

Thenue Housing Association Ltd
Report and Financial Statements
For the year ended 31st March 2013

Registered Housing Association No.HAL193

FCA Reference No. 1933R(S)

Scottish Charity No. SC 032782

THENUE HOUSING ASSOCIATION LTD

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**MANAGEMENT COMMITTEE, EXECUTIVES AND ADVISERS
YEAR ENDED 31st MARCH 2013**

MANAGEMENT COMMITTEE

George Alexander	Chairperson
Christine Brolly (Appointed 11 September 2012; Resigned 12 May 2013)	
Lynne Carr (Appointed 11 September 2012)	
Catherine Chalmers	
Mark Gibson (Appointed 19 February 2013)	
Charlotte Levy	Chairperson of the Housing Management Sub Committee
Catherine Martin (Resigned 12 May 2013)	
James McLellan	
Yvonne McShea (Resigned 19 February 2013)	
Filbert Masau	
Derek Quinn (Appointed 11 September 2012)	
William Redmond	Chairperson of Property Services Sub Committee
Ann Scott	
Owen Stewart	Joint Vice Chairperson, Chairperson of the Finance & Staffing Sub Committee, Chairperson of the Audit & Risk Subcommittee
Margaret Vass	Joint Vice Chairperson

EXECUTIVE OFFICERS

Charles Turner	Chief Executive
Brian Gannon	Head of Housing (Housing Management & Community Regeneration)
Beth Reilly	Head of Property Services
John Russell	Head of Finance (IT & Corporate Services)

REGISTERED OFFICE

423 London Road
Glasgow
G40 1AG

AUDITORS

Alexander Sloan
Chartered Accountants
38 Cadogan Street
Glasgow
G2 7HF

BANKERS

Clydesdale Bank Plc
30 St Vincent Place
Glasgow
G1 2HL

SOLICITORS

TC Young
7 West George Street
Glasgow
G2 1BA

**REPORT OF THE MANAGEMENT COMMITTEE
FOR THE YEAR ENDED 31ST MARCH 2013**

The Management Committee presents its report and the Financial Statements for the year ended 31st March 2013.

Legal Status

The Association is a registered non-profit making organisation under the Industrial and Provident Societies Act 1965 No.1933R(S). The Association is constituted under its Rule Book. The Association is a registered Scottish Charity with the charity number SC 032782.

Principal Activities

The principal activities of the Association are the provision and management of affordable rented accommodation.

Review of Business and Future Developments

Success has been integral to the Association's last twelve months, and in many respects, these annual accounts are not able to capture all of the success stories that the Association has created. Some of the highlights of the year, in chronological order, have been:-

- The five star award from the Care Inspectorate for the Sheltered Housing Service.
- The official opening at London Road of the new housing, commercial and office accommodation by the Lord Provost of Glasgow, Sadie Docherty and comedienne & author, Janey Godley.
- The confidence that Glasgow City Council have shown in the Association by giving the Association first option on new housing units in the new Commonwealth Games village in Dalmarnock.
- The Association's Factoring Review - giving a better deal to all owners within the Association's communities.
- The financial award from the Big Lottery to help towards the construction and running of the Calton Heritage and Learning Centre.
- The 'Learning Works' programme, that offers local people from all Thenue communities a unique 10-week training opportunity to enhance their job prospects.
- Securing energy efficiency grants, to help complete the Association's long-standing promise to tenants and owners in Castlemilk.
- The Investors in People re-accreditation in October.
- The appointment of a new reactive repairs contractor - Mears, who started working with the Association in November 2012.
- The completion of the new 31 unit housing development in Bridgeton, and the subsequent creation of 58 housing opportunities for our people as a result.
- Winner of the 'Social Housing Development of the year' 2012.
- Runner up in the 'Building Successful Communities; award 2013.

However, enthusiasm, commitment, community control and all these achievements must be underpinned by sound financial management, control and prudence. As 2013 approached, so did the proposed introduction of Universal Credit, and in particular, from April 2013, the so called 'Bedroom Tax'. Understanding how this would affect the finances of the Association has therefore contributed greatly to the underlying thinking of 2012/2013. This reinforces the requirement to manage the affairs of the Association carefully, manage risk effectively and continually strive to improve the quality of service provided to its customers.

REPORT OF THE MANAGEMENT COMMITTEE
FOR THE YEAR ENDED 31ST MARCH 2013

Review of Business and Future Developments (Contd.)

During the year overall income increased to over £ 11.75 million (85% of this being rental income). The Association spent over £ 8.8 million maintaining and modernising its properties of which £ 5.4 million was capitalised at the year end and added to the cost of properties on our Balance Sheet. This year's programme included cladding of properties in Holmyre and Bridgeton and the continuation of the Scottish Housing Quality Standard delivery programme. This incorporated the extensive refurbishment of the 1930's tenements in Bridgeton which involved heating, windows, kitchen and bathroom replacement and full re-wires to occupied homes.

The Association's new borrowings have increased the average debt per unit from £9,884 to £10,549. Lost rent due to properties being empty in between tenancies, (voids), rose slightly from 0.7% to 0.88% of rental income. The average cost of completing a repair increased in the year from £104.24 to £120.42 although going forward we would hope that this trend will improve as we begin to see the benefit of the ongoing major repair investment programme. The Association's quest to become more efficient has this year reduced the percentage of turnover spent on staff costs from 24.7% to 20.0%.

Beyond 2012/2013, proposed future developments include the completion of the development at Dunn Street in Bridgeton, the site at Monteith Row, complete with its listed building, the new community wing alongside the Association's office and moving as close to completing as much of the work required to achieve Scottish Housing Quality Standard in all of the Association's properties by March 2015.

Moving into the future requires courage, integrity, good governance and clear strategic direction. Keeping efficiencies on the agenda and minimising exposure to risk, is therefore more important than ever for the Association. The work carried out at Thenue during the past twelve months is again aimed at ensuring that external partners get maximum confidence in their work with the Association and that all the Association's customers get the best deal possible in years to come.

**REPORT OF THE MANAGEMENT COMMITTEE
FOR THE YEAR ENDED 31ST MARCH 2013**

Management Committee and Executive Officers

The members of the Management Committee and the Executive Officers are listed on Page 1.

Each member of the Management Committee holds one fully paid share of £1 in the Association. The Executive Officers hold no interest in the Association's share capital and, although not having the legal status of Directors, they act as Executives within the authority delegated by the Management Committee.

The members of the Management Committee are also Trustees of the Charity. Members of the Management Committee are appointed by the members at the Association's Annual General Meeting.

Statement of Management Committee's Responsibilities

The Industrial and Provident Societies Acts 1965 to 2002 require the Management Committee to prepare Financial Statements for each financial year which give a true and fair view of the state of affairs of the Association and of the surplus or deficit of the Association for that period. In preparing those Financial Statements, the Management Committee is required to:-

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the Financial Statements;
- prepare the Financial Statements on the going concern basis unless it is inappropriate to presume that the Association will continue in business;
- prepare a statement on Internal Financial Control.

The Management Committee is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Association and to enable them to ensure that the Financial Statements comply with the Industrial and Provident Societies Act 1965 to 2002, the Housing (Scotland) Act 2010 and the Determination of Accounting Requirements 2012. They are also responsible for safeguarding the assets of the Association and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities. It is also responsible for ensuring the Association's suppliers are paid promptly.

The Management Committee must in determining how amounts are presented within items in the income and expenditure account and balance sheet, have regard to the substance of the reported transaction or arrangement, in accordance with generally accepted accounting practices.

In so far as the Management Committee are aware:

- There is no relevant audit information (information needed by the Housing Association's auditors in connection with preparing their report) of which the Association's auditors are unaware, and
- The Management Committee have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the Housing Association's auditors are aware of that information.

**REPORT OF THE MANAGEMENT COMMITTEE
FOR THE YEAR ENDED 31ST MARCH 2013**

Statement on Internal Financial Control

The Management Committee acknowledges its ultimate responsibility for ensuring that the Association has in place a system of controls that is appropriate for the business environment in which it operates. These controls are designed to give reasonable assurance with respect to:

- the reliability of financial information used within the Association, or for publication;
- the maintenance of proper accounting records;
- the safeguarding of assets against unauthorised use or disposition.

It is the Management Committee's responsibility to establish and maintain systems of Internal Financial Control. Such systems can only provide reasonable and not absolute assurance against material financial mis-statement or loss. Key elements of the Association's systems include ensuring that:

- formal policies and procedures are in place, including the ongoing documentation of key systems and rules relating to the delegation of authority, which allow the monitoring of controls and restrict the unauthorised use of Association's assets;
- experienced and suitably qualified staff take responsibility for important business functions and annual appraisal procedures have been established to maintain standards of performance;
- forecasts and budgets are prepared which allow the management team and the Management Committee to monitor key business risks, financial objectives and the progress being made towards achieving the financial plans set for the year and for the medium term;
- regular financial management reports are prepared promptly, providing relevant, reliable and up to date financial and other information, with significant variances from budget being investigated as appropriate;
- all significant new initiatives, major commitments and investment projects are subject to formal authorisation procedures, through the Management Committee;
- the Management Committee receive reports from management and from the external and internal auditors to provide reasonable assurance that control procedures are in place and are being followed and that a general review of the major risks facing the Association is undertaken;
- formal procedures have been established for instituting appropriate action to correct any weaknesses identified through internal or external audit reports.

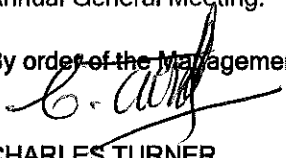
Donations

During the year the Association made charitable donations amounting to £nil (2012 £nil).

Auditors

A resolution to re-appoint the Auditors, Alexander Sloan, Chartered Accountants, will be proposed at the Annual General Meeting.

By order of the Management Committee


CHARLES TURNER
Secretary
13 August 2013

**REPORT BY THE AUDITORS TO THE MANAGEMENT COMMITTEE OF
THENUE HOUSING ASSOCIATION LTD
ON CORPORATE GOVERNANCE MATTERS**

In addition to our audit of the Financial Statements, we have reviewed your statement on Page 5 concerning the Association's compliance with the information required by the section on Internal Financial Control within SFHA's publication "Raising Standards in Housing".

Basis of Opinion

We carried out our review having regard to the requirements relating to corporate governance matters within Bulletin 2006/5 issued by the Auditing Practices Board. The Bulletin does not require us to review the effectiveness of the Association's procedures for ensuring compliance with the guidance notes, nor to investigate the appropriateness of the reasons given for non-compliance.

Opinion

In our opinion the Statement on Internal Financial Control on Page 5 has provided the disclosures required by the section on Internal Financial Control within SFHA's publication "Raising Standards in Housing" and is consistent with the information which came to our attention as a result of our audit work on the Financial Statements.

Through enquiry of certain members of the Management Committee and Officers of the Association, and examination of relevant documents, we have satisfied ourselves that the Management Committee's Statement on Internal Financial Control appropriately reflects the Association's compliance with the information required by the section on Internal Financial Control within SFHA's "Raising Standards in Housing".



ALEXANDER SLOAN
Chartered Accountants

GLASGOW
13 August 2013

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF THENUE HOUSING ASSOCIATION LTD

We have audited the financial statements of Thenue Housing Association Ltd for the year ended 31st March 2013 which comprise an income and expenditure account, balance sheet, cash flow statement and related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the Association's members, as a body, in accordance with Section 9 of the Friendly and Industrial and Provident Societies Act 1968. Our audit work has been undertaken so that we might state to the Association's members those matters we are required to state to them in an auditors' 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 Management Committee and Auditors

As explained more fully in the Statement of Management Committee's Responsibilities the Association's Management Committee, are responsible for the preparation of the Financial Statements that 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 on the Financial Statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Association's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Management Committee; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Management Committee's report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications of our report.

Opinion on the financial statements

In our opinion the Financial Statements:

- give a true and fair view of the state of the Association's affairs as at 31st March 2013 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been properly prepared in accordance with the Industrial and Provident Societies Acts 1965 to 2002, the Housing (Scotland) Act 2010 and the Determination of Accounting Requirements 2012.

In our opinion the exemption granted by the Financial Conduct Authority from the requirement to prepare Group Accounts is applicable as the amounts involved are not material.

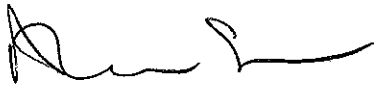
**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
THENUE HOUSING ASSOCIATION LTD**

Matters on which we are required to report by exception

We are required to report to you if, in our opinion:

- the information given in the Management Committee's Report is inconsistent with the financial statements.
- proper books of account have not been kept by the Association in accordance with the requirements of the legislation.
- a satisfactory system of control over transactions has not been maintained by the Association in accordance with the requirements of the legislation.
- the Income and Expenditure Account to which our report relates, and the Balance Sheet are not in agreement with the books of the Association.
- we have not received all the information and explanations necessary for the purposes of our audit.

We have nothing to report in respect of these matters.



ALEXANDER SLOAN
Chartered Accountants
Statutory Auditors
GLASGOW
13 August 2013

THENUE HOUSING ASSOCIATION LTD

INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED 31st MARCH 2013

	Notes	2013 £	Restated 2012 £
TURNOVER	2.	11,750,960	10,105,781
Operating Costs	2.	<u>(9,312,877)</u>	<u>(8,178,306)</u>
OPERATING SURPLUS	9.	2,438,083	1,927,475
Gain On Sale Of Housing Stock	7.	19,848	103,541
Release of Negative Goodwill	21.	27,486	27,486
Interest Receivable and Other Income		12,736	25,375
Interest Payable and Similar Charges	8.	<u>(1,262,013)</u>	<u>(1,014,416)</u>
		<u>(1,201,943)</u>	<u>(858,014)</u>
SURPLUS FOR YEAR		<u>1,236,140</u>	<u>1,069,461</u>

All amounts relate to continuing activities. Historical cost surpluses and deficits are identical to those shown in the accounts.

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

	2013 £	2012 £
Surplus for the financial year	1,236,140	1,069,461
Prior year adjustment	26. <u>1,513,761</u>	<u>833,057</u>
Total gains recognised since last annual report	<u>2,749,901</u>	<u>1,902,518</u>

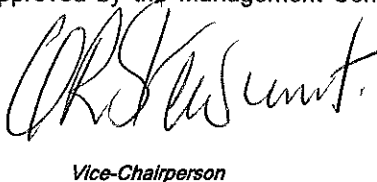
THENUE HOUSING ASSOCIATION LTD

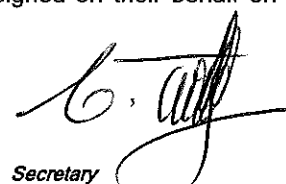
BALANCE SHEET AS AT 31st MARCH 2013

	Notes	2013	Restated
		£	2012
		£	£
TANGIBLE FIXED ASSETS			
Housing Properties - Depreciated Cost	11.(a)	114,468,733	105,813,957
Less: Social Housing Grant	11.(a)	(68,461,761)	(65,995,476)
: Other Public Grants	11.(a)	(2,874,801)	(2,874,801)
		<u>43,132,171</u>	<u>36,943,680</u>
Other fixed assets	11.(b)	3,601,535	3,492,849
		<u>46,733,706</u>	<u>40,436,529</u>
Negative Goodwill	21.	(844,273)	(871,759)
FIXED ASSET INVESTMENTS			
Investment in subsidiaries	20.	100	100
Shared Equity Cost	20.	2,608,260	2,608,260
Shared Equity Grant	20.	(2,608,260)	(2,608,260)
		<u>-</u>	<u>-</u>
CURRENT ASSETS			
Debtors	12.	2,288,681	1,523,093
Cash at bank and in hand		1,211,267	2,289,741
		<u>3,499,948</u>	<u>3,812,834</u>
CREDITORS: Amounts falling due within one year	13.	(4,700,587)	(2,226,982)
(NET CURRENT LIABILITIES)		<u>(1,200,639)</u>	<u>1,585,852</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>44,688,894</u>	<u>41,150,722</u>
CREDITORS: Amounts falling due after more than one year	14.	(29,242,829)	(26,883,588)
PROVISIONS FOR LIABILITIES AND CHARGES			
Furniture & Flooring Replacement	22.	(645,363)	(702,565)
		<u>(645,363)</u>	<u>(702,565)</u>
NET ASSETS		<u>14,800,702</u>	<u>13,564,569</u>
CAPITAL AND RESERVES			
Share Capital	16.	161	168
Designated Reserves	17.(a)	2,406,561	3,816,677
Revenue Reserves	17.(b)	12,393,980	9,747,724
		<u>14,800,702</u>	<u>13,564,569</u>

The Financial Statements were approved by the Management Committee and signed on their behalf on 13 August 2013.


Chairperson


Vice-Chairperson


Secretary

THENUE HOUSING ASSOCIATION LTD

CASH FLOW STATEMENT FOR THE YEAR ENDED
31st MARCH 2013

	Notes	2013 £	2012 £
Net Cash Inflow from Operating Activities	15.	4,319,315	3,633,695
Returns on Investment and Servicing of Finance			
Interest Received		12,736	25,375
Interest Paid		(1,248,515)	(1,026,591)
Net Cash Outflow from Investment and Servicing of Finance		(1,235,779)	(1,001,216)
Capital Expenditure and Financial Investment			
Acquisition and Construction of Properties		(9,648,049)	(11,780,579)
Purchase of Other Fixed Assets		(740,224)	(1,885,563)
Social Housing Grant Received		3,434,625	4,735,398
Social Housing Grant Repaid		-	(41,963)
Other Grants Received		336,580	-
Proceeds on Disposal of Properties		93,113	204,072
Net Cash Outflow from Capital Expenditure and Financial Investment		(6,523,955)	(8,768,635)
Net Cash Outflow before use of Liquid Resources and Financing		(3,440,419)	(6,136,156)
Financing			
Loan Advances Received		2,637,634	7,368,596
Loan Principal Repayments		(275,708)	(237,800)
Share Capital Issued		19	2
Net Cash Inflow from Financing		2,361,945	7,130,798
(Decrease) / Increase in Cash	15.	(1,078,474)	994,642

THENUE HOUSING ASSOCIATION LTD

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2013

NOTES TO THE FINANCIAL STATEMENTS

1 PRINCIPAL ACCOUNTING POLICIES

Basis Of Accounting

The Financial Statements have been prepared in accordance with applicable Accounting Standards, the Statement of Recommended Practice - Accounting by Registered Social Landlords 2010, and on the historical cost basis. They also comply with the Determination of Accounting Requirements 2012. A summary of the more important accounting policies is set out below.

Basis Of Consolidation

The Association has obtained exemption from the Financial Conduct Authority from producing Consolidated Financial Statements as provided by Section 14(2A) of the Friendly and Industrial and Provident Societies Act 1968. The Financial Statements for Thenue Housing Association Limited present information about it as an individual undertaking and not about its Group.

Turnover

Turnover represents rental and service charge income receivable, fees receivable and revenue grants

Retirement Benefits

The Association participates in the Scottish Housing Associations' Defined Benefits Pension Scheme and retirement benefits to employees of the Association are funded by the contributions from all participating employers and employees in the Scheme. Payments are made in accordance with periodic calculations by consulting Actuaries and are based on pension costs applicable across the various participating Associations taken as a whole.

Valuation Of Housing Properties

Housing Properties are stated at cost, less social housing and other public grants and less accumulated depreciation. Housing under construction and Land are not depreciated. The Association depreciates housing properties by major component on a straight line basis over the estimated useful economic lives of each identified component. All components are categorised as Housing Properties within note 11. Impairment reviews are carried out if events or circumstances indicate that the carrying value of the components listed below is higher than the recoverable amount.

<i>Component</i>	<i>Useful Economic Life</i>
Bathroom	30 years
Boiler	15 years
Cladding	20 years
Door	30 years
Heating System	30 years
Kitchens	20 years
Structure	50 years
Windows	30 years
Wiring	30 years

THENUE HOUSING ASSOCIATION LTD

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2013

NOTES TO THE FINANCIAL STATEMENTS (Continued)

1 PRINCIPAL ACCOUNTING POLICIES (Continued.)

Depreciation And Impairment Of Other Fixed Assets

Other Fixed Assets are stated at cost less grant and accumulated depreciation. Land is not depreciated. Depreciation is charged on a straight line basis over the expected economic useful lives of the assets at the following annual rates:-

Office Premises:

- Bathroom	30 years
- Boiler	15 years
- Cladding	20 years
- Door	30 years
- Heating System	30 years
- Kitchens	20 years
- Structure	50 years
- Windows	30 years
- Wiring	30 years
Furniture and Fittings	5 years
Computer Equipment	5 years
Office Equipment	5 years
Commercial Premises	30 - 50 years
Carlton Heritage & Learning Centre	50 years

The carrying value of tangible fixed assets are reviewed for impairment in periods if events or changes in circumstances indicate the carrying value may not be recoverable.

Social Housing Grant And Other Grants In Advance/Arrears

Where developments have been financed wholly or partly by Social Housing Grant or other capital grant, the cost of those developments has been reduced by the amount of the grant receivable. The amount of the grants receivable is shown separately on the Balance Sheet.

Social Housing Grant attributed to individual components is written off to the Income and Expenditure Account when these components are replaced.

Social Housing Grant received in respect of revenue expenditure is credited to the Income and Expenditure Account in the same period as the expenditure to which it relates.

Although Social Housing Grant is treated as a grant for accounting purposes, it may nevertheless become repayable in certain circumstances, such as the disposal of certain assets. The amount repayable would be restricted to the net proceeds of sale.

Sales Of Housing Properties

First tranche Shared Ownership disposals are credited to turnover on completion. The cost of construction of these sales is taken to operating cost. In accordance with the Statement of Recommended Practice, disposals of subsequent tranches are treated as fixed asset disposals with the gain or loss on disposal shown in the Income and Expenditure Account.

Disposals of housing property under the Right to Buy scheme are treated as a fixed asset disposal and any gain and loss on disposal accounted for in the Income and Expenditure Account.

Disposals under shared equity schemes are accounted for in the Income and Expenditure Account. The remaining equity in the property is treated as a fixed asset investment, which is matched with the grant received.

THENUE HOUSING ASSOCIATION LTD

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2013

NOTES TO THE FINANCIAL STATEMENTS (Continued)

1 PRINCIPAL ACCOUNTING POLICIES (Continued.)

Leases/Leased Assets

Costs in respect of operating leases are charged to the Income and Expenditure Account on a straight line basis over the lease term. Assets held under finance leases and hire purchase contracts are capitalised in the Balance Sheet and are depreciated over their useful lives.

Capitalisation Of Development Overheads

Directly attributable development administration costs relating to development activities are capitalised in accordance with the Statement of Recommended Practice.

Development Interest

Interest incurred on financing a development is capitalised up to the date of practical completion of the scheme.

Designated Reserves

The Association has designated part of its reserves to meet its long term obligations.

The Major Repairs Reserve is based on the Association's liability to maintain housing properties in a state of repair which at least maintains their residual values in prices prevailing at the time of acquisition and construction.

Property Development Cost

The proportion of the development cost of shared ownership properties expected to be disposed of as a first tranche sale is held in current assets until it is disposed of. The remaining part of the development cost is treated as a fixed asset. Surpluses made on the disposal of first tranche sales are taken to the Income and Expenditure Account in accordance with the Statement of Recommended Practice.

Property developments that are intended for resale are included in current assets until disposal.

Negative Goodwill

Negative goodwill created through transfer of engagements is written off to the Income and Expenditure account as the non-cash assets acquired are depreciated or sold.

Provisions

The Association receives service charge income from supported accommodation tenants in relation to the costs of furniture and flooring replacement. In accordance with the Statement of Recommended Practice the balance of unspent service charge income relation to furniture and flooring is included as a liability where amounts are repayable or contributions are reduced.

THENUE HOUSING ASSOCIATION LTD

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2013

NOTES TO THE FINANCIAL STATEMENTS (Continued)

2. PARTICULARS OF TURNOVER, COST OF SALES, OPERATING COSTS AND OPERATING SURPLUS

	Notes	2013			2012 - restated		
		Turnover £	Operating Costs £	Operating Surplus / (Deficit) £	Restated Turnover £	Restated Operating Costs £	Operating Surplus / (Deficit) £
Social Lettings	3.	10,303,277	8,464,036	1,839,241	9,514,066	7,514,134	1,999,932
Other Activities	4.	1,447,683	848,841	598,842	591,715	664,172	(72,457)
Total		11,750,960	9,312,877	2,438,083	10,105,781	8,178,306	1,927,475

3. PARTICULARS OF INCOME & EXPENDITURE FROM SOCIAL LETTINGS

	General Needs Housing £	Supported Housing £	Shared ownership £	2013 Total £	2012 Total £
Income from Lettings					
Rent Receivable Net of Identifiable Service Charges	9,293,393	645,053	100,679	10,039,125	9,259,058
Service Charges Receivable	240,777	114,512	781	356,070	320,117
Gross Rents Receivable	9,534,170	759,565	101,460	10,395,195	9,579,175
Less: Rent losses from voids	73,641	18,117	160	91,918	65,109
Net Rents Receivable	9,460,529	741,448	101,300	10,303,277	9,514,066
Revenue Grants from Scottish Ministers	-	-	-	-	-
Revenue Grants From Local Authorities and Other Agencies	-	-	-	-	-
Total Income From Social Letting	9,460,529	741,448	101,300	10,303,277	9,514,066
Expenditure on Social Letting Activities					
Service Costs	219,971	107,226	-	327,197	351,744
Management and maintenance administration costs	2,904,703	147,411	52,075	3,104,189	2,915,681
Reactive Maintenance	1,264,166	92,701	-	1,356,867	1,418,626
Bad Debts - Rents and Service Charges	187,320	-	6,935	194,255	33,436
Planned and Cyclical Maintenance, including Major Repairs	1,996,048	109,074	-	2,105,122	1,298,205
Depreciation of Social Housing	1,323,726	34,774	17,906	1,376,406	1,095,204
Impairment of Housing	-	-	-	-	401,238
Operating Costs of Social Letting	7,895,934	491,186	76,916	8,464,036	7,514,134
Operating Surplus on Social Letting Activities	1,564,595	250,262	24,384	1,839,241	1,999,932
2012	1,838,640	131,578	29,714		

THENUE HOUSING ASSOCIATION LTD

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2013

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4. PARTICULARS OF TURNOVER, OPERATING COSTS AND OPERATING SURPLUS OR DEFICIT FROM OTHER ACTIVITIES

	Grants From Scottish Ministers	Other Revenue Grants	Supporting People Income	Other Income	Total Turnover	Operating Costs Bad Debts	Operating Costs Other	Operating Surplus / (Deficit) 2013	Operating Surplus / (Deficit) 2012
	£	£	£	£	£	£	£	£	£
Wider Role Activities	16,714	62,098	-	-	78,812	-	82,869	(4,057)	(6,392)
Factoring	-	-	-	557,152	557,152	20,061	557,556	(20,465)	(17,148)
Development and construction of property activities	-	-	-	-	-	-	3,975	(3,975)	(68,671)
Support Activities	-	-	91,139	-	91,139	-	113,667	(22,528)	(24,493)
Other Income	-	-	-	70,185	70,185	-	70,713	(528)	44,247
Community Energy Savings Project	-	-	-	650,395	650,395	-	-	650,395	-
Total From Other Activities	16,714	62,098	91,139	1,277,732	1,447,683	20,061	828,780	598,842	(72,457)
2012 - Restated	155,175	52,147	91,139	293,254	591,715	15,223	648,949	(72,457)	

THENUE HOUSING ASSOCIATION LTD

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2013

NOTES TO THE FINANCIAL STATEMENTS (Continued)

5. OFFICERS' EMOLUMENTS

	2013	2012
The Officers are defined in s74 of the Industrial and Provident Societies Act 1965 as the members of the Management Committee, managers or servants of the Association.	£	£

Aggregate Emoluments payable to Officers with Emoluments greater than £60,000 (excluding Pension Contributions)	<u>68,902</u>	<u>79,851</u>
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Pension contributions made on behalf on Officers with emoluments greater than £60,000	<u>14,220</u>	<u>13,732</u>
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Emoluments payable to Chief Executive (excluding pension contributions)	<u>68,902</u>	<u>79,851</u>
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The number of Officers, including the highest paid Officer, who received emoluments (excluding pension contributions) over £60,000 was in the following ranges:-

	Number	Number
£60,001 to £70,000	1	-
£70,001 to £80,000	-	1

In accordance with the Association's cost sharing agreement with its subsidiary, Thenue Housing Services, officers' emoluments of £Nil and employer pension costs of £Nil (2012 - £14,506 and £2,495 respectively) were recharged to Thenue Housing Services.

6. EMPLOYEE INFORMATION

	2013	2012
	No.	No.
The average monthly number of full time equivalent persons employed during the year was	<u>59</u>	<u>63</u>

The average total number of Employees employed during the year was	<u>65</u>	<u>67</u>
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Staff Costs were:	£	£
Wages and Salaries	1,900,317	2,007,437
Social Security Costs	157,806	149,216
Other Pension Costs	294,942	303,434
	<u>2,353,065</u>	<u>2,460,087</u>

THENUE HOUSING ASSOCIATION LTD

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2013

NOTES TO THE FINANCIAL STATEMENTS (Continued)

7. GAIN ON SALE OF HOUSING STOCK

	2013	2012
	£	£
Sales Proceeds	93,113	204,072
Cost of Sales	<u>73,265</u>	<u>100,531</u>
Gain On Sale Of Housing Stock	<u>19,848</u>	<u>103,541</u>

8. INTEREST PAYABLE

	2013	2012
	£	£
On Bank Loans & Overdrafts	1,262,013	1,026,591
Less: Interest Capitalised	-	12,175
	<u>1,262,013</u>	<u>1,014,416</u>

Interest incurred in the development period of housing properties which has been written off to the income and expenditure account amounted to £Nil (2012 £Nil).

9. SURPLUS ON ORDINARY ACTIVITIES BEFORE TAXATION

	2013	2012
	£	£
Surplus on Ordinary Activities before Taxation is stated after charging:-		
Depreciation and Impairment - Tangible Owned Fixed Assets	1,500,712	1,541,611
Auditors' Remuneration - Audit Services	14,982	13,320
Operating Lease Rentals - Land & Buildings	55,078	55,762
Operating Lease Rentals - Other	<u>17,360</u>	<u>14,313</u>

10. TAX ON SURPLUS ON ORDINARY ACTIVITIES

The Association is a Registered Scottish Charity and is not liable to United Kingdom Corporation Tax on its charitable activities.

THENUE HOUSING ASSOCIATION LTD

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2013

NOTES TO THE FINANCIAL STATEMENTS (Continued)

11. TANGIBLE FIXED ASSETS

a) Housing Properties	Housing Properties Held for Letting £	Housing Properties In course of Construction £	Completed Shared Ownership Properties £	Total £
COST				
As at 1st April 2012	102,598,552	9,671,973	1,310,772	113,581,297
Additions	5,489,557	4,668,636	-	10,158,193
Disposals	(659,343)	-	(9,479)	(668,822)
Schemes Completed	11,606,236	(11,606,236)	-	-
As at 31st March 2013	119,035,002	2,734,373	1,301,293	123,070,668
DEPRECIATION				
As at 1st April 2012	7,571,115	-	196,225	7,767,340
Charge for Year	1,358,501	-	17,906	1,376,407
Disposals	(541,812)	-	-	(541,812)
As at 31st March 2013	8,387,804	-	214,131	8,601,935
SOCIAL HOUSING GRANT				
As at 1st April 2012	58,681,678	6,947,926	365,872	65,995,476
Additions	95,402	2,461,187	-	2,556,589
Disposals	(90,304)	-	-	(90,304)
Schemes Completed	7,566,334	(7,566,334)	-	-
As at 31st March 2013	66,253,110	1,842,779	365,872	68,461,761
OTHER CAPITAL GRANTS				
As at 1st April 2012	2,624,801	250,000	-	2,874,801
As at 31st March 2013	2,624,801	250,000	-	2,874,801
NET BOOK VALUE				
As at 31st March 2013	41,769,287	641,594	721,290	43,132,171
As at 31st March 2012	33,720,958	2,474,047	748,675	36,943,680

Additions to housing properties includes capitalised development administration costs of £74,565 (2012 - £121,122) and capitalised major repair costs to existing properties of £5,390,120 (2012 £3,807,018).

All land and housing properties are freehold.

THENUE HOUSING ASSOCIATION LTD

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2013

NOTES TO THE FINANCIAL STATEMENTS (Continued)

11. TANGIBLE FIXED ASSETS (Continued)

b) Other Tangible Assets

	Commercial Property £	Accom Furnishings £	Office Premises & Equipment £	Furniture & Equipment £	Carlton Heritage & Learning Centre * £	Total £
COST						
As at 1st April 2012	246,602	2,537	3,656,663	1,019,390	-	4,925,192
Additions	30,295	-	38,887	167,693	503,349	740,224
Eliminated on Disposals	-	-	(370,299)	-	-	(370,299)
As at 31st March 2013	<u>276,897</u>	<u>2,537</u>	<u>3,325,251</u>	<u>1,187,083</u>	<u>503,349</u>	<u>5,295,117</u>
GRANTS RECEIVED						
As at 1st April 2012	-	-	-	-	-	-
Received in year	-	-	-	27,308	479,925	507,233
As at 31st March 2013	-	-	-	<u>27,308</u>	<u>479,925</u>	<u>507,233</u>
AGGREGATE DEPRECIATION						
As at 1st April 2012	12,572	2,537	450,093	967,141	-	1,432,343
Charge for year	6,630	-	69,539	48,136	-	124,305
Eliminated on disposal	-	-	(370,299)	-	-	(370,299)
As at 31st March 2013	<u>19,202</u>	<u>2,537</u>	<u>149,333</u>	<u>1,015,277</u>	<u>-</u>	<u>1,186,349</u>
NET BOOK VALUE						
As at 31st March 2013	<u>257,695</u>	<u>-</u>	<u>3,175,918</u>	<u>144,498</u>	<u>23,424</u>	<u>3,601,535</u>
As at 31st March 2012	<u>234,030</u>	<u>-</u>	<u>3,206,570</u>	<u>52,249</u>	<u>-</u>	<u>3,492,849</u>

* The asset was under construction at the year end.

The Carlton Heritage & Learning Centre is funded by capital grants received from the Big Lottery Grant Fund and Glasgow City Council.

THENUE HOUSING ASSOCIATION LTD

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2013

NOTES TO THE FINANCIAL STATEMENTS (Continued)

12. DEBTORS

	2013	2012
	£	£
Arrears of Rent & Service Charges	559,774	502,423
Less: Provision for Doubtful Debts	(266,638)	(207,783)
	<u>293,136</u>	<u>294,640</u>
Social Housing Grant Receivable	913,733	738,769
Other Debtors	1,076,741	486,795
Amounts Due from Group Undertakings	5,071	2,889
	<u>2,288,681</u>	<u>1,523,093</u>

13. CREDITORS: Amounts falling due within one year

	2013	2012
	£	£
Housing Loans	251,899	249,214
Trade Creditors	1,654,576	914,129
Rent in Advance	513,155	414,822
Social Housing Grant in Advance	37,159	10,104
Other Taxation and Social Security	74,752	53,247
Consultants & Contractors	897,367	387,223
Other Creditors	61,295	43,594
Accruals and Deferred Income	1,210,384	154,649
	<u>4,700,587</u>	<u>2,226,982</u>

At the balance sheet date there were pension contributions outstanding of £Nil (2012 £Nil)

14. CREDITORS: Amounts falling due after more than one year

	2013	2012
	£	£
Housing Loans	<u>29,242,829</u>	<u>26,883,588</u>

Housing Loans are secured by specific charges on the Association's housing properties and are repayable at varying rates of interest in instalments, due as follows:-

Within one year	251,899	249,214
Between one and two years	258,711	254,818
Between two and five years	1,351,276	1,351,788
In five years or more	27,632,842	25,276,982
	<u>29,494,728</u>	<u>27,132,802</u>
Less: Amount shown in Current Liabilities	251,899	249,214
	<u>29,242,829</u>	<u>26,883,588</u>

THENUE HOUSING ASSOCIATION LTD

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2013

NOTES TO THE FINANCIAL STATEMENTS (Continued)

15. CASH FLOW STATEMENT

<i>Reconciliation of operating surplus to net cash inflow from operating activities</i>	2013 £	2012 £
Operating Surplus	2,438,083	1,927,475
Depreciation	1,500,712	1,541,611
Change in Provisions for liabilities and charges	(57,202)	(32,909)
Change in Debtors	(419,971)	6,584
Change in Creditors	857,719	190,953
Share Capital Written Off	(26)	(19)
Net Cash Inflow from Operating Activities	<u>4,319,315</u>	<u>3,633,695</u>

<i>Reconciliation of net cash flow to movement in net debt</i>	2013 £	£	2012 £	£
(Decrease) / Increase in Cash	(1,078,474)		994,642	
Cash flow from change in debt	<u>(2,361,926)</u>		<u>(7,130,796)</u>	
Movement in net debt during year		(3,440,400)		(6,136,154)
Net debt at 1st April 2012		<u>(24,843,061)</u>		<u>(18,706,907)</u>
Net debt at 31st March 2013		<u>(28,283,461)</u>		<u>(24,843,061)</u>

<i>Analysis of changes in net debt</i>	At 01.04.12 £	Cash Flows £	Other Changes £	At 31.03.13 £
Cash at bank and in hand	<u>2,289,741</u>	<u>(1,078,474)</u>		<u>1,211,267</u>
	2,289,741	(1,078,474)		1,211,267
Debt: Due within one year	(249,214)	275,708	(278,393)	(251,899)
Due after more than one year	<u>(26,883,588)</u>	<u>(2,637,634)</u>	<u>278,393</u>	<u>(29,242,829)</u>
Net Debt	<u>(24,843,061)</u>	<u>(3,440,400)</u>	<u>-</u>	<u>(28,283,461)</u>

THENUE HOUSING ASSOCIATION LTD

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2013

NOTES TO THE FINANCIAL STATEMENTS (Continued)

16. SHARE CAPITAL

Shares of £1 each Issued and Fully Paid	£
At 1st April 2012	168
Issued in year	19
Cancelled in year	(26)
At 31st March 2013	<u>161</u>

Each member of the Association holds one share of £1 in the Association. These shares carry no rights to dividend or distributions on a winding up. When a shareholder ceases to be a member, that person's share is cancelled and the amount paid thereon becomes the property of the Association. Each member has a right to vote at members' meetings.

17. RESERVES

(a) Designated Reserves	Major	Total
	Repairs	£
At 1st April 2012	£ 3,816,677	3,816,677
Transfer to / (from) Revenue Reserves	(1,410,116)	(1,410,116)
At 31st March 2013	<u>2,406,561</u>	<u>2,406,561</u>

(b) Revenue Reserves	Total
	£
At 1st April 2012 (As restated)	9,747,724
Surplus for the year	1,236,140
Transfer (to) / from Designated Reserves	1,410,116
At 31st March 2013	<u>12,393,980</u>

18. HOUSING STOCK

The number of units of accommodation in management at the year end was:-	2013	2012
	No.	No.
General Needs	2,541	2,488
Shared Ownership	66	68
Supported Housing	189	189
	<u>2,796</u>	<u>2,745</u>

THENUE HOUSING ASSOCIATION LTD

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2013

NOTES TO THE FINANCIAL STATEMENTS (Continued)

19. RELATED PARTY TRANSACTIONS

Members of the Management Committee are related parties of the Association as defined by Financial Reporting Standard 8.

The related party relationships of the members of the Management Committee is summarised as follows:

- 6 members are tenants of the Association
- 2 members are factored owners

Those members that are tenants of the Association have tenancies that are on the Association's normal tenancy terms and they cannot use their positions to their advantage.

Governing Body Members cannot use their position to their advantage. Any transactions between the Association and any entity with which a Governing Body Member has a connection with is made at arm's length and is under normal commercial terms.

20. FIXED ASSET INVESTMENT

	2013 £	2012 £
Shared Equity Properties		
Development Cost of Shared Equity Property	2,608,260	2,608,260
Less: Grants Receivable	2,608,260	2,608,260
	<u>-</u>	<u>-</u>
Investments in Subsidiaries		
As at 31st March 2013 & 31st March 2012	<u>100</u>	<u>100</u>

In the opinion of the Management Committee the aggregate value of the assets of the subsidiary is not less than the aggregate of the amounts at which those assets are stated in the Association's balance sheet.

The Association has a 100% owned subsidiary Thenue Housing Services. The relationship between the Association and its subsidiary is set out in an independence agreement between both parties.

The following transactions took place between the entities during the year: The Association incurred costs on behalf of its subsidiary Thenue Housing Services Limited of £5,774 (2012 - £39,167). These costs have been recharged to Thenue Housing Services Limited. At the year end the amount owing by Thenue Housing Services Limited to the Association was £5,071 (2012-£2,889)

The aggregate amount of capital and reserves and the results of Thenue Housing Services for the year ended 31st March 2013 were as follows:

	2013 £	2012 £
Capital & Reserves	<u>49,346</u>	<u>49,095</u>
Profit for the year	<u>251</u>	<u>1,989</u>

THENUE HOUSING ASSOCIATION LTD

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2013

NOTES TO THE FINANCIAL STATEMENTS (Continued)

21. NEGATIVE GOODWILL

	2013
	£
Balance as at 1st April 2012 - restated	871,759
Release during the year	(27,486)
	<u>844,273</u>
As at 31st March 2013	<u>844,273</u>

22. PROVISIONS FOR LIABILITIES AND CHARGES

<i>Furniture & Flooring Replacement</i>	2013	2012
	£	£
Balance as at 1st April 2012	702,565	735,474
Decrease in Provision	(57,202)	(32,909)
	<u>645,363</u>	<u>702,565</u>
Balance as at 31st March 2013	<u>645,363</u>	<u>702,565</u>

23. CAPITAL COMMITMENTS

	2013	2012
	£	£
Capital Expenditure that has been contracted for but has not been provided for in the Financial Statements	<u>2,332,000</u>	<u>5,228,000</u>

The above commitments will be financed by a mixture of public grant, private finance and the Association's own resources.

24. COMMITMENTS UNDER OPERATING LEASES

At the year end, the annual commitments under operating leases were as follows:-	2013	2012
	£	£
Land and Buildings		
Expiring within one year	-	16,275
Expiring between two and five years	28,589	31,287
Expiring in over five years	26,489	7,516
Other		
Expiring within one year	5,177	14,121
Expiring between two and five years	6,060	3,237
Expiring in over five years	<u>17,360</u>	<u>-</u>

25. RETIREMENT BENEFIT OBLIGATIONS

General

Thenue Housing Association Ltd participates in the Scottish Housing Association Pension Scheme (the scheme).

The Scheme is a multi-employer defined benefit scheme. The Scheme is funded and is contracted out of the state scheme.

The Scheme offers five benefit structures to employers, namely:

- Final salary with a 1/60th accrual rate.
- Career average revalued earnings with a 1/60th accrual rate
- Career average revalued earnings with a 1/70th accrual rate
- Career average revalued earnings with a 1/80th accrual rate
- Career average revalued earnings with a 1/120th accrual rate, contracted in

An employer can elect to operate different benefit structures for their active members (as at the first day of April in any given year) and their new entrants. An employer can only operate one open benefit structure at any one time. An open benefit structure is one which new entrants are able to join.

Thenue Housing Association has elected to operate the final salary with a 1/60th accrual rate benefit structure for active members as at 31st March 2010 and the career average revalued earnings with a 1/70th accrual rate benefit structure for new entrants from 1st April 2010.

The Trustee commissions an actuarial valuation of the Scheme every three years. The main purpose of the valuation is to determine the financial position of the Scheme in order to determine the level of future contributions required, so that the Scheme can meet its pension obligations as they fall due.

The actuarial valuation assesses whether the Scheme's assets at the valuation date are likely to be sufficient to pay the pension benefits accrued by members as at the valuation date. Asset values are calculated by reference to market values. Accrued pension benefits are valued by discounting expected future benefit payments using a discount rate calculated by reference to the expected future investment returns.

During the accounting period Thenue Housing Association Limited paid contributions at the rate of 7.4% to 9.6 % of pensionable salaries. Member contributions were 7.5% to 9.6 %.

As at the balance sheet date there were 42 active members of the Scheme employed by Thenue Housing Association Ltd. The annual pensionable payroll in respect of these members was £1,290,598. Thenue Housing Association Ltd continues to offer membership of the Scheme to its employees.

It is not possible in the normal course of events to identify the share of underlying assets and liabilities belonging to individual participating employers as the scheme is a multi-employer arrangement where the assets are co-mingled for investment purposes, benefits are paid from the total scheme assets, and the contribution rate for all employers is set by reference to the overall financial position of the scheme rather than by reference to individual employer experience. Accordingly, due to the nature of the Scheme, the accounting charge for the period under FRS17 represents the employer contribution payable.

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2013

NOTES TO THE FINANCIAL STATEMENTS (Continued)

25. RETIREMENT BENEFIT OBLIGATIONS (Continued)

The last formal valuation of the Scheme was performed as at 30th September 2012 by a professionally qualified actuary using the Projected Unit Credit method. The market value of the Scheme's assets at the valuation date was £394m. The valuation revealed a shortfall of assets compared with the value of liabilities of £304m (equivalent to a past service funding level of 56.4%).

Financial Assumptions

The financial assumptions underlying the valuation as at 30th September 2012 were as follows:

	% p.a.
- Investment return pre-retirement	5.3
- Investment return post-retirement - non pensioners	3.4
- Investment return post-retirement - pensioners	3.4
- Rate of Salary increases	4.1
- Rate of price inflation:	
RPI	2.6
CPI	2.0

The valuation was carried out using the SAPS (S1PA) All pensioners Year of Birth Long Cohort with 1% p.a. minimum improvement for non-pensioners and pensioners.

THENUE HOUSING ASSOCIATION LTD

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2013

NOTES TO THE FINANCIAL STATEMENTS (Continued)

25. RETIREMENT BENEFIT OBLIGATIONS (Continued)

Valuation Results

The long-term joint contribution rates required from employers and members to meet the cost of future benefit accrual were assessed as:

<i>Benefit Structure</i>	<i>Long-term joint contribution rate (% of pensionable)</i>
Final salary - 60ths	24.6
Career average 60ths	22.4
Career average 70ths	19.2
Career average 80ths	16.9
Career average 120ths	11.4

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 trustees have recently supplied Thenue Housing Association Limited with an updated contribution figure to the past service deficit. From 1 April 2014 Thenue Housing Association Limited will be required to pay £480,869 per annum as a contribution to the past service deficit. This represents an increase of 167% in Thenue Housing Association Limited's contribution to the past service deficit.

As a result of Pension Scheme legislation there is a potential debt on the employer that could be levied by the Trustee of the Scheme. The debt is due in the event of the employer ceasing to participate in the Scheme or the Scheme winding up.

The debt for the Scheme as a whole is calculated by comparing the liabilities for the Scheme (calculated on a buyout basis i.e. the cost of securing benefits by purchasing annuity policies from an insurer, plus an allowance for expenses) with the assets of the Scheme. 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 Scheme's liability attributable to employment with the leaving employer compared to the total amount of the Scheme'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 Scheme liabilities, Scheme 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.

THENUE HOUSING ASSOCIATION LTD

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2013

NOTES TO THE FINANCIAL STATEMENTS (Continued)

25. RETIREMENT BENEFIT OBLIGATIONS

Growth Plan

Thenue Housing Association Limited participates in the Pension 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 Growth Plan up to and including September 2001 were converted to defined amounts of pension payable from Normal Retirement Date. From October 2001 contributions were invested in personal funds which have a capital guarantee and which are converted to pension on retirement, either within the Growth Plan or by the purchase of an annuity.

The rules of the 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.

The Trustee commissions an actuarial valuation of the Growth Plan every 3 years. The purpose of the actuarial valuation is to determine the financial position of the Plan by comparing the assets with the past service liabilities as at the valuation date. Asset values are calculated by reference to market levels. Accrued past service liabilities are valued by discounting expected future benefit payments using a discount rate calculated by reference to the expected future investment returns.

The rules of the Plan 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/investments credits are not guaranteed and are declared at the discretion of the Plan's Trustee.

If the actuarial valuation reveals a deficit, the Trustee will agree a recovery plan to eliminate the deficit over a specified period of time either by way of additional contributions from employers, investment returns or a combination of these.

The rules of the Growth Plan state that the proportion of obligatory contributions to be borne by the Member and the Member's Employer shall be determined by way of 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.

Thenue Housing Association Limited paid contributions at a rate of nil% during the accounting period. Members paid contributions at a rate of 3% during the accounting period.

As at the Balance Sheet date there were 2 active members of the Plan employed by Thenue Housing Association Limited. Thenue 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.

THENUE HOUSING ASSOCIATION LTD

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2013

NOTES TO THE FINANCIAL STATEMENTS (Continued)

25. RETIREMENT BENEFIT OBLIGATIONS

Growth Plan (Contd.)

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 Scheme'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 past service funding level of 84%.

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

Financial Assumptions

The financial assumptions underlying the valuation as at 30th September 2012 were as follows:

	% p.a.
-Rate of return pre retirement	4.9
-Rate of return post retirement - Active/Deferred	4.6
-Rate of return post retirement - Pensioners	4.8
-Bonuses on accrued benefits	0
-Rate of price inflation	2.9
-Consumer Prices Index	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.

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

THENUE HOUSING ASSOCIATION LTD

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2013

NOTES TO THE FINANCIAL STATEMENTS (Continued)

25. RETIREMENT BENEFIT OBLIGATIONS

Growth Plan (Continued)

The debt for the Plan as a whole is calculated by comparing the liabilities for the Plan (calculated on a buy-out basis i.e. the cost of securing benefits by purchasing annuity policies from an insurer, plus an allowance for expenses) with the assets of the Plan. If the liabilities exceed assets there is a buy-out debt.

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

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

Owing to this situation, we have included 2 figures/calculations, namely:

- The cost of withdrawal if we include Series 3 liabilities in the calculation
- The cost of withdrawal if we exclude Series 3 liabilities from the calculation

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

Thenue Housing Association Limited has been notified by The Pensions Trust of the estimated employer debt on withdrawal from the SHAPS Scheme based on the financial position of the Scheme as at 30 September 2012. As of this date the estimated employer debt for Thenue Housing Association Limited was £30,337.

THENUE HOUSING ASSOCIATION LTD

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2013

NOTES TO THE FINANCIAL STATEMENTS (Continued)

26. PRIOR YEAR ADJUSTMENT

During the year, the Association revised its accounting policy for negative goodwill to adopt the requirements of the Statement of Recommended Practice (SORP) 2010 in relation to negative goodwill arising from non exchange transactions.

It was identified that the transfer of properties from Bridgeton and Dalmarnock Housing Association was a non exchange transaction and that under the SORP, a prior year adjustment should be processed to release the goodwill to the Income and Expenditure Account. In the financial statements for the previous year, negative goodwill relating to Bridgeton & Dalmarnock Housing Association of £1,513,761 was reported in the Association's Balance Sheet and £38,814 had been released to the Income and Expenditure account in the year.

The figures in the 2012 Financial Statements were adjusted as follows:

	Reported in 2012 accounts £	Restated 2012 figures £	Value of restatement £
Balance Sheet			
Negative goodwill	2,385,520	871,759	(1,513,761)
Revenue reserves	8,233,963	9,747,724	1,513,761
Income and Expenditure Account			
Release of negative goodwill	66,300	27,486	(38,814)

The comparative figures have also been restated to reflect a revision in accounting policy relating to the Association's recharges to Factored owners in accordance with the requirements of FRS 5. Previously the amounts recharged were netted-off the repairs and maintenance figures in Note 3, however under the new accounting policy the income and expenditure is shown gross through the factoring line in Note 4.

The change in accounting policy has had a £nil effect on the Association's reserves. The only impact of the restatement is to increase both the comparative turnover and operating cost figures shown in Note 4, each by £145,360. The restatement has a neutral effect on the comparative figures of Note 3 and the surplus/deficit comparative figures in Note 4.