

Grampian Housing Association Limited

**Report of the Board of Management and
Financial Statements
31 March 2006**

Registration Particulars:

Financial Services Authority

Housing (Scotland) Act 2001
Registered Number 1769 R (S)

Communities Scotland

Industrial and Provident Societies Act 1965
Registered Number HAL 120 AL

GRAMPIAN HOUSING ASSOCIATION LIMITED

REPORT OF THE BOARD OF MANAGEMENT AND FINANCIAL STATEMENTS

For the year ended 31 March 2006

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GRAMPIAN HOUSING ASSOCIATION LIMITED

BOARD OF MANAGEMENT, EXECUTIVES AND ADVISERS

For the year ended 31 March 2006

The Board of Management and Executive Officer

The Board of Management and the Executive Officer who held office during the year (and their dates of appointment or resignation where appropriate) together with the interests of the board members at the year end in the share capital of the Association at 31 March 2006 and 2005 (or date of appointment if later) follow:

<i>Board members</i>	Number 2006	Number 2005
David Young (Chair)	1	1
Graham Morrison	1	1
Berit Jarvis* (Vice Chair)	1	1
John Fraser*	1	1
Steve Delaney	1	1
Hugh Munro	1	1
Richard Robertson	1	1
William McKimmie	1	1
Sophy Copland	1	1
Dr Leela Gautam	1	1
Keith Harrison	1	1
George Ross (Appointed 22 September 2005)	1	-
Rae Munro (Appointed 22 September 2005)	1	-

Members filling casual vacancies

James Blair	1	-
Linda Gorn (Co-opted)	-	-
Anne Robertson (Co-opted)	-	-
John Stewart (Co-opted)	-	-

*Customer board member

Executive officer

Alan J Moat (Chief Executive/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 Holdings Limited, formerly Kirkgate (Homes) Limited, (a subsidiary of Grampian Housing Association Limited) and have the following interests in the share capital at 31 March 2006 and 2005 (or date of appointment if later):

	Number 2006	Number 2005
Berit Jarvis	1	1
David Young	1	1
John Fraser	1	1
William McKimmie	1	1
Graham Morrison	1	1
Hugh Munro	1	1
George Ross	1	-

The following were members of Kirkgate Holdings Limited Board only:

Walter W Murray (Chairman)	1	1
George Cruickshank	1	1
Ian McAdam	1	1

GRAMPIAN HOUSING ASSOCIATION LIMITED

BOARD OF MANAGEMENT, EXECUTIVES AND ADVISERS

For the year ended 31 March 2006

Registered Office:

Huntly House
74 Huntly Street
Aberdeen
AB10 1TD

Auditors:

Baker Tilly
23 Queen Street
Edinburgh
EH2 1JX

Bankers:

The Royal Bank of Scotland plc
12 Golden Square
Aberdeen
AB10 1DU

Bank of Scotland
38 Albyn Place
Aberdeen
AB10 1ZS

THFC (Social Housing Finance) Limited
4th Floor
107 Cannon Street
London
EC4N 5AF

Dunfermline Building Society
Caledonia House
Carnegie Avenue
Dunfermline
KY11 8PJ

Solicitors:

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

GRAMPIAN HOUSING ASSOCIATION LIMITED

REPORT OF THE BOARD OF MANAGEMENT

For the year ended 31 March 2006

The Board of Management present their report and audited financial statements for the year ended 31 March 2006.

Principal activities

The principal activity of Grampian Housing Association is to provide and manage quality 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. It provides accommodation for the homeless through its lead tenancies and it has a special and expanding 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 services for other Registered Social Landlords (RSLs) in the Grampian and Moray areas. Factoring services are provided for a wide range of homes. The Association also has developing relationships with other agencies including NHS Grampian and the Church of Scotland.

Housing stock

During the year the Association completed a large number of new rental properties, totalling 119 units. 34 new units were completed at Sycamore Place, Hill of Banchory; 13 were at Don Place, Woodside, 3 were at Dean Court, Kinnmudy Avenue, Westhill, 14 were at Charleston Drive, Cove, 18 were at College Street Aberdeen, 8 at Walker Road Torry, 25 at Brickfield Court, Stonehaven and 4 at Louisville, Forres. In addition the Association also acquired 22 units in Moray from the Defence Housing Executive, which comprised 15 units at Califer Road, Forres and 7 at Pinefield Crescent, Elgin. In total therefore 141 ownership units for rental were added. No new shared ownership properties were completed during the year.

Also during the year 8 homes passed from the Association's ownership as tenants exercised their Right to Buy. In addition 37 shared ownership properties were lost through sharing owners exercising their right to staircase to 100% ownership. Also 2 properties were added to the Association's portfolio under the Mortgage to Rent scheme, and 7 properties which were previously managed were transferred into ownership.

At the year-end the Association had 2,207 rental properties, and 498 shared ownership properties in management. It also currently leases 71 properties to Aberdeen Foyer and provides factoring services for approximately 500 other homes in the Grampian area.

Development

The Association's growth has continued through its substantial ongoing development programme. At the year-end there were 894 property units either under development, or being considered for future development. The span of operations spreads throughout Aberdeen City, Aberdeenshire and Moray. These units were being developed for the Association itself or under partnership agreements with Aberdeen Housing Partnership, Margaret Blackwood Housing Association, Moray Housing Partnership and Grampian Community Care Charitable Trust. Also included are future developments, which are under consideration for the Devanha volume procurement partnership initiative. Capital commitments of £6,205,000 were authorised and contracted for in the immediate future.

The Association's capital investment on housing properties for the year ended 31 March 2006 was £9,159,000. This was funded in part by way of Housing Association Grant (HAG) funding from Communities Scotland, which amounted to £5,106,000, and other grants amounting to £239,000. The remainder was funded from the Association's own resources, which included £2,017,000 of sales proceeds from new sharing owners and Right to Buy sales, from which capital grants (HAG) of £873,000 were repaid.

GRAMPIAN HOUSING ASSOCIATION LIMITED

REPORT OF THE BOARD OF MANAGEMENT

For the year ended 31 March 2006

Income and Expenditure

The Association had a turnover of £8,040,000, an increase of 12% on the previous year's £7,150,000. On this turnover it showed a surplus before tax of £424,000, compared with a surplus of £337,000 in 2005. Within the reported surplus figure it should be further noted that the Association had a surplus on disposal of housing assets of £821,000, which compared to the previous year's figure of £929,000. However, repair costs were at a record level of £3,237,000, which represented 48% of the total operating costs, and this was an increase of £335,000 or 12% when compared to the previous year's figure. Significant expenditures were incurred in the former Burnsfield and the LSVT housing stock areas (ex. Scottish Homes), where extensive programmes of window and door replacements were completed, as well as re-roofing and roughcast replacements. A further refurbishment was carried out at Nigg Kirk Road to Block 12, which included upgrades of the common stairs, replacements of the roughcast and re-roofing for the flat roof. The overwhelming feedback from tenants was favourable, and further block refurbishments are planned in this scheme for the forthcoming year. The Association plans to continue with its high level of maintenance and planned upgrade programmes. Net interest charges increased to £1,627,000 from £1,538,000. The slight net increase is partly attributable to the introduction of improved working capital controls. It should be noted that the Association operates within a stable finance environment with a high proportion of fixed interest rates.

Balance Sheet

At the year end the housing properties amounted to £115,060,000 (an increase of £7,378,000) and after allowing for depreciation and HAG these have a net book value of £37,127,000. For information, it should be noted that the last valuation of the housing stock was carried out on 31 March 2004, by the external valuer DTZ Peda Consulting, on an Existing Use Valuation, Social Housing basis (EUV-SH), which then valued the housing stock at £49,012,000. Since then, after shared ownership disposals and RTBs, the net housing units have increased overall by 101 units. The other tangible fixed assets increased, on a cost net book value basis from £2,796,000 to £2,945,000. Most of this increase was attributable to the College Street Development for Aberdeen Foyer.

The current assets stock of housing buybacks has increased slightly from £211,000 to £268,000. While the net Work in Progress has increased from £15,000 to £1,099,000, which refers to the development of assets under construction on behalf of other Housing Associations and the Devanha partners.

Total debtors have decreased from £1,901,000 to £1,403,000, which is mainly due to a much lower amount of Housing Association Grant (HAG) being due from Communities Scotland at the year end. The short term loan to the subsidiary undertaking (Kirkgate Holdings Ltd.), is attributable to the development funding for the NHS Oldmeldrum medical facility. The cash at bank and in hand at £1,563,000 reduced slightly by £17,000 at the year end.

Short-term Creditors show only a small overall movement, with an increase from £3,972,000 to £4,147,000. With regard to long-term creditors the loans have increased from £30,196,000 to £33,477,000. This results from increased bank borrowings, made during the year, to finance the increased completions of housing asset stocks.

Reserves

At the year end the Revenue reserves have increased from £482,000 to £545,000. Looking ahead these reserves will cover a minimum of three months of working capital funding for salaries and office overheads, although the Royal Bank of Scotland facility agreement, which is under utilised, allows cash draw-downs at relatively short notice. In addition, late cash receipts of HAG from Communities Scotland can also influence the working capital position just before the year-end.

Designated reserves are resources internally generated from operations, which have been set aside to provide for planned cyclical repairs. A net amount of £287,000 was transferred into designated reserves, which now stand at £4,234,000. These reserves are based on the Association's obligation to maintain its housing properties in a satisfactory state of repair, and the amount set aside will cover the next two years of planned cyclical works.

GRAMPIAN HOUSING ASSOCIATION LIMITED

REPORT OF THE BOARD OF MANAGEMENT

For the year ended 31 March 2006

Reserves (*continued*)

The Association has also submitted its long-term repair programme to Communities Scotland to comply with the Scottish Housing Quality Standard (SHQS), and the Regulator's response is currently awaited.

The Capital reserve has decreased from £2,040,000 to £2,007,000, which is due to property sales. In summary, the Revenue reserves and Designated reserves have increased from £4,429,000 to £4,779,000, which represents an increase of £350,000.

Staffing

Staff numbers decreased for full time equivalent persons from 70 to 67, primarily because Solstice are now operating independently, while there are increases in Corporate Services (2 support workers grant funded) and Housing (1).

Wider Action and Customer Participation

Continued progress has been made during the year on Wider Action and Customer Consultation. Wider action highlights include the employment of two support workers who are engaged in the Assist Project, in conjunction with Tenants First Housing Co-operative and with grant support from Communities Scotland. The Assist Project is a housing support programme that helps tenants to address issues by providing free confidential support advice in such areas as family problems, benefit issues, rent arrears and health and substance misuse problems.

The Association's Financial Inclusion Project also continues to make a real difference to many of the tenants who are referred to the service. To make the service seem more stand-alone it has been re-branded as SMART (Safe Money Advice Regarding Tenancies). The number of referrals continues to grow, with a live caseload of over 100 clients, and there have been big successes in terms of benefit and charitable payments accessed. Services are offered to Castlehill HA, Tenants First and to Aberdeen Foyer tenants, as well as our own. The long awaited Savings & Loans scheme, with the Royal Bank of Scotland, is now being finalised and will be launched in the near future. In that regard the Association's board has approved a £25,000 guarantee fund with the bank in respect of the scheme, which was deposited after the year-end. The project has been successful in accessing money from the Community Regeneration Fund to fund a second Money Advice worker, who will deliver further services in the new financial year, through the Learning Houses project.

Our other key major projects under wider role continue to grow and flourish. The main work on 'Opportunity Gateway' is to monitor the success of Learning Houses and trying to set up financial education. Solstice has been building on its success in attracting grant funding and the horticultural nursery is now well established at its new home in Banchory Devenick. The social firm was delighted that its official opening, on 17 October 2005, was performed by HRH The Princess Royal. The Moray Against Poverty group got off to a slow start, but is now beginning to bed down as the new manager starts to make progress towards capacity building and information and advice sessions. Still in Moray, work is underway in connection with the Moray Superchannel to establish an Internet TV channel for Moray. The preparatory work for the Furniture Initiative is now complete, and once grant approval has been obtained it will go 'live'. We have also been active in supporting MeAL, which offers support for ethnic minorities. This work has mainly taken the form of guiding the consultant in developing social enterprise opportunities. Finally, Street Football Aberdeen and Street Football Aberdeenshire are both unfolding nicely, with their own staff member having now been appointed for Aberdeen.

A special focus continues to be placed on working in Torry. This takes the form of supporting improvements in childcare under the Torry Childcare Employment and Training Initiative, support to the Torry Youth Café and work on the Special Assistance project. This was designed to provide professional counselling for unemployed people, who have significant barriers to overcome, which inhibits them from entering the work place.

Work around Customer Participation has perhaps not been as vigorous as was the case last year. The Customer Panel continues to operate effectively, and further efforts have been made to engage with tenants and residents in Heathryfold. These have been taken forward by the Housing Officer and efforts continue in Peterhead to engage

GRAMPIAN HOUSING ASSOCIATION LIMITED

REPORT OF THE BOARD OF MANAGEMENT

For the year ended 31 March 2006

with the community around issues concerning the behaviour of young people. One highlight of the year was the Customer Conference, which was well received by staff and customers alike despite the relatively low attendance.

Wider Action and Customer Participation *(continued)*

The aim now is to renew our efforts in this important area of our service delivery and to re-think our Participation Strategy as part of our work following the Association's Away Day. Some key objectives include developing real time feedback from service users and building on the success of last year's Customer Conference.

Partnerships

The Association continues to work closely with partners such as Aberdeen Foyer, NHS Grampian, the Church of Scotland, Homechoice and Grampian Community Care Charitable Trust over a wide range of projects. Although no additional properties were brought into management by the Trust during the year there are another 16 in the pipeline, which have been tentatively identified for the future. Aberdeen Foyer moved into their new premises in College Street just after the end of the financial year. The overall complex also comprises a new NHS facility on the lower ground floor, and social housing on the upper floors. Through our subsidiary company Kirkgate Holdings limited, a new medical centre is under construction at Oldmeldrum on behalf of NHS Grampian. Since the year end further plans have been advanced with NHS Grampian with regard to the provision of a further facility centre at the Timmer Market in Aberdeen, which will also comprise another housing development for affordable rent.

There has been considerable involvement in the Old Torry Partnership (OTP), which is pursuing an ambitious redevelopment and regeneration proposal for that part of Aberdeen. During the year there has been a great deal of activity, including attending a URC conference organised by DTZ, to review progress with regeneration generally, and to consider ideas for establishing a URC in Aberdeen. The Association also organised a bus trip for OTP members to visit Ardler in Dundee and Raploch in Stirling to look at ongoing regeneration work. After a long delay SEPA have now indicated their preference for a new office location in Torry where the Association hopes to carry out a joint development with them.

During the year discussions have taken place with the four other RSLs in Aberdeen and Aberdeenshire resulting in the formation of a new company called Devanha Limited. Devanha is a partnership company, which has been strategically created jointly with the other local RSLs, with the objective of working more closely together on volume procurement for future developments. A large site at Donside has been acquired by Tenants First on behalf of four of the Devanha partners, including Grampian for future development.

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 policy, for a number of years has been to increase rents by RPI + 1% on 1st July each year. The Association is also moving towards rent harmonisation.

Risk Management

During the year a comprehensive IT security audit was performed, by external consultants, on the Association's overall hardware and software systems. In addition, the Association's auditors carried out an external VAT review. The Association has a draft risk management policy, which is currently under review by the senior management team. The internal audit and compliance functions are also currently under review, following the appointment of a new Director of Corporate Services. Once these policies have been finalised they will be subject to the further review and approval by the Internal Audit Committee of the Association.

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REPORT OF THE BOARD OF MANAGEMENT

For the year ended 31 March 2006

Treasury Management Policy

Under its Rules the Association cannot enter into transactions of a speculative nature. At the year-end the Association had an appropriate mix of fixed and variable rate funding arrangements. The Association has an active treasury management function, which operates in accordance with the treasury policy approved by the Board of Management. During the year improvements were made in working capital controls, which included a new bank revolver account facility and capitalised interest, and overall net interest savings have been made.

Maintenance Policies

The Association seeks to maintain its properties to the highest standards. To this end programmes of cyclical repairs are carried out in the medium term to deal with the gradual and predicable deterioration of building components. It is expected that the cost of all of these repairs will be charged to the Income and Expenditure Account. In addition, the Association has a long-term programme of major repairs to cover for works, which have become necessary since the original developments were completed, including works required by subsequent legislative changes. This includes replacement or repairs to components of the properties, which have come to the end of their economic lives. The cost of these repairs is to be charged to the Income and Expenditure Account, unless it is agreed they can be capitalised within the terms outlined in the Statement of Recommended Practice (SORP).

Credit Payment Policy

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

Auditors

In accordance with Section 384 of the Companies Act 1985, a resolution for the reappointment of Baker Tilly, as auditors, will be proposed at the Annual General Meeting.

By order of the Board

Alan J Moat
Secretary

Aberdeen
29 August 2006

GRAMPIAN HOUSING ASSOCIATION LIMITED

STATEMENT OF BOARD OF MANAGEMENT'S RESPONSIBILITIES

For the year ended 31 March 2006

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 Association and of the surplus or deficit for that period. In preparing those financial statements, the Board of Management is required to fulfil the following obligations:

- select suitable accounting policies and apply them consistently;
- make reasonable and prudent judgements and estimates;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group will continue in business.

The Board of Management confirms that the financial statements comply with these requirements.

The Board of Management is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Association and to enable them to ensure that the financial statements comply with the Industrial and Provident Societies Act 1965 to 2002, the Housing (Scotland) Act 2001 and the Registered Housing Associations (Accounting Requirements) (Scotland) Order 1999. 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.

By order of the Board of Management

Alan J Moat
Secretary

GRAMPIAN HOUSING ASSOCIATION LIMITED

BOARD OF MANAGEMENT'S STATEMENT ON INTERNAL FINANCIAL CONTROLS

For the year ended 31 March 2006

The Board of Management acknowledge their ultimate responsibility for ensuring that the Association 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 Association or for publication;
- the maintenance of proper accounting records; and
- the safeguarding of assets (against unauthorised use or disposition).

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

- formal policies and procedures are in place, including the documentation of key systems and rules relating to the delegation of authorities, which allow the monitoring of controls and restrict the unauthorised use of the Association'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 and from the 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 Association;
- formal procedures have been established for instituting appropriate action to correct weaknesses identified from the above reports.

The Board of Management has reviewed the system of internal financial control in the Association for the year ended 31 March 2006 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.

By order of the Board of Management

Alan J Moat
Secretary

GRAMPIAN HOUSING ASSOCIATION LIMITED

Independent Auditor's report to the members of

Grampian Housing Association Limited

Corporate Governance

In addition to the audit of the financial statements, we have reviewed the Board of Management's statement on page 9 on the Association's compliance with the section on Internal Financial Control within SFHA's publication "Raising Standards in Housing". The objective of our review is to draw attention to non-compliance with those paragraphs of the publication not otherwise disclosed.

Basis of Opinion

We carried out our review having regard to the Bulletin 1999/5 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 9 has provided the disclosures required by the section on Internal Financial Controls within SFHA's document "Raising Standards in Housing" and is consistent with the information which came to our attention as a result of our audit work on the financial statements.

2006

Baker Tilly
Registered Auditors
Chartered Accountants
Edinburgh

GRAMPIAN HOUSING ASSOCIATION LIMITED

Independent Auditor's report to the members of

Grampian Housing Association Limited

We have audited the financial statements on pages 12 to 34, which have been prepared under the accounting policies set out on pages 15 to 17.

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 responsibility to anyone other than the Association and the Association's members as a body, for our audit work, for this report and for the opinion we have formed.

Respective responsibilities of Board of Management and auditors

The Board of Management's responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards are set out in the Statement of Board of Management's Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Industrial and Provident Societies Acts 1965 to 2002, the Housing (Scotland) Act 2001 and the Registered Housing Associations (Accounting Requirements) (Scotland) Order 1999. We also report to you if, in our opinion, the Board of Management's Report is not consistent with the financial statements, if the Association has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the Board of Management's Report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Board of Management in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Association's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material mis-statement, whether caused by fraud or error or other irregularity. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Association's affairs as at 31 March 2006 and of its surplus for the year then ended and have been properly prepared in accordance with the Industrial and Provident Societies Acts 1965 to 2002, the Housing (Scotland) Act 2001 and the Registered Housing Associations (Accounting Requirements)(Scotland) Order 1999.

2006

Baker Tilly
Registered Auditors
Chartered Accountants
Edinburgh

GRAMPIAN HOUSING ASSOCIATION LIMITED

INCOME AND EXPENDITURE ACCOUNT

For the year ended 31 March 2006

	<i>Note</i>	2006	2005
		£000	£000
Turnover	<i>1 & 2</i>	8,040	7,150
Operating costs		(6,810)	(6,204)
		<hr/>	<hr/>
Operating surplus		1,230	946
Surplus on disposal of housing fixed assets		821	929
Interest receivable	<i>8</i>	69	187
Interest payable	<i>9</i>	(1,696)	(1,725)
		<hr/>	<hr/>
Surplus on ordinary activities before Taxation		424	337
Taxation on surplus on ordinary activities	<i>10</i>	(207)	(79)
Grant receivable against taxation		100	100
		<hr/>	<hr/>
Surplus on ordinary activities after Taxation for the financial year	<i>19</i>	317	358
		<hr/> <hr/>	<hr/> <hr/>

All figures relate to continuing operations.

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

GRAMPIAN HOUSING ASSOCIATION LIMITED

BALANCE SHEET

As at 31 March 2006

	<i>Note</i>	2006	2005
		£000	£000
Tangible fixed assets			
Housing properties – gross cost			
less depreciation	<i>11</i>	113,106	106,034
Less Housing Association Grant	<i>11</i>	(69,607)	(65,784)
Less Other Grants	<i>11</i>	(6,372)	(6,133)
		<hr/>	<hr/>
		37,127	34,117
Other	<i>12</i>	2,945	2,796
		<hr/>	<hr/>
		40,072	36,913
Current assets			
Stock and Work in Progress	<i>13</i>	1,367	227
Debtors	<i>14</i>	1,403	1,901
Cash at bank and in hand	<i>15</i>	1,563	1,580
		<hr/>	<hr/>
		4,333	3,708
Creditors: amounts falling due			
Within one year	<i>16</i>	(4,147)	(3,972)
		<hr/>	<hr/>
Net current assets/(liabilities)		186	(264)
Debtors: amounts falling due			
after one year	<i>14</i>	309	314
		<hr/>	<hr/>
		495	50
		<hr/>	<hr/>
Total assets less current			
Liabilities		40,567	36,963
Creditors: amounts falling due			
After more than one year	<i>17</i>	(33,780)	(30,493)
		<hr/>	<hr/>
Net assets		6,787	6,470
		<hr/> <hr/>	<hr/> <hr/>
Capital and reserves			
Share capital	<i>18</i>	1	1
Designated reserves	<i>19</i>	4,234	3,947
Capital reserve	<i>19</i>	2,007	2,040
Revenue reserves	<i>19</i>	545	482
		<hr/>	<hr/>
Shareholders' funds	<i>19</i>	6,787	6,470
		<hr/> <hr/>	<hr/> <hr/>

These financial statements were approved by the Board of Management on 29 August 2006 and authorised for issue by:

David A Young
Chair

Hugh M Munro
Board Member

Alan J Moat
Chief Executive/Secretary

GRAMPIAN HOUSING ASSOCIATION LIMITED

CASH FLOW STATEMENT

For the year ended 31 March 2006

	<i>Notes</i>	2006		2005	
		£000	£000	£000	£000
Cash flow from operating activities	22		1,056		2,828
Returns on investments and servicing of finance					
Interest received		103		178	
Interest paid		(1,731)		(1,836)	
		<hr/>		<hr/>	
Net cash outflow from returns on investments and servicing of finance			(1,628)		(1,658)
Taxation					
Corporation tax paid		(150)		(282)	
Less grants received		178		-	
		<hr/>		<hr/>	
Net cash inflow/(outflow) on taxation			28		(282)
Capital expenditure and financial investment					
Acquisition and construction of Housing properties		(9,250)		(8,001)	
Purchase of other fixed assets		(273)		(599)	
Capital grants received		5,719		5,399	
Capital grants repaid		(873)		(1,243)	
Sales of housing properties		2,017		2,802	
Sales of other fixed assets		14		17	
		<hr/>		<hr/>	
Net cash outflow from capital expenditure and investing activities			(2,646)		(1,625)
			<hr/>		<hr/>
Net cash outflow before use of liquid Resources and financing			(3,190)		(737)
Financing					
Loan advances received		3,441		-	
Loan principal repayments		(131)		(125)	
Loan redemption repayments		-		(1,098)	
		<hr/>		<hr/>	
Net cash inflow/(outflow) from financing	24	3,310		(1,223)	
(Increase)/repayment of loan to subsidiary undertaking	23	(137)		4	
		<hr/>		<hr/>	
			3,173		(1,219)
			<hr/>		<hr/>
Decrease in cash in the year	23 & 24		(17)		(1,956)
			<hr/> <hr/>		<hr/> <hr/>

GRAMPIAN HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2006

The Association is incorporated under the Industrial and Provident Societies Act 1965 and is registered by the Financial Services Authority.

1 Accounting policies

Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards, and under the historical cost accounting rules. They comply with the Registered Housing Associations (Accounting Requirements) (Scotland) Order 1999 and with the Statement of Recommended Practice (SORP), Accounting by Registered Social Landlords 2005.

Turnover

Turnover represents rental and service charge income receivable from tenants and owner occupiers, fees and revenue based grants receivable from local authorities and Communities Scotland and fees from the provision of management services.

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 Housing Association Grant (HAG) or are treated as deferred allowances in accruals and deferred income while development costs are added to housing properties. Deferred development allowances are used to fund future development costs.

Housing properties, housing association grant and depreciation

(a) Housing properties are stated at cost. The development costs of housing properties include the following:

- cost of acquiring land and buildings;
- development expenditure; and
- interest charged on the development loans raised to finance the scheme.

Expenditure on schemes which are subsequently aborted is written off in the year in which it is recognised that the schemes will not be developed to completion.

(b) For developments under the terms of the 1988 Housing Act, Housing Association Grant (HAG) is paid directly to the Association as required to meet its liabilities during the development process. HAG is repayable under certain circumstances, primarily following the sale of property, but will normally be restricted by the level of sales proceeds.

(c) Land is not depreciated. Depreciation is charged so as to write down the value of housing properties on a straight line basis over their remaining estimated useful economic lives. In determining the remaining useful lives for the housing stock, the Association has taken account of views provided by both internal and external professional sources. It is the Association's view (based on a detailed knowledge of the stock, its condition, and the future programme of component renewal) that the stock has a very long remaining life. This life for use in the accounts was 100 years from the date of practical completion. Depreciation is charged on a development by development basis.

Properties are disposed of under the appropriate legislation and guidance. All costs and grants relating to the share of property sold are removed from the financial statements at the date of sale, except for first tranche sales, which are deducted from cost. Any grants received that cannot be repaid from the proceeds of sale are abated and the grant removed from the financial statements.

Impairment is calculated as the difference between the carrying value of income generating units and the estimated value in use at the date an impairment loss is recognised. Value in use represents the net present value of expected future cash flows from these units.

Impairment of assets is recognised currently in the income and expenditure account.

GRAMPIAN HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2006

1 Accounting policies (continued)

Housing properties, housing association grant and depreciation (continued)

(d) Improvements are capitalised where these result in an enhancement of the economic benefits of the property. Such enhancement can occur if the improvements result in:-

- an increase in net rental income; or
- a reduction in future maintenance costs; or
- a significant extension of the life of the property.

Works to existing properties, which fail to meet the above criteria are currently charged to the income and expenditure account.

Other fixed assets

Other fixed assets are stated at cost. The development costs of other fixed assets include the following:

- cost of acquiring land and buildings; and
- development expenditure.

Depreciation is calculated to write down the cost of other fixed assets on a straight line basis over their expected useful lives as follows:

Commercial Buildings	100 years
Office Buildings	50 years
Plant, machinery, fixtures and motor vehicles	3 to 5 years
Computer hardware and software	4 years

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. Major repairs reserve in relation to LSVT properties are based on the expected spend to date per the LSVT contract with Communities Scotland.

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.

Capital reserve

Amounts arising on business combinations in respect of acquisitions are included within capital and reserves and released to the income and expenditure account in the periods in which the fair values of the non-monetary assets acquired on the same acquisition are recovered, whether through depreciation or sale.

Pensions

The Association participates in a defined contribution pension scheme. The assets of the scheme are held separately from those of the Association in an independently administered fund. The amount charged to the income and expenditure account represents the contributions payable to the scheme in respect of the accounting period.

The Association also participates for one member of staff in a pension scheme providing benefits based on final pensionable pay. Contributions to the scheme are charged to the income and expenditure account so as to spread the cost of pensions over employees' working lives with the Association.

GRAMPIAN HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2006

1 Accounting policies (continued)

Taxation

The charge or credit for taxation is based on the surplus or deficit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Deferred tax is recognised without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19.

Loans and Grants

Loans are advanced by private or public lenders under the terms of individual mortgage deeds in respect of each development or under a global facility secured on existing developments. Grants from Communities Scotland or local authorities are payable to subsidise the capital cost of housing developments. Grants from Communities Scotland 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 Communities Scotland.

Grants in respect of revenue expenditure are credited to the income and expenditure account in the same period as the expenditure to which they relate.

Deferred Income

Income received in advance for commercial properties (in the form of a grassum) and for housing properties from the Foyer is treated as deferred income and released to the income and expenditure account over the period to which the rent relates.

Operating leases

Operating lease rentals are charged to the income and expenditure account on a straight line basis over the period of the lease.

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 the related HAG.

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.

GRAMPIAN HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2006

2. Particulars of turnover, operating costs, cost of sales and operating surplus by class of business

	<i>Note</i>	Turnover	Operating costs	Housing Depreciation	Operating surplus/(deficit)	Sales of fixed Assets	Interest receivable	Interest payable	2006 Surplus/(Deficit)	2005 Surplus/(Deficit)
		£000	£000	£000	£000	£000	£000	£000	£000	£000
Income and expenditure from Lettings										
General needs housing accommodation	3	5,859	(4,706)	(296)	857	-	-	(1,352)	(495)	(1,180)
Shared ownership accommodation	3	783	(242)	(37)	504	-	-	(256)	248	409
Other	3	298	(163)	-	135	-	-	(58)	77	-
		<u>6,940</u>	<u>(5,111)</u>	<u>(333)</u>	<u>1,496</u>	<u>-</u>	<u>-</u>	<u>(1,666)</u>	<u>(170)</u>	<u>(771)</u>
Other income and expenditure										
Pre-development costs		85	(212)	-	(127)	-	-	-	(127)	(67)
Factoring		196	(270)	-	(74)	-	-	-	(74)	24
Other		819	(884)	-	(65)	-	-	(30)	(95)	35
		<u>1,100</u>	<u>(1,366)</u>	<u>-</u>	<u>(266)</u>	<u>-</u>	<u>-</u>	<u>(30)</u>	<u>(296)</u>	<u>(8)</u>
Total		<u>8,040</u>	<u>(6,477)</u>	<u>(333)</u>	<u>1,230</u>	<u>-</u>	<u>-</u>	<u>(1,696)</u>	<u>(466)</u>	<u>(779)</u>
Investment income					-	-	69	-	69	187
Disposal of fixed assets					-	821	-	-	821	929
Total Surplus/(Deficit) before taxation					<u>1,230</u>	<u>821</u>	<u>69</u>	<u>(1,696)</u>	<u>424</u>	<u>337</u>

GRAMPIAN HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2006

3. Income and expenditure from lettings

	General Needs £000	Shared Ownership £000	Other £000	Total 2006 £000	Total 2005 £000
Rents receivable net of identifiable service charges	5,627	688	-	6,315	5,811
Service charges receivable eligible for housing benefit	260	108	-	368	345
Other income	-	-	298	298	172
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	5,887	796	298	6,981	6,328
Less rent losses from voids	(28)	(13)	-	(41)	(43)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Net rents receivable from lettings	5,859	783	298	6,940	6,285
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Expenditure on lettings					
Services	(385)	-	-	(385)	(489)
Management	(1,003)	(242)	-	(1,245)	(1,418)
Routine and cyclical maintenance	(3,237)	-	-	(3,237)	(2,902)
Rent losses from bad debts	(39)	-	-	(39)	(57)
Other costs	(42)	-	(163)	(205)	(169)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total expenditure on lettings	(4,706)	(242)	(163)	(5,111)	(5,035)
Depreciation	(296)	(37)	-	(333)	(321)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Operating surplus on lettings	857	504	135	1,496	929
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

Average weekly rent levels for assured rents on

General needs accommodation

£53.00

£50.28

Average annual increase

5.41%

5.94%

GRAMPIAN HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2006

4. Housing stock

	Units under development		Units under management	
	2006	2005	2006	2005
Housing accommodation for letting:				
New build and mixed funded	247	300	2,207	2,077
	<hr/>	<hr/>	<hr/>	<hr/>
Home ownership accommodation:				
Shared ownership	21	45	498	536
	<hr/>	<hr/>	<hr/>	<hr/>

5. Remuneration of members of board of management and directors

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

Directors are defined to include the Chief Executive and any other person reporting directly to the Chief Executive or the Board whose total emoluments including pension contributions exceed £40,000 per year.

	2006	2005
	£000	£000
Total emoluments payable to directors (including pension contributions)	274	263
Pension contributions	26	25
	<hr/>	<hr/>
	300	288
	<hr/>	<hr/>
Emoluments payable to the highest paid director (the Chief Executive)	76	73
Pension contributions	7	7
	<hr/>	<hr/>
	83	80
	<hr/>	<hr/>

The Chief Executive is a member of the Association's defined contributions pension scheme as disclosed in note 27.

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

More than £30,000 but not more than £35,000	1	1
More than £45,000 but not more than £50,000	1	1
More than £50,000 but not more than £55,000	1	2
More than £55,000 but not more than £60,000	1	-
More than £70,000 but not more than £75,000	-	1
More than £75,000 but not more than £80,000	1	-

GRAMPIAN HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2006

6. Staff numbers and costs

The full time equivalent number of persons employed (excluding board members) in the year, analysed by category, was as follows:

	Number of employees	
	2006	2005
Administration	58	55
Maintenance	9	15
	<hr/>	<hr/>
	67	70
	<hr/>	<hr/>

The aggregate payroll costs of these persons were as follows:

	2006	2005
	£000	£000
Wages and salaries	1,690	1,503
Social security costs	173	144
Other pension costs	144	121
	<hr/>	<hr/>
	2,007	1,768
	<hr/>	<hr/>

7. Operating Surplus on ordinary activities

	2006	2005
	£000	£000
<i>Operating Surplus on ordinary activities before taxation is stated after charging:</i>		
Depreciation – housing fixed assets	333	321
Depreciation – non housing fixed assets	108	89
Repairs (cyclical, major, day to day)	3,238	2,902
Auditors' remuneration:		
Audit	19	13
Other services	7	15
Operating lease rentals:		
Buildings	207	198
Other	18	18
	<hr/>	<hr/>

8. Interest receivable

	2006	2005
	£000	£000
Bank interest receivable	49	165
Other interest receivable	20	22
	<hr/>	<hr/>
	69	187
	<hr/>	<hr/>

9. Interest payable

	2006	2005
	£000	£000
On bank loans and overdrafts	1,416	1,388
On all other loans	280	337
	<hr/>	<hr/>
	1,696	1,725
	<hr/>	<hr/>

GRAMPIAN HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2006

10. Taxation

Analysis of charge in year

	2006	2005
	£000	£000
<i>UK corporation tax</i>		
Current tax on income for the year	170	105
Adjustment in respect of previous years	45	(24)
	215	81
Total current tax	215	81
Increase in deferred tax asset	(8)	(2)
	207	79
Tax on profit on ordinary activities	207	79

Factors affecting the tax charge for the current year

The current tax charge for the year is higher (2005: lower) than the standard rate of corporation tax in the UK (30%, 2005: 30%). The differences are explained below:

	2006	2005
	£000	£000
<i>Current tax reconciliation</i>		
Surplus on ordinary activities before tax	424	337
	127	101
Current tax at 30% (2003: 30%)	127	101
<i>Effects of:</i>		
Expenses not deductible for tax purposes	(2)	23
Depreciation for year in excess of capital allowances	8	(10)
Profit on sale of housing properties	(282)	(316)
Depreciation on assets not qualifying for capital allowances	119	108
Utilisation of tax losses	-	(8)
Capitalised interest	(16)	-
Capital gains	235	234
Capital gains rolled over	(14)	(17)
Marginal relief	(5)	(10)
Adjustments to tax charge in respect of prior years	45	(24)
Deferred tax movement	(8)	(2)
	207	79
Total current tax charge (see above)	207	79

Current taxation liabilities of the Association will be partly met by grants receivable from the Scottish Executive.

Factors that may affect future tax charges

- (i) In the year ended 31 March 2006 the association disposed of housing properties resulting in capital gains for which roll-over relief against replacement assets will be claimed. The estimated tax liabilities which would arise if such claims were not made amount to £14,000.

GRAMPIAN HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2006

10. Taxation (continued)

Deferred taxation

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

	2006	2005
	£000	£000
Balance brought forward	(16)	(14)
Income & Expenditure account movement arising during the year	(8)	(2)
	<hr/>	<hr/>
Balance carried forward	(24)	(16)
	<hr/>	<hr/>

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

Excess of taxation allowances over depreciation of fixed assets	(37)	(24)
Other timing difference	13	8
	<hr/>	<hr/>
	(24)	(16)
	<hr/>	<hr/>

GRAMPIAN HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2006

11. Tangible fixed assets - housing properties

	Held for Letting £000	Under construction £000	Completed Shared Ownership £000	Shared Ownership under construction £000	Total £000
<i>Cost</i>					
At start of year	79,267	9,556	18,089	770	107,682
Additions during year	562	8,234	48	315	9,159
Transfers (note 13)	9,445	(9,409)	(36)	(458)	(458)
Disposals in year	(115)	-	(1,208)	-	(1,323)
At end of year	89,159	8,381	16,893	627	115,060
<i>Depreciation</i>					
At start of year	1,426	-	222	-	1,648
Provided for in year	296	-	37	-	333
Eliminated on disposal	(9)	-	(18)	-	(27)
At end of year	1,713	-	241	-	1,954
<i>Housing Association Grant</i>					
At start of year	43,633	8,120	13,331	700	65,784
Additions during year	90	4,907	-	109	5,106
Transfers (note 13)	6,247	(6,220)	(27)	(359)	(359)
Disposals in year	(20)	-	(904)	-	(924)
At end of year	49,950	6,807	12,400	450	69,607
<i>Other Grants</i>					
At start of year	5,857	114	156	6	6,133
Additions	164	75	-	-	239
Transfers	102	(102)	-	-	-
At end of year	6,123	87	156	6	6,372
<i>Net book value</i>					
At end of year	31,373	1,487	4,096	171	37,127
At beginning of year	28,351	1,322	4,380	64	34,117

GRAMPIAN HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2006

11. Tangible fixed assets - housing properties (continued)

Security has been granted to lenders in respect of housing properties. Net cumulated interest capitalised in housing properties at 31 March 2006 amounted to £1,337,000. The amount capitalised in the year was £54,000.

As part of its management of its housing properties, the Association obtained reinstatement valuations as at 31 March 2006 for insurance purposes. These were prepared by William I Talbot & Partners (Chartered Quantity Surveyors) following the procedures described in Scale No 47 Scale of Professional Charges for the Assessment of Replacement Costs of Buildings for Insurance, Current Cost Accounting and other Purposes of the Professional Charges for Quantity Surveying Services (July 1988) published by The Royal Institution of Chartered Surveyors. The re-instatement value is £252,742,000 (2005: £232,169,000).

12. Tangible fixed assets - other

	Commercial Properties	Heritable Land and buildings	Plant machinery Fixtures and motor vehicles	Computer Hardware & software	Assets under Construction	Total Non housing
	£000	£000	£000	£000	£000	£000
<i>Cost</i>						
At start of year	586	2,119	384	376	231	3,696
Additions during year	2	-	42	38	224	306
Transfers during year	455	-	-	-	(455)	-
Disposals during year	(33)	-	(32)	-	-	(65)
At end of year	1,010	2,119	394	414	-	3,937
<i>Depreciation</i>						
At start of year	29	272	262	337	-	900
Provided during year	13	42	34	19	-	108
Disposals during year	-	-	(16)	-	-	(16)
At end of year	42	314	280	356	-	992
<i>Net book value</i>						
At 31 March 2006	968	1,805	114	58	-	2,945
At 31 March 2005	557	1,847	122	39	231	2,796

Included in land and buildings is land costing £260,000.

13. Stocks and work in progress

	2006 £000	2005 £000
Housing Stock	268	211
Other stock	-	1
Work in Progress – Cost	21,154	8,698
Work in Progress – Cost transferred from fixed assets (note 11)	458	-
Work in progress – HAG	(20,154)	(8,683)
Work in progress – HAG transferred from fixed assets (note 11)	(359)	-
	1,367	227

GRAMPIAN HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2006

14. Debtors

	2006	2005
	£000	£000
HAG receivable	283	1,013
Rental debtors	203	196
Prepayments and accrued income	64	25
Other debtors	480	391
Grant receivable under Section 54 Housing Act 1988	203	255
Deferred taxation	24	16
Due from subsidiary undertaking	-	1
Loans to subsidiary undertaking due less than one year	146	4
	<hr/>	<hr/>
	1,403	1,901
	<hr/>	<hr/>
Loan to subsidiary undertaking due more than one year	309	314
	<hr/>	<hr/>

The loan of £314,000 to Kirkgate Holdings includes £309,000 which is recoverable after more than one year. A rate of 6% (fixed for first five years) for this loan is charged to Kirkgate Holding with quarterly repayments of principal and interest amortised over 30 years. Kirkgate Holdings has the option to repay either partially or in full without penalty at any time. The loan is unsecured. In addition there is an interest only development loan of £141,000 with interest payable being linked to LIBOR and a margin of 1.15%.

The above figure for rental debtors is made up as follows:

	Debtor	2006	Net debtor	Debtor	2005	Net debtor
	£000	Provided	£000	£000	Provide	£000
		£000			d	
					£000	
Due from current tenants	215	(41)	174	224	(60)	164
Due from former tenants	69	(69)	-	76	(76)	-
Due from housing benefit	29	-	29	32	-	32
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	313	(110)	203	332	(136)	196
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

£45,000 of bad debts was written off during the period (2005: £53,000).

15. 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 £179,440 (2005: £114,525) on a specific deposit account.

After the year-end the Association lodged £25,000 in an interest bearing deposit account with the Royal Bank of Scotland, in respect of a board approved guarantee for the new Savings and Loans Scheme.

GRAMPIAN HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2006

16. Creditors: amounts falling due within one year

	2006	2005
	£000	£000
Loans (secured) - see note 17	155	141
Trade creditors	1,608	1,453
Other creditors including taxation and social security	197	135
Accruals and deferred income	1,808	1,490
Payments on account	379	753
	<hr/>	<hr/>
	4,147	3,972
	<hr/>	<hr/>

Standard securities have been granted to lenders in respect of housing properties.

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

	2006	2005
	£000	£000
Loans (secured)	33,632	30,337
<i>Less: due within one year (note 16)</i>	<i>(155)</i>	<i>(141)</i>
	<hr/>	<hr/>
	33,477	30,196
Amounts due re excess RTB Sales	38	48
Deferred Income	265	249
	<hr/>	<hr/>
	33,780	30,493
	<hr/>	<hr/>

Loans are repayable in instalments due as follows:

	2006	2005
	£000	£000
Monthly instalments	928	950
Quarterly instalments, interest only until 21 August 2007	18,960	15,518
Quarterly instalments, interest only until 21 August 2012	5,000	5,000
Quarterly instalments, interest only until 31 January 2013	5,000	5,000
Bi-annual instalments, interest only, with bullet repayment of principal November 2016	1,250	1,265
Bi-annual instalments	2,494	2,604
	<hr/>	<hr/>
	33,632	30,337
	<hr/>	<hr/>

At 31 March 2006 the last instalment of loans falls to be repaid in the year ending 31 March 2033 (2005: 31 March 2033). Interest is charged at rates between 4.93% and 8.75%, (2005: 4.61% and 8.75%).

Amounts are estimated as repayable as follows:

	2006	2005
	£000	£000
In one year or less	155	141
Between one and two years	399	148
Between two and five years	2,130	1,604
In five years and more	30,948	28,444

GRAMPIAN HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2006

			<u>33,632</u>	<u>30,337</u>
18. Share capital				
	2006	2005	2006	2005
Shares of £1 each fully paid	Number	Number	£000	£000
At 1 April	574	1,418	1	1
Issued in year	6	5	-	-
Withdrawn in year	(30)	(78)	-	-
Forfeitures – prior years	-	(771)	-	-
At 31 March	<u>550</u>	<u>574</u>	<u>1</u>	<u>1</u>
Shares of £1 due but unpaid				
At 1 April	-	-	-	-
Issued in year	-	-	-	-
At 31 March	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>550</u>	<u>574</u>	<u>1</u>	<u>1</u>

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

19. Reconciliation of movements in shareholders' funds

	Revenue Reserve £000	Designated Reserves £000	Capital Reserve £000	Share Capital £000	Total shareholders funds £000
Balance at 1 April 2005	482	3,947	2,040	1	6,470
Transfer from capital reserve	33	-	(33)	-	-
Accumulated surplus for year	317	-	-	-	317
Net transfer to designated Reserves	(287)	287	-	-	-
Balance at 31 March 2006	<u>545</u>	<u>4,234</u>	<u>2,007</u>	<u>1</u>	<u>6787</u>

20. Designated reserves

	Balance at 1 April 2005 £000	Transfers in £000	Transfers Out £000	Balance at 31 March 2006 £000
Cyclical maintenance and major repairs reserve	3,700	927	(662)	3,965
Other	247	32	(10)	269
	<u>3,947</u>	<u>959</u>	<u>(672)</u>	<u>4,234</u>

Other reserves represent lift and door entry replacement contributions by tenants and right to purchase (RTP) owners, and furniture replacement contributions.

GRAMPIAN HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2006

21. Commitments

(a) Capital commitments authorised and contracted for at 31 March 2006 amounted to £6,205,000 (2005: £7,442,000). As the relevant expenditure is incurred, corresponding loans and/or grants will be sought from Communities Scotland and the private sector.

(b) Annual commitments under non-cancellable operating leases are as follows:

	2006		2005	
	Land and Buildings £000	Other £000	Land and buildings £000	Other £000
Operating leases which expire:				
In second to fifth years inclusive	-	17	-	17
Over five years	215	-	194	-
	<hr/>	<hr/>	<hr/>	<hr/>

22. Reconciliation of operating surplus to net cash inflow from operating activities

	2006 £000	2005 £000
Operating surplus	1,230	946
Adjustments:		
Depreciation on non-housing fixed assets	108	89
Depreciation on housing fixed assets	333	321
Loss on sale of non-housing fixed assets	2	3
Deferred income	16	(21)
Movement in working capital:		
(Increase)/decrease in stock	(1,041)	94
Decrease/(increase) in debtors	252	(43)
Increase in creditors	156	1,439
	<hr/>	<hr/>
	1,056	2,828
	<hr/>	<hr/>

23. Analysis of changes in net debt

	At 31 March 2005	Cashflows	Other Non-cash Movements	At 31 March 2006
	£000	£000	£000	£000
Cash in hand, at bank	1,580	(17)	-	1,563
	<hr/>	<hr/>	<hr/>	<hr/>
Debt due within one year	(141)	(29)	15	(155)
Debt due after more than one year	(30,196)	(3,281)	-	(33,477)
	<hr/>	<hr/>	<hr/>	<hr/>
Total debt	(30,337)	(3,310)	15	(33,632)
	<hr/>	<hr/>	<hr/>	<hr/>

GRAMPIAN HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2006

Loan to subsidiary undertaking	318	137	-	455
Total	(28,439)	(3,190)	15	(31,614)

24. Reconciliation of net cash flow to movement in net debt

	2006	2005
	£000	£000
Decrease in cash in the period	(17)	(1,956)
Cash (inflow)/outflow from debt financing	(3,310)	1,223
Loan premium amortisation	15	15
Loan to subsidiary undertaking	137	(4)
Change in debt resulting from cash flows	(3,175)	(722)
Net debt at beginning of period	(28,439)	(27,717)
Net debt at end of period	(31,614)	(28,439)

25. Group structure

The Association is a registered Housing Association, incorporated in Scotland and has two subsidiaries, Kirkgate Homes Limited and Kirkgate Holdings Limited (formerly Kirkgate Homes Limited). Kirkgate Holdings Limited is a Housing Association incorporated in Scotland but not registered with Communities Scotland.

Kirkgate Homes Limited is a dormant company.

Individual accounts have been prepared for Kirkgate Holdings Limited who changed its name on 6 June 2005 from Kirkgate Homes Limited. The consolidated financial statements are filed with the Financial Services Authority and are prepared as Grampian Housing Association has common control of Kirkgate Holdings Limited.

26. Contingent Liability

At 31 March 2006, remedial works regarding contaminated land at Queen's Gardens, Huntly was outstanding. The estimated cost of these works is £160,000 and it is anticipated that these will be met in full by grant funding from Aberdeenshire Council. If funding is not available, then these costs will become payable by the Association.

27. Pension schemes

Defined contribution pension scheme

The Association participates in a defined contribution pension scheme for the majority of its employees. The pension cost charge for the year represents contributions payable by the Association to the fund and amounted to £135,000 (2005: £117,000).

Grampian Housing Association Limited participates in the Pensions Trust's Growth Plan.

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The Growth Plan is a multi-employer pension Plan which is in most respects a money purchase arrangement but it has some guarantees. 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.

27. Pension schemes (*continued*)

Defined contribution pension scheme (continued)

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

The Trustee commissions an actuarial valuation of the Growth Plan every 3 years. The main purpose of the valuation is to determine the financial position of the Plan and so determine the future prospects for discretionary bonuses and/or investment credits.

The actuarial valuation assesses whether the Plan'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 levels. Accrued pension benefits are valued by discounting expected future benefit payments using a discount rate calculated by reference to the expected future investment returns.

Grampian Housing Association Limited offers the Growth Plan as a main scheme pension option for some employees. The rules of the Growth Plan state that the proportion of obligatory contributions to be borne by the Member and the Member's Employer shall be determined by agreement between them. Such agreement shall require the Employer to pay part of such contributions and may provide that the Employer shall pay the whole of them. Grampian Housing Association paid contributions at the rate of 11% and 10% during the accounting period. Members paid contributions at the rate of 6% and 5% during the accounting period. As at the balance sheet date there were 46 active members of the Plan employed by Grampian Housing Association Limited. Grampian Housing Association Limited has closed the Plan to new entrants.

Grampian Housing Association Limited also offers the Growth Plan as an AVC investment option for members of the SFHA Pension Scheme. Grampian Housing Association Limited does not pay any contributions to the Growth Plan in respect of this member. The member pays contributions at a rate of their choice.

It is not possible in the normal course of events to identify the share of underlying assets and liabilities belonging to individual participating employers. Accordingly, due to the nature of the Plan, the accounting charge for the period under FRS17 represents the employer contribution payable.

The last formal valuation of the Plan was performed at 30 September 2002 by a professionally qualified actuary. The market value of the whole Plan's assets at the valuation date was £418 million.

Financial assumptions:

The financial assumptions underlying the valuation at 30 September 2002 were as follows:

	%pa
Rate of return on accumulated assets	6.70
Bonuses on accrued benefits	0.00
Rate of price inflation	2.50

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NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2006

The valuation revealed that the assets of the Plan broadly equalled the accrued liabilities as at the valuation date.

The next actuarial valuation was carried out as at 30 September 2005. The results of the valuation will be available before the end of September 2006.

27. Pension Schemes (*continued*)

Defined contribution pension scheme(continued)

Following a change in legislation in September 2005 there is a potential debt on the employer that could be levied by the Trustee of the Plan. The Trustee's current policy is that it only applies to employers with pre October 2001 liabilities in the Plan. The debt is due in the event of the employer ceasing to participate in the Plan or the Plan winding up.

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

The leaving employer's share of the buy-out debt is the proportion of the Plan's pre October 2001 liability attributable to employment with the leaving employer compared to the total amount of the Plan's pre October 2001 liabilities (relating to employment with all the currently participating employers). The leaving employer's debt therefore includes a share of any 'orphan' liabilities in respect of previously participating employers. The amount of the debt therefore depends on many factors including total Plan liabilities, Plan investment performance the liabilities in respect of current and former employees of the employer, financial conditions at the time of the cessation event and the insurance buy-out market. The amounts of debt can therefore be volatile over time.

Grampian Housing Association Limited has been notified by the Pensions Trust of the estimated employer debt on withdrawal from the Plan based on the financial position of the plan as at 30 September 2005. As of this date the estimated employer debt for Grampian Housing Association Limited was £1,012,261.

Defined benefit pension scheme

The Association also participates in a defined benefits scheme for one member of the scheme who joined the Association on 14 March 1997 from Scottish Homes. The pension charge for the year amounted to £5,000 (2005: £4,000). The expected retirement date for this employee would be 2019.

The defined benefit scheme in which Grampian Housing Association Limited participates is the SFHA 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 Trustee commissions an actuarial valuation of the Scheme every 3 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 benefits accrued by members as at the valuation date. Asset values are calculated by reference to market levels. 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 Grampian Housing Association Limited paid contributions at the rate of 15.7% for the period to 31 March 2005 and 17.5% thereafter. Member contributions were 6.0% for the period to 31 March 2005 and 7.0% thereafter.

As at the balance sheet date there was one active member of the Scheme employed by Grampian Housing Association Limited. Grampian Housing Limited has closed the Scheme to new entrants.

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For the year ended 31 March 2006

It is not possible in the normal course of events to identify the share of underlying assets and liabilities belonging to individual participating employers. Accordingly, due to the nature of the Plan, the accounting charge for the period under FRS17 represents the employer contribution payable.

The last formal valuation of the Scheme was performed as at 30 September 2003 by a professionally qualified actuary using the "projected unit credit" method. The market value of the Scheme's assets at the valuation date was £143 million. The valuation revealed a shortfall of assets compared to liabilities of £37 million.

27. Pension Schemes (continued)

Defined benefit pension scheme (continued)

Financial assumptions:

The financial assumptions underlying the valuation at 30 September 2003 were as follows:

	%pa
Investment return pre retirement	7.80
Investment return post retirement	5.20
Rate of salary increases	4.00
Rate of pension increases (for leavers before 1 October 1993 pension increases are 5.00% pa)	2.50
Rate of price inflation	2.50

The valuation revealed a shortfall of assets compared with the value of liabilities of some £37.0 million (equivalent to a past service funding level of 80%). The employer's ongoing future service contribution rate, after allowing for changes in benefits, was assessed as 9.3% of pensionable salaries.

Following consideration of the results of the actuarial valuation it was agreed that, with effect from 1 April 2005 the standard employer contribution rate would be increased from 12.2% to 14.0% of pensionable salaries and member contributions would be increased from 6.0% to 7.0% of pensionable salaries.

A small number of employers (including Grampian Housing Association) that have closed the Scheme to new entrants are required to pay an additional employer contribution loading of 3.5% to reflect the higher costs of a closed arrangement.

If the valuation assumptions are borne out in practice this pattern of contributions should be sufficient to eliminate the past service deficit, on an on-going funding basis, by 30 September 2015.

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 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.

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For the year ended 31 March 2006

Grampian Housing Association Limited understands that the Scheme Actuary will calculate potential employer debt figures, as at 30 September 2006, for each employer participating in the SFHA Pension Scheme as part of the next actuarial valuation process.

28. Related party disclosures

The Association received in the year to 31 March 2006 a management fee of £7,000 (2005: £8,000) from Kirkgate Holdings Limited for the provision of accounting and other services and recharged expenses of £32,000 (2005: £Nil). There are no fees accruing from Kirkgate Holdings Limited at 31 March 2006 (2005: £Nil) and the balance receivable from Kirkgate Holdings Limited in respect of rechargeable expenses and interest at 31 March 2006 amounted to Nil (2005: £1,000). At 31 March 2006 the balance due from Kirkgate Holdings Limited in respect of the development loan is £141,000 (2005: £Nil) and for the long term loan is £314,000 (2005: £318,000). Interest receivable in the year on loans amounted to £20,000 (2005: £22,000) and is charged at commercial rates.

The Chief Executive of Grampian Housing Association Limited is a Board member of Aberdeen Foyer Limited and is Chairman of the Board of Foyer Enterprise Limited. The Director of Corporate Services is also a Board member of Aberdeen Foyer Limited. The Foyer leases and rents housing properties and a restaurant building from the Association and during the year to 31 March 2006 housing rent receivable amounted to £129,000 (2005: £103,000) and restaurant rent amounted to £34,000 (2005: £21,000). Amounts paid in advance at 31 March 2006 for housing rent receivable were £66,000 (2005: £4,000) and amounts due in respect of the restaurant were £2,147 (2005: Nil). The Foyer also rents office accommodation from the Association and during the year to 31 March 2006 office accommodation rent receivable is £15,000 (2005: £16,000). Amounts paid in advance at 31 March 2006 for office accommodation are £2,000 (2005: £7,000). During the year new office accommodation was completed for Aberdeen Foyer.

The Chief Executive of Grampian Housing Association Limited is a Board member of Homechoice Limited and the Director of Housing & Property Services is also a member of the Board. Homechoice provides an integrated waiting list in which Grampian Housing Association Limited is one of the participants. In 2006 Grampian Housing Association Limited made contributions of £37,000 (2005: £38,000) to the operating costs of the shop.

The Director of Development and Mrs Berit Jarvis of the Board of Management of Grampian Housing Association Limited are members of the Board of Grampian Community Care Charitable Trust. The Association received in the year to 31 March 2006 £16,000 (2005: £17,000) for management services and £1,000 (2005: £2,000) for office Accommodation from the Trust. At 31 March 2006 the balance due from Grampian Community Care Charitable Trust was £15,000 (2005: £6,000).

During the year there were two tenant board members, Berit Jarvis and John Fraser. All transactions between the Association and these board members were on the same terms as other tenants and board members.