

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

Association:	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	-	173	-	173	-	(426)	(253)	(133)
Care and repair of property	-	-	-	-	-	-	-	-
Factoring	-	-	418	418	(17)	(443)	(42)	(56)
Development and construction of property activities	138	-	-	138	-	(517)	(379)	(487)
Support activities	-	-	-	-	-	-	-	-
Care activities	-	-	-	-	-	-	-	-
Agency management services for RSLs	22	-	152	174	-	-	174	51
Other agency/management services	-	-	32	32	-	(86)	(54)	(89)
Developments for sale to RSLs	-	-	-	-	-	-	-	-
Developments and improvements for sale to non RSL's	-	-	-	-	-	-	-	-
Big Lottery Grant Fund	-	108	-	108	-	(31)	77	-
Homestake / LIFT	28	18	-	46	-	-	46	40
First Tranche Shared Ownership sales	-	-	2,306	2,306	-	(1,940)	366	306
Market Rent	-	-	-	-	-	-	-	-
New Property Sales	-	-	-	-	-	-	-	-
Other Activities (material) – Foyer	-	-	183	183	-	(68)	115	165
Other activities (non material)	26	-	128	154	-	(72)	82	13
Total from other activities	214	299	3,219	3,732	(17)	(3,583)	132	(190)
Total from other activities – 2012	258	330	2,880	3,468	(20)	(3,638)	(190)	

5. Housing stock (Group)

	Units under development		Units under management	
	2013	2012	**2013**	2012
Housing accommodation for letting:				
New build and mixed funded	**129**	127	**2,934**	2,846
Home ownership accommodation:				
Shared ownership	**82**	124	**523**	470

Housing stock (Association)

	Units under development		Units under management	
	2013	2012	**2013**	2012
Housing accommodation for letting:				
New build and mixed funded	**129**	127	**2,902**	2,814
Home ownership accommodation:				
Shared ownership	**82**	**124**	**523**	470

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.

	2013	2012
	£000	£000
Total emoluments payable to directors (including pension contributions)	**371**	356
Emoluments payable to the highest paid director (excluding pension contributions)	**77**	76
Pension contributions	**8**	8
	85	84

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 £33,566 (2012: £32,668) in respect of directors.

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

	2013	**2012**
	No	**No**
£60,001 - £70,000	**3**	**3**
£70,001 - £80,000	**-**	**-**
£80,001 - £90,000	**2**	**2**

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 2013	2012
Administration	**84**	81
Maintenance	**13**	14
	97	95

The aggregate payroll costs of these persons were as follows:

	2013 £000	2012 £000
Wages and salaries	**2,740**	2,528
Social security costs	**252**	238
Other pension costs	**173**	175
	3,165	2,941

8. Operating surplus on ordinary activities

	2013 Group £000	2013 Association £000	2012 Group £000	2012 Association £000
Operating surplus on ordinary activities before taxation is stated after charging:				
Depreciation – housing fixed assets	**1,428**	**1,428**	1,212	1,180
Depreciation – non-housing fixed assets	**116**	**116**	143	134
Repairs (cyclical, major, day to day)	**3,905**	**3,905**	2,979	2,979
Auditors' remuneration:				
External Audit	**25**	**22**	24	21
Remuneration to bodies connected with Baker Tilly UK Audit LLP	**34**	**32**	52	50
Internal Audit	**18**	**18**	13	13
Operating lease rentals:				
Buildings	**242**	**242**	210	210
Other	**5**	**5**	23	23
Impairment of investment properties	**52**	-	38	-

9. Interest receivable

	2013 Group £000	2013 Association £000	2012 Group £000	2012 Association £000
Bank interest receivable	5	5	5	5
Other interest receivable	2	55	-	72
	7	60	5	77

10. Interest payable and similar charges

	2013 Group £000	2013 Association £000	2012 Group £000	2012 Association £000
On bank loans and overdrafts	**2,410**	**2,337**	2,091	2,022
On all other loans payable	**182**	**182**	181	181
Interest charged on late payment of taxation	**-**	**3**	-	-
Less interest capitalised in Fixed Assets and WIP	**(118)**	**(118)**	(190)	(188)
	2,474	**2,404**	2,082	2,015

11. Taxation

Group

Analysis of charge in year	2013 £000	2012 £000
UK corporation tax		
Current tax on income for the year	**-**	-
Adjustment in respect of previous years	**6**	-
Total current tax	**6**	-
Deferred tax movement	**3**	3
Adjustment in respect of previous periods	**-**	-
Tax on surplus on ordinary activities	**9**	3

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 20% *(2012: 20%)*. The differences are explained below:

	2013 £000	2012 £000
Current tax reconciliation		
Surplus on ordinary activities before tax	**2,011**	1,375
Less current year charity profit	**(1,998)**	(1,338)
	13	37
Effects of:		
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK 20% (2012 : 20%)	**3**	(10)
Expenses not deductible for tax purposes	**-**	2
Other timing differences	**(3)**	(9)
Unrelieved Tax losses	**-**	1
Depreciation on assets not qualifying for capital allowances	**-**	(4)
Adjustments to tax charge in respect of prior years	**6**	-
Total current tax charge (see above)	**6**	-

11. Taxation (continued)

Deferred taxation

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

	2013 Group £000	**2013 Association £000**	2012 Group £000	2012 Association £000
Balance brought forward	**33**	-	30	-
Income and Expenditure account movement arising during the year	**3**	-	3	-
Balance carried forward	**36**	-	33	-

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

	2013 Provided £000	**2013 Potential Provision £000**	2012 Provided £000	2012 Potential Provision £000
Group				
Excess of taxation allowances over depreciation of fixed assets	**36**	-	33	-
Losses	-	-	-	-
Deferred tax liability/(asset) (see note 16)	**36**	-	33	-

12. Tangible fixed assets - housing properties (Group and Association)

	Held for letting £000	Under Construction £000	Completed Shared Ownership £000	Shared Ownership Under Construction £000	Total £000
Cost					
At 1 April 2012	177,489	5,787	20,842	2,639	206,757
Additions	3,174	1,948	1,029	4,360	10,511
Transfers	4,165	(5,353)	6,036	(4,848)	-
Disposals	(292)	-	(199)	-	(491)
At 31 March 2013	184,536	2,382	27,708	2,151	216,777
Depreciation					
At 1 April 2012	9,317	-	526	-	9,843
Provided during year	1,313	-	115	-	1,428
Eliminated on disposals	(81)	-	(3)	-	(84)
At 31 March 2013	10,549	-	638	-	11,187
Housing Association Grant					
At 1 April 2012	100,597	5,390	9,964	-	115,951
Additions	1,045	433	-	-	1,478
Transfers	3,459	(3,459)	-	-	-
Disposals / repayments	(44)	-	(37)	-	(81)
At 31 March 2013	105,057	2,364	9,927	-	117,348
Other Grants					
At 1 April 2012	7,916	(264)	117	-	7,769
Public grant received	717	264	-	-	981
Transfers	-	-	-	-	-
At 31 March 2013	8,633	-	117	-	8,750
Net book value					
At 31 March 2013	60,297	18	17,026	2,151	79,492
At 31 March 2012	59,063	661	10,831	2,639	73,194

Development administration costs capitalised amounted to £137,826 (2012 : £125,076) and development allowances amounted to £181,099 (2012 : £11,687).

Interest capitalised amounted to £118,091 (2012 : £190,351).

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

Total Spend on Cyclical and Major Repairs during 2012/13 amounted to £2,019,000 (2012 : £2,444,000) of which £556,000 (2012 : £1,266,000) was capitalised. Of the amount capitalised £556,000 (2012 : £1,266,000) related to replacement of components and £nil (2012 : £nil) related to improvements.

12. Tangible fixed assets - housing properties (Group and Association) (continued)

A 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. This review did not highlight any impairment of properties.

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
Cost						
At 1 April 2012	5,410	1,043	2,145	400	640	9,638
Additions	-	-	-	76	22	98
Disposals	-	-	-	(31)	-	(31)
Revaluation	(53)	-	-	-	-	(53)
At 31 March 2013	5,357	1,043	2,145	445	662	9,652
Depreciation						
At 1 April 2012	-	186	590	314	588	1,678
Provided during year	-	25	42	35	25	127
Eliminated on disposals	-	-	-	(20)	-	(20)
Impairment	-	-	-	-	-	-
Revaluation	-	-	-	-	-	-
At 31 March 2013	-	211	632	329	613	1,785
Net book value						
At 31 March 2013	**5,357**	**832**	**1,513**	**116**	**49**	**7,867**
At 1 April 2012	5,410	857	1,555	86	52	7,960

Included in heritable land and buildings is land costing £260,000. Net accumulated interest capitalised in tangible fixed assets at 31 March 2013 amounted to £17,337 (2012 : £17,337). No Interest was capitalised in the year.

A review of market value of Kirkgate Developments Limited's investment properties resulted in the recognition of a devaluation of £51,990.

Investment properties, which are all freehold, were valued on an open market existing use basis at 31March 2013 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.

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

	Investment Properties 2013 £000	Investment Properties 2012 £000
Cost	**3,867**	3,813
Aggregate depreciation	**257**	245

13. Tangible fixed assets – other (Group) (continued)

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

	2013	2012
	£000	£000
Cost	42	27
Accumulated depreciation	(12)	(3)
Total	30	24

The finance leases relate to 3 vans leased for the mobile cleaning division.

Tangible fixed assets – other (Association)

	Commercial properties £000	Heritable land and buildings £000	Plant and machinery, fixtures and motor vehicles £000	Computer hardware and software £000	Total £000
Cost					
At 1 April 2012	1,043	2,145	400	640	4,228
Additions	-	-	76	22	98
Disposals	-	-	(31)	-	(31)
At 31 March 2013	1,043	2,145	445	662	4,295
Depreciation					
At 1 April 2012	186	590	314	588	1,678
Provided during year	25	42	35	25	127
Eliminated on disposals	-	-	(20)	-	(20)
At 31 March 2013	211	632	329	613	1,785
Net book value					
At 31 March 2013	**832**	**1,513**	**116**	**49**	**2,510**
At 1 April 2012	857	1,555	86	52	2,550

Included in heritable land and buildings is land costing £260,000. Net accumulated interest capitalised in tangible fixed assets at 31 March 2013 amounted to £17,337 (2012 : £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:

	2013	2012
	£000	£000
Cost	42	27
Accumulated depreciation	(12)	(3)
Total	30	24

The finance leases relate to 3 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 (2012: £2) and 1 share in Grampian Community Energy Limited at a cost of £1. At 31 March 2013 both companies were dormant companies. The association owns one share in Kirkgate Developments Limited at a cost of £1.

15. Stock and work in progress

	2013 Group £000	2013 Association £000	2012 Group £000	2012 Association £000
Housing stock	203	203	203	203
Work in progress – Cost	3,482	3,482	2,947	2,947
Work in progress – HAG	(3,478)	(3,478)	(2,941)	(2,941)
Shared ownership	349	349	209	209
	556	556	418	418

16. Debtors

Due < 1 Year	2013 Group £000	2013 Association £000	2012 Group £000	2012 Association £000
HAG receivable	34	34	934	934
Rental debtors	663	663	548	548
Rental debtor provision	(351)	(351)	(324)	(324)
Net rental debtor	312	312	224	224
Prepayments and accrued income	238	238	193	194
Other debtors	770	741	804	785
Amount due from subsidiary undertaking	-	88	-	-
Loan to subsidiary undertaking due within one year	-	13	-	14
	1,354	1,426	2,155	2,151
Due > 1 Year				
Other debtors due after more than one year	107	107	211	211
Loan to subsidiary undertaking due after more than one year	-	1,875	-	1,882
	107	1,982	211	2,093

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

	2013 Debtor £000	2013 Provided £000	2013 Net debtor £000	2012 Debtor £000	2012 Provided £000	2012 Net debtor £000
Due from current tenants	380	(155)	225	355	(200)	155
Due from former tenants	196	(196)	-	124	(124)	-
Due from housing benefit	87	-	87	69	-	69
	663	(351)	312	548	(324)	224

£72,502 of bad debt was written off during the period (2012: £31,465).

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 (2012: £235,000) on a specific deposit account.

18. Creditors: amounts falling due within one year

	2013 Group £000	**2013 Association £000**	2012 Group £000	2012 Association £000
Loans (secured) (see note 19)	**13,384**	**13,359**	244	219
Trade creditors	**713**	**706**	1,352	1,340
Other creditors	**1,155**	**1,154**	1,753	1,753
Accruals and deferred income	**1,614**	**1,561**	1,646	1,493
Payments on account	**129**	**129**	533	533
Deposits	**22**	-	18	-
Other taxes and social security	**25**	**25**	118	118
Deferred tax liability (see note 11)	**36**	-	33	-
	17,078	**16,934**	5,697	5,456

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

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

	2013 Group £000	**2013 Association £000**	2012 Group £000	2012 Association £000
Loans (secured)	**70,495**	**69,303**	64,795	63,581
Less: due within one year (note 18)	**(13,384)**	**(13,359)**	(244)	(219)
	57,111	**55,944**	64,551	63,362
Lease creditor	**28**	**28**	23	23
Deferred income	**114**	**114**	103	103
	57,253	**56,086**	64,677	63,488

Lease instalments are due as follows:	**2013 Group £000**	**2013 £000**	2012 £000	2012 £000
In one year or less	**10**	**10**	7	7
Between one and two years	**10**	**10**	7	7
Between two and five years	**8**	**8**	7	7
In five years and more	-	-	7	7
	28	**28**	28	28

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

Loans are repayable in instalments due as follows:

	2013 Group £000	**2013 Association £000**	2012 Group £000	2012 Association £000
Monthly instalments	**679**	**679**	727	727
Quarterly instalments, interest only until 30 July 2032	**8,250**	**8,250**	8,250	8,250
Rollercoaster profile until 17 December 2040	**57,745**	**57,745**	51,750	51,750
Quarterly instalments, principal and interest until 28 November 2036	**1,192**	**-**	1,214	-
Bi-annual instalments, interest only, with bullet repayment of principal November 2016	**1,100**	**1,100**	1,162	1,162
Bi-annual instalments	**1,529**	**1,529**	1,692	1,692
	70,495	**69,303**	64,795	63,581

During 2012/2013 there was a review of the loan facilities resulting in an additional £15 million facility secured from the Royal Bank of Scotland in March. The combined revised RBS / HBOS facility was also the subject of revised covenants to reflect the impact of component accounting. The facility incorporated utilising the government backed initiative, Funding for Lending. The £15m facility was drawn down immediately and was used to repay an existing £11m facility, which continues to be available to drawdown. The revised facility also allowed the Association to on-lend capital to Kirkgate Developments Limited for renewable projects.

At 31 March 2013 the last instalment of loans falls to be repaid in the year ending 31 March 2047 (2012: 31 March 2041). Interest is charged at rates between 1.8% and 8.75%, (2012:1.9% and 8.75%).

Amounts are repayable as follows:	**2013 Group £000**	**2013 Association £000**	2012 Group £000	2012 Association £000
In one year or less	**13,384**	**13,359**	244	219
Between one and two years	**2,582**	**2,556**	228	228
Between two and five years	**4,984**	**4,896**	818	735
In five years and more	**49,545**	**48,492**	63,505	62,399
	70,495	**69,303**	64,795	63,581

20. Share capital

Group and Association

Shares of £1 each fully paid	2013 Number	2012 Number	2013 £000	2012 £000
At 1 April	389	412	1	1
Issued in year	11	6	-	-
Withdrawn in year	(15)	(29)	-	-
At 31 March	**385**	389	**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 2012	4,520	5,598	268	1,812	1,820	1	14,019
Surplus for year	2,002	-	-	-	-	-	2,002
Transfer from capital reserve	22	-	-	(22)	-	-	-
Transfer to designated reserve	(2,768)	2,768	-	-	-	-	-
Transfer from designated reserve	1,599	(1,599)	-	-	-	-	-
Transfer from revaluation reserve	-	-	-	-	(53)	-	(53)
Balance at 31 March 2013	**5,375**	**6,767**	**268**	**1,790**	**1,767**	**1**	**15,968**

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 2012	4,122	5,598	268	1,812	1	11,801
Surplus for year	1,997	-	-	-	-	1,997
Transfer from capital reserve	22	-	-	(22)	-	-
Transfer to designated reserve	(2,768)	2,768	-	-	-	-
Transfer from designated reserve	1,599	(1,599)	-	-	-	-
Balance at 31 March 2013	**4,972**	**6,767**	**268**	**1,790**	**1**	**13,798**

23. Designated reserve (Group and Association)

	Balance at 1 April 2012 £000	Transfers in £000	Transfers out £000	Balance at 31 March 2013 £000
Cyclical maintenance reserve	5,585	2,050	(1,599)	6,036
Pensions Reserve	-	718	-	718
Other	13	-	-	13
	5,598	2,768	(1,599)	6,767

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 £5,660,000.

The pension reserve represents funds set aside in relation to the Net Present Value of the pension past service deficit contributions thus payable to the SHAPs Growth Fund over the next 11 years.

24. Commitments – Group and Association

(a) Capital commitments authorised and contracted for at 31 March 2013 amounted to £13,491,000 (*2012:* £15,140,000). 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:

	2013		2012	
	Land and Buildings £000	**Other £000**	Land and buildings £000	Other £000
Operating leases which expire:				
In second to fifth years inclusive	-	18	-	226
Over five years	242	-	226	-

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

Group	**2013**	2012
	£000	£000
Operating surplus	**4,670**	**3,375**
Adjustments:		
Depreciation on non-housing fixed assets	**107**	**143**
Depreciation on housing fixed assets	**1,344**	**1,212**
Gain/(loss) on sale of housing fixed assets	**(192)**	**77**
Impairment of other fixed assets	**(53)**	**38**
Deferred income release	**11**	**(21)**
Movement in working capital:		
(Increase)/decrease in stock and work in progress	**(138)**	**1,219**
Decrease in debtors	**1,087**	**1,572**
(Decrease) in creditors	**(1,912)**	**(3,836)**
Cash inflow from operating activities	**4,923**	**3,779**

26. Analysis of changes in net debt (Group)

	At 31 March 2012 £000	Cashflows £000	Other non-cash movements £000	At 31 March 2013 £000
Cash in hand, at bank	454	469	-	**923**
Debt due within one year	(233)	(13,166)	15	**(13,384)**
Debt due after more than one year	(64,551)	7,440	-	**(57,111)**
Total debt	(64,784)	(5,726)	15	**(70,495)**
Total	(64,330)	(5,257)	15	**(69,572)**

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

	2013 £000	2012 £000
Increase/(Decrease) in cash in the period	**469**	(1,847)
Cash inflow from debt financing	**(5,726)**	(8,760)
Loan premium amortisation	**15**	15
Change in debt resulting from cash flows	**(5,242)**	(10,592)
Net debt at beginning of period	**(64,330)**	(53,738)
Net debt at end of period	**(69,572)**	(64,330)

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

Association	2013 £000	2012 £000
Operating surplus	**4,445**	3,199
Adjustments:		
Depreciation on non-housing fixed assets	**107**	134
Depreciation on housing fixed assets	**1,344**	1,180
(Loss)/Profit of sale of housing fixed assets	**(192)**	77
Deferred income	**11**	(21)
Gift Aid Received	**88**	-
Movement in working capital:		
(Increase)/Decrease in stock and work in progress	**(138)**	694
Decrease in debtors	**836**	1,568
(Decrease) in creditors	**(1,672)**	(3,753)
Cash inflow from operating activities	**4,829**	3,078

29. Analysis of changes in net debt (Association)

	At 31 March 2012	Cashflows	Other non-cash movements	At 31 March 2013
	£000	£000	£000	£000
Cash in hand, at bank	339	513	-	**852**
Debt due within one year	(219)	(13,155)	15	**(13,359)**
Debt due after more than one year	(63,362)	7,418	-	**(55,944)**
Total debt	(63,581)	(5,737)	15	**(69,303)**
Total	(63,242)	(5,224)	15	**(68,451)**

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

	2013	2012
	£000	£000
Increase/(Decrease) in cash in the period	**513**	(1,814)
Cash inflow from debt financing	**(5,737)**	(8,806)
Loan premium amortisation	**15**	16
Change in debt resulting from cash flows	**(5,209)**	(10,604)
Net debt at beginning of period	**(63,242)**	(52,638)
Net debt at end of period	**(68,451)**	(63,242)

31. Group structure

The Association is a Registered Social Landlord, incorporated in Scotland and has three wholly owned subsidiaries:

Kirkgate Developments Limited
Kirkgate Homes Limited (a dormant company); and
Grampian Community Energy Limited (a dormant company)

Individual accounts have been prepared for Kirkgate Developments Limited and these are consolidated in the group financial statements of Grampian Housing Association.

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) 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 2013 was £1,985,000 (31 March 2012: £1,941,000).

33. Pension schemes

Defined contribution pension scheme

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 Plan is a multi-employer pension plan. Contributions paid into the 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 Plan or by the purchase of an annuity.

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

The Trustee commissions an actuarial valuation of the Plan every three 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 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 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 the 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 2011 were completed in 2012 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 £780 million and the Plan's Technical Provisions (i.e. 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%.

The financial assumptions underlying the valuation as at 30 September 2011 were as follows:

	% p.a.
Rate of return pre retirement	4.9
Rate of return post retirement:	
Active/Deferred	4.2
Pensioners	4.2
Bonuses on accrued benefits	0.0
Inflation: Retail Prices Index (RPI)	2.9
Inflation: Consumer Prices Index (CPI)	2.4

33. Pension schemes (continued)

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

The Scheme Actuary has prepared a funding position update as at 30 September 2012. The market value of the Plan's assets at that date was £790 million and the Plan's Technical Provisions (i.e. past service liabilities) was £984 million. The update, therefore, revealed a shortfall of assets compared with the value of liabilities of £194 million, equivalent to a funding level of 80%.

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 2011 valuation was forwarded to The Pensions Regulator on 2 October 2012, 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.

When an employer withdraws from a multi-employer defined benefit pension scheme which is in deficit, the employer is required by law to pay its share of the deficit, calculated on a statutory basis (known as the buy-out basis). The calculation basis that applies to the Growth Plan was amended due to a change in the definition of money purchase contained in the Pensions Act 2011 but the regulations that will determine exactly how the change will apply in practice are still awaited. As the law stands, it is not yet clear whether the statutory calculation should include or exclude Series 3 liabilities. However, based upon current advice, the more likely interpretation is that Series 3 liabilities will have to be included in the calculation of an employer's debt on withdrawal.

33. Pension schemes (continued)

On the alternate bases described above, Grampian Housing Association has been notified as follows by the Pensions Trust of the estimated employer debt on withdrawal from the Plan based on the financial position as at 30 September 2012 :

- £1,489,406 (2012: £1,205,743) if Series 3 liabilities are included in the calculation
- £1,597,811 (2012: £1,205,743) if Series 3 liabilities are excluded from the calculation

If an employer withdraws from the Growth Plan prior to the implementation of the regulations, the debt will be calculated on both bases and the Pensions Trust would request payment of the higher amount with any adjustment being made when the regulations are implemented.

The Association has also been notified that there will be a continuing requirement to pay additional contributions in relation to the past service deficit which will increase each year by 3% per annum on a compound basis. From 1 April 2014, this will result in additional contributions of £74,942 (2012: £72,760) per annum.

At the Balance Sheet date there were 22 active members of the Pension Trust's Flexible Retirement Plan and 8 active members of the Pension 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 Limited (CFINE).

During the year to 31 March 2013, the following transactions were effected in relation to CFINE Enterprise Ltd:

A loan of £25,000 was previously 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 £1,593.
Amount repaid on the loan £3,945.
Purchase of fruit for staff totalled £120 (2012: £120).

Purchase of fruit for Cash in Your Pocket Project events totalled £nil (2012: £389)

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

In the year to 31 March 2013 the following transactions were effected in relation to RHS:

Contribution towards Aberdeenshire Rural Housing Project £1,000 (2012: £4,000).
Annual Housing Conference £360 (2012: £299).
Annual Subscription £50.

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

During the year to 31 March 2013 the following transactions were effected in relation to the Foyer:

Housing Rent Receivable £144,976 (2012: £139,433)
Restaurant rent receivable £33,350 (2012: £33,350)
Amounts paid in advance for restaurant rent £82,500 (2012: £103,350)
Office accommodation rent £nil (2012: £32,632)
Repairs Management and other services £22,421 (2012: £3,533)
Amounts due from Foyer at 31 March 2013 £4,884 (2012: £11,814.05)
Amounts payable to Foyer at 31 March 2013 £180 (2012: £538)

34. Related party disclosures (continued)

The directors of Development and Finance both 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 2013 the following transactions were effected in relation to LHA:

Management services receivable £109,924 (2012: £57,471)
Factoring and other charges receivable £99,025 (2012: £176,278)
Office rent and support costs payable £45,918 (2012: £68,425)
Amounts due from LHA as at 31 March 2013 £40,014 (2012: £45,388)
Amounts due to LHA as at 31 March 2013 £12,874 (2012: £3,600)

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.

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 2013 the following transactions were effected in relation to Devanha:

Management services receivable £nil (2012: £3,300)
Reimbursement of expenses £nil (2012: £183)
Contribution to funding of Devanha £5,000 (2012: £3,750)
Amounts due from Devanha as at 31 March 2013 £nil (2012: £9)

During the year to 31 March 2013 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.