

# **Grampian Housing Association Limited**

## **Report of the Board of Management and Consolidated Financial Statements For the Year Ended 31 March 2014**

### **Registration Particulars:**

Financial Conduct Authority

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

Scottish Housing Regulator

Co-operative and Community Benefit Societies Act  
2014  
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 2014**

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# GRAMPIAN HOUSING ASSOCIATION LIMITED

## BOARD OF MANAGEMENT, EXECUTIVES AND ADVISERS

For the year ended 31 March 2014

### 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 2014 and 2013 (or date of appointment if later) follow:

<i>Board members</i>		Number	Number
		2014	2013
Gordon Edwards	(Chair)	1	1
Keith Jones	(Vice Chair)	1	1
Amanze Ejiogu		1	1
Rae Munro #		1	1
Steve Delaney		1	1
Nora Radcliffe		1	1
Ray Walkinshaw		1	1
Richard Robertson #		1	1
David Carlin *	(Resigned 28 April 2014)	1	-
Brian Stewart *	(Appointed 26 September 2013)	1	-
Graham Morrison		1	1
David Young	(Resigned 12 August 2013)	-	1
George Ross	(Resigned 26 September 2013)	-	1
Mary Scott	(Resigned 22 August 2013)	-	1
Fiona Sommerville	(Resigned 21 January 2014)	-	1
*Tenant board member	# Sharing Owners		
<i>Executive officers</i>			
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):

Gordon Edwards

The following were members of Kirkgate Developments Limited only:

Richard Dodunski (Chair)  
Martin Ford  
Glen Reynolds  
Mark Wynne

**GRAMPIAN HOUSING ASSOCIATION LIMITED**

**BOARD OF MANAGEMENT, EXECUTIVES AND ADVISERS**

**For the year ended 31 March 2014**

**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  
4<sup>th</sup> Floor  
107 Cannon Street  
London  
EC4N 5AF

Dunfermline Building Society  
Caledonia House  
Carnegie Avenue  
Dunfermline  
KY11 8PJ

**Solicitors:**

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

# GRAMPIAN HOUSING ASSOCIATION LIMITED

## REPORT OF THE BOARD OF MANAGEMENT

For the year ended 31 March 2014

The Board of Management presents its report and audited financial statements for the year ended 31 March 2014.

### 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 Co-operative and Community Benefits Societies Act, 2014, as a registered Housing Association and is registered with The Office of the Scottish Charity Regulator as a registered charity.

It has four wholly owned subsidiaries :-

Kirkgate Developments Limited  
Kirkgate Homes Limited (a dormant company)  
Grampian Community Energy Limited (a dormant company); and  
Sirius Housing Group 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, mid-market and market rent properties 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 the composition of the community. 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, action is being progressed to revise existing methods of Board appraisal and assessment. This will include review at an individual level as well as collectively.

# GRAMPIAN HOUSING ASSOCIATION LIMITED

## REPORT OF THE BOARD OF MANAGEMENT

For the year ended 31 March 2014

### Housing Stock

During the year, the Group added 65 properties to its rental portfolio ( 2013 : 88, 2012 : 200 ). These were all new builds with 14 of the properties converted to self-funded market rent. One disposal was made through the Right to Buy (RTB) for an Aberdeen property.

In addition, 68 shared ownership properties were added to the Group's portfolio – 58 in Aberdeen and 10 in Aberdeenshire ( 2013 : 53, 2012 : 42 ). These properties were all self-funded by the Group. Eleven shared ownership properties progressed to full ownership with three sold on the open market.

At year end, the Group held the following:

- 2,929 properties leased by Grampian Housing Association
- 60 properties leased directly to Aberdeen Foyer
- 40 properties leased by Kirkgate Developments Limited
- 38 garages
- 8 commercial properties leased to support agencies
- 1 health centre; and
- 3 offices utilised by the Group

The Group also provide factoring services to circa 3,200 households, manage 28 lead tenancies and continue to act as Scottish Government agent in the Grampian area for low cost home ownership schemes including Help to Buy and the Open Market Shared Equity scheme.

Throughout the financial year, the Group have carried out a range of stock improvements including: the installation of improved insulation in hard to treat homes, kitchen, bathroom and window upgrades and a small number of roof replacements.

The priority over the next financial year is Scottish Housing Quality Standard (SHQS) achievement. In particular energy efficiency measures will be improved to ensure compliance.

### Tenure diversification

The Group is mindful of the need to ensure sufficient, affordable housing is delivered to its customers, both current and future. To this effect, the Group have provided mid-market and market rent alongside its more traditional tenure types. This policy of diversification will be progressed throughout the next financial year and every attempt made to ensure that those who receive housing from the Group are provided with good quality accommodation at competitive rates for the tenure type provided.

### Rent policy

Affordability is an issue that the Association regards as a crucial aspect of its business. However, this must be married with the need to meet the significant demand for social housing that exists (circa 13,000 applicants). Therefore continued development, alongside appropriate maintenance activities, must be balanced against rent increases. Current policy is for the retail price index (RPI) plus 1% to be utilised. On this basis, this coming year's increase is 3.6% (2.6% plus 1%).

### Development

The Group's growth continued in 2013/14 through housing development activity for the Association. At the year-end there were 115 units in development, all of which were for rent. Capital commitments of £4,408,098 were authorised and contracted for in the immediate future. The Group's capital investment on housing properties for the year ended 31 March 2014 was £11,761,000. This was funded in part by way of Housing Association Grant (HAG) funding from the Scottish Government, which amounted to £1,350,000, and other grants amounting to £1,195,194. 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 2014

### Income and expenditure

The Group had a turnover of £18,068,000, an increase of 13% on the previous year's turnover of £16,010,000. On this turnover the Group showed a surplus before tax of £2,393,000, compared with a surplus of £2,011,000 in 2013. Operating costs at £12,998,000 remained proportionately in line with the 2013 figure of £11,340,000. 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 £591,000 being transferred out of planned and cyclical repairs and being capitalised in the year, which is an increase of £35,000 on the 2013 balance of £556,000. The annual charge for day to day repairs, cyclical repairs and major repairs was £123,000 more than the previous year. There was an increase in the financial interest charges of £398,000 reflecting increased borrowing from loan facilities.

Kirkgate Developments Limited's operational results showed an increase to turnover of 22% at £465,000 compared to £382,000 in 2013. This was offset by an increase in operating costs to £233,000, compared to £158,000 in 2013, with the latter due mainly to an increase in lease costs as additional properties were being managed. There was an increase in pre-tax surplus to £108,000 in 2014 from £4,000 in 2013. The annual revaluation of the investment properties resulted in an increase in the revaluation reserve of £83,000.

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 £114,070 (2013: £88,228) taking excess taxable profits back to the parent company, Grampian Housing Association, so no taxation is due for the current year. There is a deferred tax charge of £2,169 leaving a deferred tax liability of £38,557 relating to Kirkgate Developments Limited.

The Association's day to day repair costs, at £2,058,000 inclusive of overheads, represented 16% (2013: 17%) of the total Group operating costs. During 2013/2014, significant upgrade works took place under planned and cyclical repairs including windows and doors replacements at Fraserburgh and Aberdeen and kitchens at Peterhead. Work also included bathroom replacements at Fraserburgh and various other works including heating upgrades and roof replacements. 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 2014 the Group gross cost of housing properties amounted to £227,604,000 (an increase of £10,827,000 on the 2013 balance of £216,777,000) and after allowing for depreciation and HAG these have a net book value of £86,967,000, (2013: £79,492,000).

Other tangible fixed assets increased on a net book value basis from £7,867,000 to £8,034,000 incorporating an increase in the valuation of Kirkgate's investment properties of £83,000 combined with updates to the IT environment in the form of software and hardware.

The Group's net work in progress remained at a similar value to the prior year, at £327,000 compared to £556,000 in 2013. This balance represents the fact that there was little development activity in progress at the year end.

Current debtors increased from £1,354,000 to £1,871,000, chiefly driven by HAG receivable balances included in debtors at the end of the prior year. Cash at bank and in hand rose from £923,000 to £1,555,000.

Short-term creditors decreased from £17,078,000 to £7,183,000, comprising a restructuring of the bank loans meaning a new facility of £15,000,000 was partially used to repay an existing facility. Long-term creditors increased from £57,253,000 to £73,168,000 reflecting this change in classification of the loans.

# GRAMPIAN HOUSING ASSOCIATION LIMITED

## REPORT OF THE BOARD OF MANAGEMENT

For the year ended 31 March 2014

### Reserves

At the year end the revenue reserve had increased from £5,374,000 to £7,936,000, 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 set this aside in a designated reserve. The designated reserves now stand at £7,154,000. As well as a provision for the pension, these reserves are based on the Association's obligation to maintain its housing properties in a satisfactory state of repair, and the amount set aside will cover the next two years of planned cyclical works. It should be also noted that the Association's long-term repair programme, and updated energy audit report, complies with the requirements of the Scottish Housing Quality Standard (SHQS).

The amount set aside for the pension of £669,000 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.

The restricted reserve which comprised 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 has been fully utilised reducing to nil at the end of the year (2013: £268,000).

The capital reserve has decreased from £1,790,000 to £1,503,000.

All properties within Kirkgate Developments Limited were revalued in the year, resulting in an increase in the revaluation reserve of £83,000.

In summary, total reserves increased during the year from £15,968,000 to £18,445,000.

### Staffing

Headcount has not grown significantly over the period of this report with the full time equivalent count being 98. Additions have been primarily in respect of funded posts and in 2013 several staff within the development function were made redundant as a result of reduced development activity. The count increased to 98 full time equivalent persons, with the increase mainly being due to an increase within the mobile team. A number of changes are in progress in respect of organisational structures with some posts being re-located to other departments and new posts being created in support of practical delivery. In June 2014 the Director of Development retired and a successor was appointed to a new position of Director of Business Development. This will assist the Association in its objective of diversification and income generation to support the delivery of social housing.

### New Initiatives

During the year 2013/14, the Association was successful in accessing several new sources of funding, primarily relating to Welfare Reform. The SMART Project, now in its second year of Lottery Funding, amounting to £79,081, gained an additional grant through the Lottery Support and Connect Fund to enable us to hire an additional money adviser in Elgin, with the funding commencing in April 2014. The SMART team achieved a total financial gain of £869,473, of which £471,362 was for Grampian tenants and £111,690 was in Housing Benefit, going straight into tenant's bank accounts. 538 tenants benefited from the project in the financial year.

We also entered into several new partnerships through the SMART Project: we accessed a new Scottish Legal Aid Board Fund – Making Advice Work – through two separate strands. Through Stream 2, we are now working with Aberdeen City Council to provide budgeting support to tenants of social landlords in the City. Through Stream 3, we have set up a partnership with Grampian Women's Aid to provide money management support to their clients.



# GRAMPIAN HOUSING ASSOCIATION LIMITED

## REPORT OF THE BOARD OF MANAGEMENT

For the year ended 31 March 2014

### New Initiatives (Continued)

In January of this year, the Association received its second award of People and Communities Fund for a partnership project with Pathways to provide employability support to tenants, but also to enable referrals to come back into SMART for clients who need money management help as their benefits/income situation changes. The SMART team also continued to work alongside NESCU and CFINE through the AHEAD project providing financial capability support to clients identified by these partner agencies as needing money management help.

Following the break up of the group structure proposal with Langstane Housing Association, the joint New Initiatives Team was split up earlier this year when Matthew Reid, New Initiatives Manager at Langstane, moved back to their King Street office. In March, our New Initiatives Officer, Alison McLaughlin also left, leaving just one member of the team.

During the year 2013/14, 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. However, during the year, we also commenced discussions with Aberdeen Council for Voluntary Organisations about transferring the CIYPP team over to them in the belief that this would be a better strategic location for them and leave them well placed within the statutory and voluntary structures. This Transfer of Undertakings went ahead on 1 April 2014. Relationships also continued to be built with Aberdeen City Council in relation to their response to Welfare Reform and the part that CIYPP can play in mitigating that.

Our Aberdeen based Community Challenge Fund project, funded by Climate Challenge Fund employs an Energy Adviser to work with tenants in disadvantaged areas of the City to raise awareness of the need for behavioural change in relation to energy efficiency and to reduce the carbon footprint. In this second year of the current three-year project, the project concentrated on the south of the City as well as taking referrals of those in need from the Cash in Your Pocket team and from colleagues in both Langstane and Grampian. Often clients were uncovered who had major issues related to poverty and we were able to refer them on for specialised advice in other areas as well as assisting them with their energy use. During the year we were also successful in obtaining a further CCF award to extend the project into Moray, an area that features high levels of fuel poverty, and this enabled us to recruit an Elgin-based Energy Adviser.

The New Initiatives team continued to play a major part in strategy development and partnership working across statutory and voluntary sectors and across the whole of the Grampian area, developing projects to support tenants and the wider community.

Funding from both the Big Lottery and Scottish Legal Aid are ring fenced and had there been any surplus, it would have been ring-fenced in restricted reserves.

### Customer Participation

In view of the requirement to involve tenants in the Scottish Social Housing Charter (SSHC) and new scrutiny framework, the focus of our customer participation/engagement activities is to encourage them to get involved in these new initiatives.

We continue to work with the Tenant Information Service (TIS) on *Count me in* our customer panel. The latest survey was to find out from members how they would like to get involved in the Association's scrutiny activities and the findings will inform our approach.

Customer participation also continues to be developed through North East Tenants, Residents and Landlords Together (NETRALT) involving all the local RSLs and the three local authorities. For the first time during 2013 we held joint Tenant Open Days in Aberdeenshire (Peterhead) and Moray (Elgin).

The Housing Café concept was launched in October 2013 and focused on discussion between tenants and landlords about the Scottish Social Housing Charter outcomes. This was followed up with a second Housing Café in March 2014 about scrutiny and the different ways tenants and residents can get involved. The feedback from the events is being used to develop the Association's Tenant Report on the Annual Return on the Charter (ARC). We also have a pool of interested tenants to get involved in scrutiny. A joint scrutiny panel for the North East is being considered.

# GRAMPIAN HOUSING ASSOCIATION LIMITED

## REPORT OF THE BOARD OF MANAGEMENT

For the year ended 31 March 2014

### Customer Participation (continued)

Through this route we have two tenants interested in getting involved in the Association's Customer Participation Working Group, one of whom helped to organise the Café event in March and another who is providing customer input for the redevelopment of Grampian's website.

The joint approach to customer participation in the North East has been commended by the Scottish Housing Regulator and Scottish Government. NETRALT was also runner up in the Tenant Participation Advisory Service (TPAS) Best Practice Awards and has been invited to run café style workshops at the conferences of both TPAS and TIS.

The Communications Co-ordinator sat on the judging panel for the TIS Frances Nelson MBE awards which celebrate the determination and commitment of organisations that make an outstanding difference to change in their communities.

### Partnerships and future opportunities

Grampian Housing Association continued to enjoy a healthy development programme in 2013/2014 as it completed 105 new homes across the North East. Of these only 29 were for social rent and 54 for shared ownership, with 6 let through Kirkgate Developments as market rent in order to create cross subsidy in support of capacity to build more homes over the next five years.

Although 2013/14 saw high levels of housing completions the financial strength of the Association to continue developing at that level in the face of tougher times has reached a critical point and future commitments are reducing under the revised business plan. A long term assessment of the business' ability to provide new homes in a 45% grant regime shows that we will have to reduce output to only 35 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. To this end we are widening our portfolio of housing, increasing the amount of mid-market rent and market rent on offer and exploring relationships with industry and commerce in the North East.

The Association has been working with a national UK housing group with stock in Scotland in 2013/2014 on the creation of a joint venture company to deliver affordable housing, ideally off balance sheet. This model of working offers Grampian the chance to take people off its waiting list whilst sharing services across a range of 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 energy supply. Working with a consortium of RSLs nationally the Association has been a party to a business plan proposal for a social enterprise, which should be investment ready by the end of the calendar year and trading in 2015. Building on our past and continuing relationship with the NHS, Grampian developed a proposal for mid market accommodation for Health Service staff, which is in the process of being refined.

Despite the low level of government investment in affordable housing, threatening changes in the welfare system and further public sector cuts expected and a slow exit from the 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 2014 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 November or December Retail Prices Index (RPI), as a point of reference, with an increase being applied of RPI +1% on 1<sup>st</sup> July each year. On this basis, a rent increase of 3.6% (2.6% + 1%) was approved following tenant consultation.

# GRAMPIAN HOUSING ASSOCIATION LIMITED

## REPORT OF THE BOARD OF MANAGEMENT

For the year ended 31 March 2014

### 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	Peer Group	Actual	Target
	2012/13	2012/13	2013/14	2013/14
% Void Loss	0.3%	0.7%	0.3%	0.8%
Non-Technical Arrears as a % of Net Rental Income – Current Tenants	2.9%	3.2%	2.6%	N/A
% Total Rent Arrears	4.3%	4.8%	4.2%	N/A
Average Re-Let Time	16 days	25 days	16 days	N/A
Management and Maintenance Administration Costs per Unit	£867	£1,007	£913	N/A
Staff costs as % of Turnover	20.2%	N/A	20.2%	N/A
% Properties meeting SHQS	90.8%	89.1%	91.1%	92.2%
% Emergency Repairs completed within Target Response Time	97.3%	95.3%	97.9%	N/A
Unit Cost of Day to Day Repairs	£452	N/A	£513	£584

In considering these statistics, it should be noted that peer group comparisons for 2013/14 had not been published by the Scottish Housing Regulator at the time of preparing these financial statements, and the introduction of the Scottish Social Housing Charter may result in the collation of different statistics which mean that certain comparisons here will not be available in future. In comparing 2012/13 statistics, the Association's performance is better than the peer group average for all relevant indicators listed above.

Strong 2012/13 performance was maintained on most indicators in 2013/14. The one indicator above which fell slightly short of target was the percentage of properties which meet the Scottish Housing Quality Standard (SHQS): this was chiefly due to reclassification of stock in terms of energy efficiency compliance, as identified via an ongoing internal survey. The Association fully expects all relevant property to be SHQS compliant by 2015. Rent arrears performance improved on the previous year, despite the impact of the initial phase of the government's welfare reform programme: this will nonetheless continue to be a managerial focus as and when the (more onerous) Universal Credit system takes effect. In 2013/14 void levels at 0.3% continued to significantly better both peer group performance and budgetary targets, and average re-let times were similarly maintained. Remaining indicators were also 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 makes 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 were appointed in 2013 and following an audit needs assessment put in place an audit plan for the next three years. This will support the Board in meeting regulatory and business requirements in respect of ensuring appropriate systems of control are in place.

# GRAMPIAN HOUSING ASSOCIATION LIMITED

## REPORT OF THE BOARD OF MANAGEMENT

For the year ended 31 March 2014

### Risk Management ( continued )

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 and obligations arising in respect of open space maintenance in a number of schemes transferred to the Association via stock transfer.

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 pension deficit as an issue, however has put in place a plan to avoid this being realised and is investigating as to how this risk might be removed in 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 a high standard and medium term programmes of planned and cyclical repairs are carried out to deal with gradual and predictable deterioration of building components. In compliance with the component accounting changes in 2012, the cost of some maintenance works is charged to the Income and Expenditure Account and the balance will be capitalised to Fixed Assets. In addition, longer term programmes are in place to cover for works which are necessary to ensure that the Group's assets continue to be maintained and improved to a high standard. This includes replacement or repair to components which have come to the end of their economic lives.

### 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

26 August 2014

# GRAMPIAN HOUSING ASSOCIATION LIMITED

## STATEMENT OF THE BOARD OF MANAGEMENT'S RESPONSIBILITIES

**For the year ended 31 March 2014**

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; and
- ensure compliance with the RSC Statement of Recommended Practice 2010.

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 Co-operative and Community Benefits Societies Act 2014, 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.

## GRAMPIAN HOUSING ASSOCIATION LIMITED

### BOARD OF MANAGEMENT'S STATEMENT ON INTERNAL FINANCIAL CONTROLS

For the year ended 31 March 2014

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 2014 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

# GRAMPIAN HOUSING ASSOCIATION LIMITED

## 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 for the year ended 31 March 2014 (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 Part 7 of the Co-operative and Community Benefit Societies Act 2014. 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 Financial Reporting Council's website at <http://www.frc.org.uk/auditscopeukprivate>

#### 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 2014 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 Co-operative and Community Benefit Societies Act 2014, the Co-operative and Community Benefit Societies (Group Accounts) Regulations 1969, Part 6 of the Housing (Scotland) Act 2010 and the 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 Co-operative and Community Benefit Societies Act 2014 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.



**JANET HAMBLIN**  
**BAKER TILLY UK AUDIT LLP**  
Statutory Auditors  
Chartered Accountants  
First Floor, Quay 2  
139 Fountainbridge  
Edinburgh  
EH3 9QG

Date: 16 September 2014

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

**For the year ended 31 March 2014**

	<i>Note</i>	<b>2014</b>	2013
		<b>£000</b>	£000
<b>Turnover</b>	<i>1,2</i>	<b>18,068</b>	16,010
<b>Operating costs</b>	<i>2</i>	<b>(12,998)</b>	(11,340)
		<hr/>	<hr/>
<b>Operating surplus</b>	<i>8</i>	<b>5,070</b>	4,670
Surplus/(Deficit) on disposal of housing fixed assets	<i>9</i>	<b>187</b>	(192)
Interest receivable	<i>10</i>	<b>8</b>	7
Interest payable	<i>11</i>	<b>(2,872)</b>	(2,474)
		<hr/>	<hr/>
<b>Surplus on ordinary activities before taxation</b>		<b>2,393</b>	2,011
Taxation charge on surplus on ordinary activities	<i>12</i>	<b>(2)</b>	(9)
		<hr/>	<hr/>
<b>Surplus on ordinary activities after taxation for the financial year</b>	<i>22</i>	<b>2,391</b>	2,002
		<hr/> <hr/>	<hr/> <hr/>

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 2014**

	<i>Note</i>	<b>2014</b>	2013
		<b>£000</b>	£000
Surplus for the year		<b>2,391</b>	2,002
Revaluation gain/(loss) on Investment Properties	<i>14</i>	<b>83</b>	(53)
		<hr/>	<hr/>
<b>Total surpluses and deficits recognised since the last reporting period</b>	<i>22</i>	<b>2,474</b>	1,949
		<hr/> <hr/>	<hr/> <hr/>



**GRAMPIAN HOUSING ASSOCIATION LIMITED**

**HOUSING ASSOCIATION INCOME AND EXPENDITURE ACCOUNT**

**For the year ended 31 March 2014**

	<i>Note</i>	<b>2014</b>	<b>2013</b>
		<b>£000</b>	<b>£000</b>
<b>Turnover</b>	<i>1,2</i>	<b>17,719</b>	<b>15,689</b>
<b>Operating costs</b>	<i>2</i>	<b>(12,881)</b>	<b>(11,244)</b>
		<hr/>	<hr/>
<b>Operating surplus</b>	<i>8</i>	<b>4,838</b>	<b>4,445</b>
Gift Aid Received		<b>114</b>	<b>88</b>
Surplus/(deficit) on disposal of housing fixed assets	<i>9</i>	<b>187</b>	<b>(192)</b>
Interest receivable	<i>10</i>	<b>60</b>	<b>60</b>
Interest payable	<i>11</i>	<b>(2,800)</b>	<b>(2,404)</b>
		<hr/>	<hr/>
<b>Surplus on ordinary activities before taxation</b>		<b>2,399</b>	<b>1,997</b>
Taxation charge on surplus on ordinary activities	<i>12</i>	<b>-</b>	<b>-</b>
		<hr/>	<hr/>
<b>Surplus on ordinary activities after taxation for the financial year</b>	<i>23</i>	<b>2,399</b>	<b>1,997</b>
		<hr/> <hr/>	<hr/> <hr/>

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**

		<b>As at 31 March 2014</b>		<b>Charity No SC042023</b>	
	<i>Note</i>	<b>2014</b>		<b>2013</b>	
		<b>GROUP</b>	<b>ASSOCIATION</b>	<b>GROUP</b>	<b>ASSOCIATION</b>
		<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Tangible fixed assets</b>					
Housing properties – gross cost					
less depreciation	<i>13</i>	<b>215,008</b>	<b>215,008</b>	205,590	205,590
Less Housing Association Grant	<i>13</i>	<b>(118,096)</b>	<b>(118,096)</b>	(117,348)	(117,348)
Less other grants	<i>13</i>	<b>(9,945)</b>	<b>(9,945)</b>	(8,750)	(8,750)
		<hr/>	<hr/>	<hr/>	<hr/>
Other fixed assets	<i>14</i>	<b>86,967</b>	<b>86,967</b>	79,492	79,492
		<b>8,034</b>	<b>2,594</b>	7,867	2,510
<b>Fixed asset investments</b>					
LIFT loans		<b>5,540</b>	<b>5,540</b>	5,540	5,540
LIFT grants		<b>(5,540)</b>	<b>(5,540)</b>	(5,540)	(5,540)
		<hr/>	<hr/>	<hr/>	<hr/>
		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
		<hr/>	<hr/>	<hr/>	<hr/>
<b>Tangible fixed assets</b>		<b>95,001</b>	<b>89,561</b>	87,359	82,002
<b>Current assets</b>					
Stock and work in progress	<i>16</i>	<b>327</b>	<b>327</b>	556	556
Debtors	<i>17</i>	<b>1,948</b>	<b>2,017</b>	1,354	1,426
Cash at bank and in hand	<i>18</i>	<b>1,555</b>	<b>1,483</b>	923	852
		<hr/>	<hr/>	<hr/>	<hr/>
		<b>3,830</b>	<b>3,827</b>	2,833	2,834
<b>Creditors: amounts falling due within one year</b>	<i>19</i>	<b>(7,262)</b>	<b>(7,073)</b>	(17,078)	(16,934)
		<hr/>	<hr/>	<hr/>	<hr/>
<b>Net current liabilities</b>		<b>(3,432)</b>	<b>(3,246)</b>	(14,245)	(14,100)
		<hr/>	<hr/>	<hr/>	<hr/>
<b>Debtors: amounts falling due after more than one year</b>	<i>17</i>	<b>42</b>	<b>1,909</b>	107	1,982
		<hr/>	<hr/>	<hr/>	<hr/>
<b>Total assets less current liabilities</b>		<b>91,611</b>	<b>88,224</b>	73,221	69,884
<b>Creditors: amounts falling due after more than one year</b>	<i>20</i>	<b>(73,168)</b>	<b>(72,027)</b>	(57,253)	(56,086)
		<hr/>	<hr/>	<hr/>	<hr/>
<b>Net assets</b>		<b>18,443</b>	<b>16,197</b>	15,968	13,798
		<hr/>	<hr/>	<hr/>	<hr/>
<b>Capital and reserves</b>					
Share capital	<i>21,23</i>	<b>1</b>	<b>1</b>	1	1
Designated reserve	<i>22,23</i>	<b>7,154</b>	<b>7,154</b>	6,767	6,767
Restricted reserve	<i>22,23</i>	<b>-</b>	<b>-</b>	268	268
Capital reserve	<i>22,23</i>	<b>1,503</b>	<b>1,503</b>	1,790	1,790
Revenue reserve	<i>22,23</i>	<b>7,935</b>	<b>7,539</b>	5,374	4,972
Revaluation reserve	<i>22</i>	<b>1,850</b>	<b>-</b>	1,768	<b>-</b>
		<hr/>	<hr/>	<hr/>	<hr/>
		<b>18,443</b>	<b>16,197</b>	15,968	13,798
		<hr/>	<hr/>	<hr/>	<hr/>

These financial statements were approved and authorised for issue by the Board of Management on 26 August 2014 by:

**Gordon Edwards**  
*Chair*

**Keith Jones**  
*Vice Chair*  
  
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**Malcolm McNeil**  
*Secretary*





**GRAMPIAN HOUSING ASSOCIATION LIMITED**

**CONSOLIDATED CASH FLOW STATEMENT**

**For the year ended 31 March 2014**

	<i>Notes</i>	<b>2014</b>	<b>2013</b>
		<b>£000</b>	<b>£000</b>
<b>Cash inflow from operating activities</b>	26	7,962	4,923
<b>Returns on investments and servicing of finance</b>			
Interest received		8	7
Interest paid		(2,872)	(2,473)
<b>Net cash outflow from returns on investments and servicing of finance</b>		(2,864)	(2,466)
<b>Taxation</b>			
Corporation tax paid		-	(6)
<b>Net cash outflow on taxation</b>		-	(6)
<b>Capital expenditure and financial investment</b>			
Acquisition and construction of housing properties		(11,761)	(10,511)
Purchase of other fixed assets		(209)	(97)
Capital grants received		2,545	2,459
Capital grants repaid		(602)	(81)
Sales of housing properties		795	491
Sales of other fixed assets		6	31
<b>Net cash outflow from capital expenditure and investing activities</b>		(9,226)	(7,708)
<b>Net cash outflow before use of liquid resources and financing</b>		(4,128)	(5,257)
<b>Financing</b>			
Loan advances received		8,500	8,500
Loan principal repayments		(3,740)	(2,774)
<b>Net cash inflow from financing</b>	28	4,760	5,726
<b>Increase in cash in the year</b>	27, 28	<b>632</b>	<b>469</b>

**GRAMPIAN HOUSING ASSOCIATION LIMITED**  
**HOUSING ASSOCIATION CASH FLOW STATEMENT**

**For the year ended 31 March 2014**

	<i>Notes</i>	<b>2014</b>		<b>2013</b>	
		<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Cash inflow from operating activities</b>	<i>29</i>		<b>7,805</b>		<b>4,829</b>
<b>Returns on investments and servicing of finance</b>					
Interest received		60		60	
Interest paid		<u>(2,800)</u>		<u>(2,404)</u>	
<b>Net cash outflow from returns on investments and servicing of finance</b>			<b>(2,740)</b>		<b>(2,344)</b>
<b>Taxation</b>					
Corporation tax paid		-		-	
<b>Net cash outflow on taxation</b>			<b>-</b>		<b>-</b>
<b>Capital expenditure and financial investment</b>					
Acquisition and construction of housing properties		(11,761)		(10,511)	
Purchase of other fixed assets		(209)		(98)	
Capital grants received		2,545		2,459	
Capital grants repaid		(602)		(81)	
Sales of housing properties		795		491	
Sales of other fixed assets		<u>6</u>		<u>31</u>	
<b>Net cash outflow from capital expenditure and investing activities</b>			<b>(9,226)</b>		<b>(7,709)</b>
<b>Net cash outflow before use of liquid resources and financing</b>			<b>(4,161)</b>		<b>(5,224)</b>
<b>Financing</b>					
Loan advances received		7,048		8,500	
Loan principal repayments		<u>(2,256)</u>		<u>(2,763)</u>	
<b>Net cash inflow from financing</b>	<i>31</i>		<b>4,792</b>		<b>5,737</b>
<b>Increase in cash in the year</b>	<i>30,31</i>		<b>631</b>		<b>513</b>

# GRAMPIAN HOUSING ASSOCIATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2014

### 1. Accounting policies

The Association is incorporated under the Co-operative and Community Benefit Societies Act 2014, 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 2014 the Group secured a facility for an additional £15,000,000 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 level of investment in grant assisted social rental 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 2014 of £3,430,000 caused chiefly by the timing of the payments for developments and a grant liability.

#### *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 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.

# GRAMPIAN HOUSING ASSOCIATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2014

### 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.

Component accounting requires the capitalisation of major components which are 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:

# GRAMPIAN HOUSING ASSOCIATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2014

### 1. Accounting policies (continued)

#### *Other fixed assets (continued)*

Freehold land and buildings	100 years
Freehold land and buildings improvements	15 years
Commercial properties	100 years
Commercial properties 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 and was fully written down in the year.

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.

# GRAMPIAN HOUSING ASSOCIATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2014

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

#### *Taxation and Deferred 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 income and expenditure 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.



# GRAMPIAN HOUSING ASSOCIATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2014

### 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.

#### ***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 receipts on disposal recognised in the Income & Expenditure account as turnover. The cost of disposal of first tranche disposals is included within cost of sales. The first tranche element of any unsold properties is shown as a current asset.

**GRAMPIAN HOUSING ASSOCIATION LIMITED**  
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**For the year ended 31 March 2014**

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

Group:	Turnover	Operating costs	Operating surplus	Operating surplus for previous period of account
	£000	£000	£000	£000
Social lettings (note 3)	12,754	(7,980)	4,774	4,313
Other activities (note 4a)	5,314	(5,018)	296	357
<b>Total</b>	<b>18,068</b>	<b>(12,998)</b>	<b>5,070</b>	<b>4,670</b>
Total for previous period of account as restated	16,010	(11,340)	4,670	

**Housing Association:**

	Turnover	Operating costs	Operating surplus	Operating surplus for previous period of account As restated
	£000	£000	£000	£000
Social lettings (note 3)	12,754	(7,980)	4,774	4,313
Other activities (note 4b)	4,965	(4,901)	64	132
<b>Total</b>	<b>17,719</b>	<b>(12,881)</b>	<b>4,838</b>	<b>4,445</b>
Total for previous period of account as restated	15,689	(11,244)	4,445	

The Association reviews all aspects of its operations including other activities on an annual basis and continues to support these activities.

**GRAMPIAN HOUSING ASSOCIATION LIMITED**  
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For the year ended 31 March 2014

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

Group and Association	General Needs Housing	Shared Ownership Housing	Total	Total for previous period of account
	£000	£000	£000	£000
Rent receivable net of service charges	10,792	1,283	12,075	11,215
Service charges	596	140	736	755
<b>Gross income from rents and service charges</b>	<b>11,388</b>	<b>1,423</b>	<b>12,811</b>	<b>11,970</b>
Less Voids	(49)	(9)	(58)	(42)
Net income from rents and service charges	11,339	1,414	12,753	11,928
Grants from Scottish Ministers	-	-	-	-
Other revenue grants	-	-	-	-
<b>Total turnover from social letting activities</b>	<b>11,339</b>	<b>1,414</b>	<b>12,753</b>	<b>11,928</b>
Management and maintenance administration costs	(2,652)	(388)	(3,040)	(2,915)
Service costs	(706)	-	(706)	(706)
Planned and cyclical maintenance including major repairs costs	(1,083)	-	(1,083)	(1,169)
Reactive maintenance costs	(1,497)	-	(1,497)	(1,313)
Bad debts – rent and service charges	(100)	(7)	(107)	(84)
Depreciation of social housing	(1,405)	(141)	(1,546)	(1,428)
Impairment of social housing	-	-	-	-
<b>Operating costs for social letting activities</b>	<b>(7,443)</b>	<b>(536)</b>	<b>(7,979)</b>	<b>(7,615)</b>
<b>Operating surplus for social letting activities</b>	<b>3,896</b>	<b>878</b>	<b>4,774</b>	<b>4,313</b>
Operating surplus for social letting activities for previous period of account as restated	3,676	637	4,313	

**GRAMPIAN HOUSING ASSOCIATION LIMITED**  
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**For the year ended 31 March 2014**

4a. Particulars of turnover, operating costs and operating surplus/(deficit) from other activities	Grants from Scottish Ministers £000	Other revenue grants £000	Other income £000	Total turnover £000	Operating costs – bad debts £000	Other operating costs £000	Operating surplus/(deficit) £000	Total from Other Activities-2013 £000
Wider role activities undertaken to support the community, other than the provision of construction, improvement and management of housing property	-	254	-	254	-	(585)	(331)	(253)
Care and repair of property	-	-	-	-	-	-	-	-
Factoring	-	-	458	458	(22)	(518)	(82)	(42)
Development and construction of property activities	142	-	-	142	-	(368)	(226)	(379)
Support activities	-	-	-	-	-	-	-	-
Care activities	-	-	-	-	-	-	-	-
Agency/management services – RSLs	5	-	81	86	-	-	86	174
Other agency/management services	-	-	38	38	-	(213)	(175)	(54)
Developments for sale to RSLs	-	-	-	-	-	-	-	-
Developments and improvements for sale to non RSLs	-	-	-	-	-	-	-	-
Big Lottery Grant Fund	-	102	-	102	-	(102)	-	77
Scottish Legal Aid Board	-	32	-	32	-	(32)	-	-
Homestake / LIFT/Help to Buy	94	22	-	116	-	-	116	46
First Tranche Shared Ownership sales	-	-	3,373	3,373	-	(2,825)	548	366
Market rent	-	-	349	349	-	(117)	232	225
New property sales	-	-	-	-	-	-	-	-
Other Activities (material) – Foyer	-	-	190	190	-	(52)	138	115
Other Activities (material) – Break of Lease	-	-	-	-	-	(78)	(78)	-
Other Activities (non material)	-	-	174	174	-	(106)	68	82
<b>Total from other activities</b>	<b>241</b>	<b>410</b>	<b>4,663</b>	<b>5,314</b>	<b>(22)</b>	<b>(5,018)</b>	<b>296</b>	<b>357</b>
Total from other activities –2013	214	299	3,569	4,082	(17)	(3,708)	357	

GRAMPIAN HOUSING ASSOCIATION LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2014

4b. Particulars of turnover, operating costs and operating surplus/(deficit) from other activities	Grants from Scottish Ministers £000	Other revenue grants £000	Other income £000	Total turnover £000	Operating costs – bad debts £000	Other operating costs £000	Operating surplus/(deficit) £000	Total from Other Activities- 2011 £000
Association:								
Wider role activities	-	254	-	254	-	(585)	(331)	(253)
Care and repair of property	-	-	-	-	-	-	-	-
Factoring	-	-	458	458	(22)	(518)	(82)	(42)
Development and construction of property activities	142	-	-	142	-	(368)	(226)	(379)
Support activities	-	-	-	-	-	-	-	-
Care activities	-	-	-	-	-	-	-	-
Agency management services for RSLs	5	-	81	86	-	-	86	174
Other agency/management services	-	-	38	38	-	(213)	(175)	(54)
Developments for sale to RSLs	-	-	-	-	-	-	-	-
Developments and improvements for sale to non RSL's	-	-	-	-	-	-	-	-
Big Lottery Grant Fund	-	102	-	102	-	(102)	-	77
Scottish Legal Aid Board	-	32	-	32	-	(32)	-	-
Homestake / LIFT/Help to Buy	94	22	-	116	-	-	116	46
First Tranche Shared Ownership sales	-	-	3,373	3,373	-	(2,825)	548	366
Market Rent	-	-	-	-	-	-	-	-
New Property Sales	-	-	-	-	-	-	-	-
Other Activities (material) – Foyer	-	-	190	190	-	(52)	138	115
Other Activities ( material) – Break of Lease	-	-	-	-	-	(78)	(78)	-
Other Activities (non material)	-	-	174	174	-	(106)	68	82
<b>Total from other activities</b>	<b>241</b>	<b>410</b>	<b>4,314</b>	<b>4,965</b>	<b>(22)</b>	<b>(4,879)</b>	<b>64</b>	<b>132</b>
<b>Total from other activities – 2013</b>	<b>214</b>	<b>299</b>	<b>3,219</b>	<b>3,732</b>	<b>(17)</b>	<b>(3,583)</b>	<b>132</b>	

**GRAMPIAN HOUSING ASSOCIATION LIMITED**

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**For the year ended 31 March 2014**

**5. Housing stock (Group)**

	<b>Units under development</b>		<b>Units under management</b>	
	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
Housing accommodation for letting:				
Social	<b>59</b>	<b>129</b>	<b>2,966</b>	<b>2,902</b>
Non-Social	<u>-</u>	<u>-</u>	<u>32</u>	<u>32</u>
	<b>59</b>	<b>129</b>	<b>2,998</b>	<b>2,934</b>

Home ownership accommodation:				
Shared ownership	<u>-</u>	<u>82</u>	<u>580</u>	<u>523</u>

**Housing stock (Association)**

	<b>Units under development</b>		<b>Units under management</b>	
	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
Social Housing				
Housing accommodation for letting:				
New build and mixed funded	<b>59</b>	<b>129</b>	<b>2,966</b>	<b>2,902</b>
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Home ownership accommodation:				
Shared ownership	<u>-</u>	<u>82</u>	<u>580</u>	<u>523</u>

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

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

Directors are defined as the Chief Executive and any other senior staff reporting directly to the Chief Executive or the Board and who are receiving emoluments of £60,000 or more.

	<b>2014</b>	<b>2013</b>
	<b>£000</b>	<b>£000</b>
Total emoluments payable to directors (excluding pension contributions)	<b>340</b>	<b>311</b>
	<u>-</u>	<u>-</u>
Emoluments payable to the highest paid director (excluding pension contributions)	<b>86</b>	<b>77</b>
Pension contributions	<b>9</b>	<b>8</b>
	<u>-</u>	<u>-</u>
	<b>95</b>	<b>85</b>
	<u>-</u>	<u>-</u>

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

The Association made pension contributions of £36,697 (2013: £33,566) in respect of directors.

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

	<b>2014</b>	<b>2013</b>
	<b>No</b>	<b>No</b>
£60,001 - £70,000	<b>-</b>	<b>3</b>
£70,001 - £80,000	<b>3</b>	<b>-</b>
£80,001 - £90,000	<b>1</b>	<b>2</b>
£90,001 - £100,000	<b>1</b>	<b>-</b>

**GRAMPIAN HOUSING ASSOCIATION LIMITED**  
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**For the year ended 31 March 2014**

**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	
	2014	2013
Administration	83	84
Maintenance	15	13
	<u>98</u>	<u>97</u>

The aggregate payroll costs of these persons were as follows:

	2014	2013
	£000	£000
Wages and salaries	2,979	2,740
Social security costs	269	252
Other pension costs	182	173
	<u>3,430</u>	<u>3,165</u>

**8. Operating surplus on ordinary activities**

	2014 Group £000	2014 Association £000	2013 Group £000	2013 Association £000
<i>Operating surplus on ordinary activities before taxation is stated after charging:</i>				
Depreciation – housing fixed assets	1,548	1,548	1,428	1,428
Depreciation – non-housing fixed assets	119	119	116	116
Repairs (cyclical, major, day to day)	3,529	3,474	3,905	3,905
Auditors' remuneration:				
External Audit	36	32	25	22
Remuneration to bodies connected with Baker Tilly UK Audit LLP	14	12	34	32
Internal Audit	6	6	18	18
Operating lease rentals:				
Buildings	225	225	242	242
Other	9	9	5	5
Gain / (Impairment) of investment properties	83	-	(52)	-
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>

**9. Surplus/(deficit) on disposal of housing fixed assets**

	2014 Group £000	2014 Association £000	2013 Group £000	2013 Association £000
Surplus on disposal of housing	333	333	(14)	(14)
(Deficit) on disposal of components	(146)	(146)	(178)	(178)
	<u>187</u>	<u>187</u>	<u>(192)</u>	<u>(192)</u>

**GRAMPIAN HOUSING ASSOCIATION LIMITED**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**For the year ended 31 March 2014**

**10. Interest receivable**

	<b>2014</b>	<b>2014</b>	<b>2013</b>	<b>2013</b>
	<b>Group</b>	<b>Association</b>	<b>Group</b>	<b>Association</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Bank interest receivable	7	7	5	5
Other interest receivable	1	53	2	55
	<u>8</u>	<u>60</u>	<u>7</u>	<u>60</u>

**11. Interest payable and similar charges**

	<b>2014</b>	<b>2014</b>	<b>2013</b>	<b>2013</b>
	<b>Group</b>	<b>Association</b>	<b>Group</b>	<b>Association</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
On bank loans and overdrafts	2,814	2,742	2,410	2,337
On all other loans payable	183	183	182	182
Interest charged on late payment of taxation	-	-	-	3
Less interest capitalised in Fixed Assets and WIP	(125)	(125)	(118)	(118)
	<u>2,872</u>	<u>2,800</u>	<u>2,474</u>	<u>2,404</u>

**12. Taxation**

**Group**

Analysis of charge in year	<b>2014</b>	<b>2013</b>
	<b>£000</b>	<b>£000</b>
<i>UK corporation tax</i>		
Current tax on income for the year	-	-
Adjustment in respect of previous years	-	6
	<u>-</u>	<u>6</u>
Total current tax	-	6
Deferred tax movement	2	3
Adjustment in respect of previous periods	-	-
	<u>2</u>	<u>9</u>
Tax on surplus on ordinary activities	2	9

*Factors affecting the tax charge for the current year*



**GRAMPIAN HOUSING ASSOCIATION LIMITED**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**For the year ended 31 March 2014**

**12. Taxation ( continued )**

The current tax charge for the year differs from the charge calculated at the UK corporation tax rate of 20% (2013: 20%). The differences are explained below:

	<b>2014</b>	<b>2013</b>
	<b>£000</b>	<b>£000</b>
<i>Current tax reconciliation</i>		
Surplus on ordinary activities before tax	2,399	2,011
Less current year charity profit	(2,285)	(1,998)
	<hr/>	<hr/>
	(104)	13
<i>Effects of:</i>		
(Loss)/Profit on ordinary activities multiplied by standard rate of corporation tax in the UK 20% ( 2013 : 20% )	21	3
Expenses not deductible for tax purposes	3	-
Other timing differences	(22)	(3)
Income not taxable for tax purposes	-	-
Capital allowances in excess of depreciation	(2)	-
Adjustments to tax charge in respect of prior years	-	6
	<hr/>	<hr/>
Total current tax charge (see above)	-	6
	<hr/>	<hr/>

*Deferred taxation*

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

	<b>2014</b>	<b>2014</b>	<b>2013</b>	<b>2013</b>
	<b>Group</b>	<b>Association</b>	<b>Group</b>	<b>Association</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Balance brought forward	36	-	33	-
Income and Expenditure account movement arising during the year	2	-	3	-
	<hr/>	<hr/>	<hr/>	<hr/>
Balance carried forward	38	-	36	-
	<hr/>	<hr/>	<hr/>	<hr/>

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

	<b>2014</b>	<b>2014</b>	<b>2013</b>	<b>2013</b>
	<b>Provided</b>	<b>Potential Provision</b>	<b>Provided</b>	<b>Potential Provision</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Group</b>				
Excess of taxation allowances over depreciation of fixed assets	38	-	36	-
Losses	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Deferred tax liability/(asset) (see note 16)	38	-	36	-
	<hr/>	<hr/>	<hr/>	<hr/>

**GRAMPIAN HOUSING ASSOCIATION LIMITED**  
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**For the year ended 31 March 2014**

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

	Held for letting	Under Construction	Completed Shared Ownership	Shared Ownership Under Construction	Total
	£000	£000	£000	£000	£000
<i>Cost</i>					
At 1 April 2013	184,536	2,382	27,708	2,151	216,777
Additions	681	5,780	180	5,120	11,761
Transfers	7,524	(6,489)	6,236	(7,271)	-
Disposals	(305)	-	(629)	-	(934)
At 31 March 2014	192,436	1,673	33,495	-	227,604
<i>Depreciation</i>					
At 1 April 2013	10,549	-	638	-	11,187
Provided during year	1,407	-	141	-	1,548
Eliminated on disposals	(129)	-	(10)	-	(139)
At 31 March 2014	11,827	-	768	-	12,596
<i>Housing Association Grant</i>					
At 1 April 2013	105,057	2,364	9,927	-	117,348
Additions	-	1,350	-	-	1,350
Transfers	2,047	(2,047)	-	-	-
Disposals / repayments	(490)	-	(112)	-	(602)
At 31 March 2014	106,614	1,667	9,815	-	118,096
<i>Other Grants</i>					
At 1 April 2013	8,633	-	117	-	8,750
Public grant received	-	1,194	1	-	1,195
Transfers	1,194	(1,194)	-	-	-
At 31 March 2014	9,827	-	118	-	9,945
<i>Net book value</i>					
At 31 March 2014	64,168	6	22,793	-	86,967
At 31 March 2013	60,297	18	17,026	2,151	79,492

Development administration costs capitalised amounted to £141,574 (2013: £137,826) and development allowances amounted to £81,240 (2013: £181,099).

Interest capitalised amounted to £124,843 (2013: £118,091).

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

Total Spend on Cyclical and Major Repairs during 2013/14 amounted to £2,006,000 (2013: £2,019,000) of which £591,000 (2013: £556,000) was capitalised. Of the amount capitalised £584,000 (2013: £556,000) related to replacement of components and £7,000 (2013: £nil) related to improvements.

**GRAMPIAN HOUSING ASSOCIATION LIMITED**  
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**13. Tangible fixed assets - housing properties (Group and Association) (continued)**

The properties leased to Kirkgate Developments Limited are included above at the following values :

	<b>2014</b>	<b>2013</b>
	<b>£000</b>	<b>£000</b>
Cost	1,805	862
Grant	(284)	(37)
Accumulated depreciation	(62)	(39)
<b>Total</b>	<b>1,519</b>	<b>786</b>

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.

**14. Tangible fixed assets – other (Group)**

	Investment Properties £000	Commercial Properties £000	Heritable land and buildings £000	Plant and machinery, fixtures and motor vehicles £000	Computer hardware and software £000	Total £000
<i>Cost</i>						
At 1 April 2013	5,357	1,043	2,145	445	662	9,652
Additions	-	-	39	6	164	209
Disposals	-	-	-	(15)	-	(15)
Transfers	-	(456)	456	-	-	-
Revaluation	83	-	-	-	-	83
<b>At 31 March 2014</b>	<b>5,440</b>	<b>587</b>	<b>2,640</b>	<b>436</b>	<b>826</b>	<b>9,929</b>
<i>Depreciation</i>						
At 1 April 2013	-	211	632	329	613	1,785
Provided during year	-	25	42	36	16	119
Eliminated on disposals	-	-	-	(9)	-	(9)
On transfers	-	(73)	73	-	-	-
Revaluation	-	-	-	-	-	-
<b>At 31 March 2014</b>	<b>-</b>	<b>163</b>	<b>747</b>	<b>356</b>	<b>629</b>	<b>1,895</b>
<i>Net book value</i>						
<b>At 31 March 2014</b>	<b>5,440</b>	<b>424</b>	<b>1,893</b>	<b>80</b>	<b>197</b>	<b>8,034</b>
At 1 April 2013	5,357	832	1,513	116	49	7,867

Included in heritable land and buildings is land costing £260,000. Net accumulated interest capitalised in tangible fixed assets at 31 March 2014 amounted to £17,337 (2013 : £17,337). No Interest was capitalised in the year.

The transfer between heritable land and buildings and commercial properties represents office accommodation, previously leased, now to be utilised by the Association.

A review of market value of Kirkgate Developments Limited's investment properties resulted in the recognition of an increase in valuation of £83,000.

**GRAMPIAN HOUSING ASSOCIATION LIMITED**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**For the year ended 31 March 2014**

**14. Tangible fixed assets – other (Group) (continued)**

Investment properties, which are all freehold, were valued on an open market existing use basis at 31 March 2014 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. If the investment properties were to be sold at net book value, this would result in a potential tax liability of £178,000.

	<b>Investment Properties</b>	
	<b>2014</b>	<b>2013</b>
	<b>£000</b>	<b>£000</b>
On an historical cost basis these fixed assets would have been included at:		
Cost	<b>3,867</b>	<b>3,867</b>
Aggregate depreciation	<b>302</b>	<b>257</b>

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

	<b>2014</b>	<b>2013</b>
	<b>£000</b>	<b>£000</b>
Cost	<b>42</b>	<b>42</b>
Accumulated depreciation	<b>(22)</b>	<b>(12)</b>
<b>Total</b>	<b>20</b>	<b>30</b>

The finance leases relate to 3 vans (2013: 3) leased for the mobile cleaning division.

**Tangible fixed assets – other (Association)**

	<b>Freehold land and buildings</b>	<b>Heritable land and buildings</b>	<b>Plant and machinery, fixtures and motor vehicles</b>	<b>Computer hardware and software</b>	<b>Total</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Cost</b>					
At 1 April 2013	1,043	2,145	445	662	4,295
Additions	-	39	6	164	209
Transfers	(456)	456	-	-	-
Disposals	-	-	(15)	-	(15)
At 31 March 2014	<b>587</b>	<b>2,640</b>	<b>436</b>	<b>826</b>	<b>4,489</b>
<b>Depreciation</b>					
At 1 April 2013	211	632	329	613	1,785
Provided during year	25	42	36	16	119
On transfers	(73)	73	-	-	-
Eliminated on disposals	-	-	(9)	-	(9)
At 31 March 2014	<b>163</b>	<b>747</b>	<b>356</b>	<b>629</b>	<b>1,895</b>
<b>Net book value</b>					
At 31 March 2014	<b>424</b>	<b>1,893</b>	<b>80</b>	<b>197</b>	<b>2,594</b>
At 1 April 2013	832	1,513	116	49	2,510

**GRAMPIAN HOUSING ASSOCIATION LIMITED**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**For the year ended 31 March 2014**

**14. Tangible fixed assets – other (Group) (continued)**

Included in heritable land and buildings is land costing £260,000. Net accumulated interest capitalised in tangible fixed assets at 31 March 2014 amounted to £17,337 (2013: £17,337). No Interest was capitalised in the year.

The transfer between heritable land and buildings and freehold land and buildings represents office accommodation, previously leased, now to be utilised by the Association.

The freehold land and buildings represent properties let to social enterprise as part of our charitable objectives.

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

	2014	2013
	£000	£000
Cost	42	42
Accumulated depreciation	(22)	(12)
<b>Total</b>	<u>20</u>	<u>30</u>

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

**15. Investments**

All investments held are shares in subsidiary undertakings.

The Association owns 2 shares in Kirkgate Homes Limited at a cost of £2 (2013: £2), 1 share in Grampian Community Energy Limited at a cost of £1 (2013: £1) and 2 shares in Sirius Housing Group Limited at a cost of £2 (2013: £2). At 31 March 2014 all three of these companies were dormant. The association owns one share in Kirkgate Developments Limited at a cost of £1 (2013: £1).

**16. Stock and work in progress**

	2014	2014	2013	2013
	Group	Association	Group	Association
	£000	£000	£000	£000
Housing stock	150	150	203	203
Work in progress – Cost	165	165	3,482	3,482
Work in progress – HAG	12	12	(3,478)	(3,478)
Shared ownership	-	-	349	349
	<u>327</u>	<u>327</u>	<u>556</u>	<u>556</u>

**17. Debtors**

	2014	2014	2013	2013
	Group	Association	Group	Association
	£000	£000	£000	£000
<b>Due &lt; 1 Year</b>				
HAG receivable	<u>925</u>	<u>925</u>	34	<u>34</u>
Rental debtors	742	742	663	663
Rental debtor provision	<u>(397)</u>	<u>(397)</u>	<u>(351)</u>	<u>(351)</u>
Net rental debtor	<u>345</u>	<u>345</u>	<u>312</u>	<u>312</u>
Prepayments and accrued income	205	205	238	238
Other debtors	473	420	770	741
Amount due from subsidiary undertaking	-	-	-	88
Loan to subsidiary undertaking due within one year	-	<u>122</u>	-	<u>13</u>
	<u>1,948</u>	<u>2,017</u>	<u>1,354</u>	<u>1,426</u>

**GRAMPIAN HOUSING ASSOCIATION LIMITED**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**For the year ended 31 March 2014**

**17. Debtors (continued)**

**Due > 1 Year**

Other debtors due after more than one year	42	42	107	107
Loan to subsidiary undertaking due after more than one year	-	1,867	-	1,875
	<u>42</u>	<u>1,909</u>	<u>107</u>	<u>1,982</u>

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

	2014			2013		
	Debtor £000	Provided £000	Net debtor £000	Debtor £000	Provided £000	Net debtor £000
Due from current tenants	422	(175)	247	380	(155)	225
Due from former tenants	222	(222)	-	196	(196)	-
Due from housing benefit	98	-	98	87	-	87
	<u>742</u>	<u>(397)</u>	<u>345</u>	<u>663</u>	<u>(351)</u>	<u>312</u>

£128,133 of bad debt was written off during the period (2013: £72,502).

**18. 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 (2013: £235,000) on a specific deposit account.

**19. Creditors: amounts falling due within one year**

	2014 Group £000	2014 Association £000	2013 Group £000	2013 Association £000
Loans (secured) (see note 20)	2,164	2,138	13,384	13,359
Trade creditors	467	432	713	706
Other creditors	669	689	1,155	1,154
Accruals and deferred income	3,599	3,517	1,453	1,400
Rents paid in advance	176	176	161	161
Payments on account	49	49	129	129
Deposits	81	53	22	-
Other taxes and social security	19	19	25	25
Deferred tax liability (see note 12)	38	-	36	-
	<u>7,262</u>	<u>7,073</u>	<u>17,078</u>	<u>16,934</u>

Standard securities have been granted to lenders in respect of assets owned by Kirkgate Developments Limited.

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

**For the year ended 31 March 2014**

**20. Creditors: amounts falling due after more than one year**

	<b>2014 Group £000</b>	<b>2014 Association £000</b>	<b>2013 Group £000</b>	<b>2013 Association £000</b>
Loans (secured)	75,402	74,095	70,495	69,303
Less: due within one year (note 19)	(2,164)	(2,138)	(13,384)	(13,359)
	<u>73,238</u>	<u>71,957</u>	<u>57,111</u>	<u>55,944</u>
Lease creditor	8	8	28	28
Deferred income	62	62	114	114
	<u>73,168</u>	<u>72,027</u>	<u>57,253</u>	<u>56,086</u>

Lease instalments are due as follows:	<b>2014 Group £000</b>	<b>2014 £000</b>	<b>2013 £000</b>	<b>2013 £000</b>
In one year or less	10	10	10	10
Between one and two years	8	8	10	10
Between two and five years	-	-	8	8
In five years and more	-	-	-	-
	<u>18</u>	<u>18</u>	<u>28</u>	<u>28</u>

Loans are repayable in instalments due as follows:

	<b>2014 Group £000</b>	<b>2014 Association £000</b>	<b>2013 Group £000</b>	<b>2013 Association £000</b>
Monthly instalments	634	634	679	679
Quarterly instalments, interest only until 30 July 2032	8,250	8,250	8,250	8,250
Rollercoaster profile until 17 December 2040	62,900	62,900	57,745	57,745
Quarterly instalments, principal and interest until 28 November 2036	1,167	-	1,192	-
Bi-annual instalments, interest only, with bullet repayment of principal November 2016	1,100	1,100	1,100	1,100
Bi-annual instalments	1,394	1,394	1,529	1,529
	<u>75,445</u>	<u>74,278</u>	<u>70,495</u>	<u>69,303</u>

During 2013/2014 there was a review of the loan facilities resulting in an additional £15 million facility secured from the Royal Bank of Scotland. 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 draw down.

**GRAMPIAN HOUSING ASSOCIATION LIMITED**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**For the year ended 31 March 2014**

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

At 31 March 2014 the last instalment of loans falls to be repaid in the year ending March 2047 (2013: 31 March 2047). Interest is charged at rates between 1.8% and 8.75% (2013: 1.8% and 8.75%).

The aggregate value of the lending that is secured is £75,445,000 (2013: £70,495,000).

Amounts are repayable as follows:	2014 Group £000	2014 Association £000	2013 Group £000	2013 Association £000
In one year or less	2,208	2,182	13,384	13,359
Between one and two years	1,744	1,718	2,582	2,556
Between two and five years	20,993	20,905	4,984	4,896
In five years and more	50,500	49,473	49,545	48,492
	<u>75,445</u>	<u>74,278</u>	<u>70,495</u>	<u>69,303</u>

**21. Share capital**

**Association and Subsidiary**

	2014 Number	2013 Number	2014 £000	2013 £000
<b>Shares of £1 each fully paid</b>				
At 1 April	385	389	1	1
Issued in year	4	11	-	-
Withdrawn in year	(43)	(15)	-	-
At 31 March	<u>346</u>	<u>385</u>	<u>1</u>	<u>1</u>

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

**22. 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 2013	5,376	6,767	268	1,790	1,767	1	15,969
Surplus for year	2,391	-	-	-	-	-	2,391
Transfer (to)/from capital reserve	287	-	-	(287)	-	-	-
Transfer (to)/from restricted reserve	268	-	(268)	-	-	-	-
Transfer (to)/from designated reserve	(809)	809	-	-	-	-	-
Transfer (to)/from designated reserve	422	(422)	-	-	-	-	-
Gain on revaluation	-	-	-	-	83	-	83
	<u>7,935</u>	<u>7,154</u>	<u>-</u>	<u>1,503</u>	<u>1,850</u>	<u>1</u>	<u>18,443</u>



**GRAMPIAN HOUSING ASSOCIATION LIMITED**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**For the year ended 31 March 2014**

**23. Reconciliation of movements in shareholders' funds (Association)**

	<b>Revenue reserve £000</b>	<b>Designated reserve £000</b>	<b>Restricted reserve £000</b>	<b>Capital reserve £000</b>	<b>Share capital £000</b>	<b>Total Shareholders' funds £000</b>
Balance at 1 April 2013	4,972	6,767	268	1,790	1	13,798
Surplus for year	2,399	-	-	-	-	2,399
Transfer (to)/from capital reserve	287	-	-	(287)	-	-
Transfer (to)/from restricted reserve	268	-	(268)	-	-	-
Transfer (to)/from designated reserve	(809)	809	-	-	-	-
Transfer (to)/from designated reserve	422	(422)	-	-	-	-
<b>Balance at 31 March 2014</b>	<b>7,539</b>	<b>7,154</b>	<b>-</b>	<b>1,503</b>	<b>1</b>	<b>16,197</b>

During the year £102,000 (2013: £108,000) was received and £102,000 (2013: £31,000) was spent on restricted funds relating to funding from the Big Lottery Fund. £32,000 (2013: £nil) was received and £32,000 (2013: nil) was spent on restricted funds relating to funding from SLAB.

**24. Designated reserve (Group and Association)**

	<b>Balance at 1 April 2013 £000</b>	<b>Transfers in £000</b>	<b>Transfers out £000</b>	<b>Balance at 31 March 2014 £000</b>
Cyclical maintenance reserve	6,036	809	(373)	6,472
Pensions Reserve	718	-	(49)	669
Other	13	-	-	13
	<b>6,767</b>	<b>809</b>	<b>(422)</b>	<b>7,154</b>

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 £6,000,000.

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 10 years.

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

**For the year ended 31 March 2014**

**25. Commitments – Group and Association**

(a) Capital commitments authorised and contracted for at 31 March 2014 amounted to £4,408,098 (2013: £13,491,000). 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:

	2014		2013	
	Land and Buildings £000	Other £000	Land and buildings £000	Other £000
<b>Operating leases which expire:</b>				
In second to fifth years inclusive	-	8	-	18
Over five years	242	-	242	-

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

Group	2014 £000	2013 £000
<b>Operating surplus</b>	<b>5,070</b>	<b>4,670</b>
<b>Adjustments:</b>		
Depreciation on non-housing fixed assets	119	107
Depreciation on housing fixed assets	1,548	1,344
Gain/(loss) on sale of housing fixed assets	187	(192)
Impairment of other fixed assets	-	(53)
Deferred income release	(52)	11
<b>Movement in working capital:</b>		
Decrease/(increase) in stock and work in progress	229	(138)
Decrease in debtors	(379)	1,087
Increase/(Decrease) in creditors	1,240	(1,912)
<b>Cash inflow from operating activities</b>	<b>7,962</b>	<b>4,923</b>

**27. Analysis of changes in net debt (Group)**

	At 31 March 2013 £000	Cashflows £000	Other non-cash movements £000	At 31 March 2014 £000
Cash in hand, at bank	923	632	-	1,555
Debt due within one year	(13,384)	11,160	60	(2,164)
Debt due after more than one year	(57,111)	(16,126)	138	(73,099)
<b>Total debt</b>	<b>(70,495)</b>	<b>(4,966)</b>	<b>198</b>	<b>(75,263)</b>
<b>Total</b>	<b>(69,572)</b>	<b>(4,334)</b>	<b>198</b>	<b>(73,708)</b>

**GRAMPLIAN HOUSING ASSOCIATION LIMITED**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**For the year ended 31 March 2014**

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

	<b>2014</b>	<b>2013</b>
	<b>£000</b>	<b>£000</b>
Increase in cash in the period	<b>632</b>	469
Cash outflow from debt financing	<b>(4,966)</b>	(5,726)
Loan premium / fees amortisation	<b>198</b>	15
	<hr/>	<hr/>
Change in debt resulting from cash flows	<b>(4,136)</b>	(5,242)
Net debt at beginning of period	<b>(69,572)</b>	(64,330)
	<hr/>	<hr/>
Net debt at end of period	<b>(73,708)</b>	(69,572)
	<hr/> <hr/>	<hr/> <hr/>

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

<b>Association</b>	<b>2014</b>	<b>2013</b>
	<b>£000</b>	<b>£000</b>
<b>Operating surplus</b>	<b>4,838</b>	4,445
<b>Adjustments:</b>		
Depreciation on non-housing fixed assets	<b>119</b>	107
Depreciation on housing fixed assets	<b>1,548</b>	1,344
Profit/(Loss) of sale of housing fixed assets	<b>187</b>	(192)
Deferred income	<b>(52)</b>	11
Gift Aid Received	<b>114</b>	88
<b>Movement in working capital:</b>		
Decrease/(Increase) in stock and work in progress	<b>229</b>	(138)
(Increase)/Decrease in debtors	<b>(523)</b>	836
Increase/(Decrease) in creditors	<b>1,345</b>	(1,672)
	<hr/>	<hr/>
Cash inflow from operating activities	<b>7,805</b>	4,829
	<hr/> <hr/>	<hr/> <hr/>

**30. Analysis of changes in net debt (Association)**

	<b>At 31 March</b>	<b>Cashflows</b>	<b>Other</b>	<b>At 31 March</b>
	<b>2013</b>		<b>non-cash</b>	<b>2014</b>
	<b>£000</b>	<b>£000</b>	<b>movements</b>	<b>£000</b>
			<b>£000</b>	
Cash in hand, at bank	852	631	-	1,483
	<hr/>	<hr/>	<hr/>	<hr/>
Debt due within one year	(13,359)	11,162	59	(2,138)
Debt due after more than one year	(55,944)	(16,152)	139	(71,957)
	<hr/>	<hr/>	<hr/>	<hr/>
Total debt	<b>(69,303)</b>	<b>(4,990)</b>	<b>198</b>	<b>(74,095)</b>
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Total</b>	<b>(68,451)</b>	<b>(4,359)</b>	<b>198</b>	<b>(72,612)</b>
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

**GRAMPIAN HOUSING ASSOCIATION LIMITED**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**For the year ended 31 March 2014**

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

	2014 £000	2013 £000
Increase in cash in the period	631	513
Cash inflow from debt financing	(4,990)	(5,737)
Loan premium / fees amortisation	198	15
	(4,161)	(5,209)
Change in debt resulting from cash flows	(4,161)	(5,209)
Net debt at beginning of period	(68,451)	(63,242)
	(72,612)	(68,451)
<b>Net debt at end of period</b>	<b>(72,612)</b>	<b>(68,451)</b>

**32. Group structure**

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

Kirkgate Developments Limited  
 Kirkgate Homes Limited (a dormant company)  
 Grampian Community Energy Limited (a dormant company); and  
 Sirius Housing Group 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.

**33. 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 2014 was £2,000,000 (31 March 2013: £1,985,000).

**34. 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

# GRAMPIAN HOUSING ASSOCIATION LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2014

### 34. Pension schemes (continued)

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

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 2013. The market value of the Plan's assets at that date was £772 million and the Plan's Technical Provisions (i.e. past service liabilities) was £927 million. The update, therefore, revealed a shortfall of assets compared with the value of liabilities of £155 million, equivalent to a funding level of 83%.

# GRAMPIAN HOUSING ASSOCIATION LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2014

### 34. Pension schemes ( continued )

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

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). Due to a change in the definition of money purchase contained in the Pensions Act 2011, the calculation basis that applies to the Growth Plan will be amended to include Series 3 liabilities in the calculation of an employer's debt on withdrawal.

The Growth Plan is a "last man standing" multi-employer scheme. This means that if a withdrawing employer is unable to pay its debt on withdrawal the liability is shared amongst the remaining employers. The participating employers are therefore jointly and severally liable for the deficit in the Growth Plan. As at September 2013, the total deficit calculated on the buy-out basis was £219.9m

On the basis of inclusion of Series 3 liabilities as 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 of the Plan as at 30 September 2013. As of this date the estimated employer debt for Grampian Housing Association was £1,243,500

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 £77,190 (2013: £74,942) per annum. The expected normal annual employer contributions for pensions for the year ended 31 March 2015 are £210,000.

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.

# GRAMPIAN HOUSING ASSOCIATION LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2014

### 35. 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 2014, 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. The balance outstanding at 31 March 2014 was £8,696 (2013: £21,055)

Interest Received on loan £1,005 (2013: £1,593).

Amount repaid on the loan £12,359 (2013: £3,945)

Purchase of fruit for staff totalled £100 (2013: £120).

Purchase of fruit for Cash in Your Pocket Project events totalled £212 (2013: £ nil)

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

In the year to 31 March 2014 the following transactions were effected in relation to RHS:

Contribution towards Aberdeenshire Rural Housing Project £nil (2013: £1,000).

Annual Housing Conference £nil (2013: £360).

Annual Subscription £nil (2013: £50).

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

During the year to 31 March 2014 the following transactions were effected in relation to the Foyer:

Housing Rent Receivable £152,254 (2013: £144,976)

Restaurant rent receivable £33,350 (2013: £33,350)

Amounts paid in advance for restaurant rent £61,650 (2013: £82,500)

Repairs Management and other services £13,705 (2013: £22,421)

Amounts due from Foyer at 31 March 2014 £9,992 (2013: £4,884)

Amounts payable to Foyer at 31 March 2014 £nil (2013: £180)

The director of Housing & Property Services was a member of Grampian Woman's Aid.

During the year to 31 March 2014 there were no transactions effected in relation to Grampian Woman's Aid

The directors of Development and Finance both fulfilled the same role for Langstane Housing Association Limited (LHA). The Development and Finance departments of the Association occupy accommodation owned by LHA. Due to the decision not to proceed with grouping, on 30 September 2013 the Director of Finance ceased his directorship of LHA and returned to his full time role within Grampian Housing Association. The Director of Development continued in his joint role throughout the year.

During the year to 31 March 2014 the following transactions were effected in relation to LHA:

Management services receivable £59,403 (2013: £109,924)

Factoring and other charges receivable £94,600 (2013: £99,025)

Office rent and support costs payable £48,991 (2013: 45,918)

Amounts due from LHA as at 31 March 2014 £35,888 (2013: £40,014)

Amounts due to LHA as at 31 March 2013 £735 (2013: £12,874)

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

One board member who resigned during the year, David Young, was also 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.

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

**For the year ended 31 March 2014**

**35. Related party disclosures (continued)**

During the year to 31 March 2014 the following transactions were effected in relation to Devanha:

Contribution to funding of Devanha £2,000 (2013: £5,000)

During the year to 31 March 2014 there were four customer and shared ownership board members: Rae Munro, Richard Robertson, David Carlin and Brian Stewart. 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.