

**Grampian Housing Association Limited -
Consolidated**

**Report of the Board of Management and
Financial Statements
31 March 2008**

Registration Particulars:

Financial Services Authority

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

Scottish Housing Regulator

Industrial and Provident Societies Act 1965
Registered Number HAL 120 AL

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

For the year ended 31 March 2008

Contents

Board of Management, Executives and Advisers	1 - 2
Report of the Board of Management	3 – 8
Statement of Board of Management Responsibilities	9
Board of Management’s Statement on Internal Financial Controls	10
Auditor’s Report	11 – 12
Income and Expenditure account	13
Balance Sheet	14
Cash Flow Statement	15
Accounting Policies and Notes to the Financial Statements	16-38

GRAMPIAN HOUSING ASSOCIATION LIMITED - CONSOLIDATED

BOARD OF MANAGEMENT, EXECUTIVES AND ADVISERS

For the year ended 31 March 2008

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 2008 and 2007 (or date of appointment if later) follow:

<i>Board members</i>		Number 2008	Number 2007
David Young	(Chair)	1	1
Steve Delaney	(Vice Chair)	1	1
Graham Morrison		1	1
Sophy Copland		1	1
John Fraser	(re-elected 26 September 2007)	1	1
Dr Leela Gautum		1	1
William McKimmie		1	1
Hugh Munro		1	1
Rae Munro #		1	1
Cllr Richard Robertson #	(re-elected 26 September 2007)	1	1
George Ross	(re-elected 26 September 2007)	1	1
Keith Jones	(elected 26 September 2007)	1	-
Cllr Gurudeo Saluja	(Co-opted)	1	-
Cllr Jim Noble	(Co-opted)	1	-
Keith Harrison*	(resigned 14 February 2008)	-	1
Berit Jarvis*	(resigned 27 February 2007)	-	1
James Blair*	(resigned 19 September 2007)	-	1

*Customer board member

Sharing Owners

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 (a subsidiary of Grampian Housing Association Limited) and have the following interests in the share capital of that company at 31 March 2008 and 2007 (or date of appointment if later):

		Number 2008	Number 2007
David Young		1	1
John Fraser		1	1
William McKimmie		1	1
Graham Morrison		1	1
Hugh Munro		1	1
George Ross		1	1
Berit Jarvis	(resigned 27 February 2007)	-	1

The following were members of Kirkgate Holdings Limited Board only:

Walter W Murray	(Chairman)	1	1
George Cruickshank		1	1
Donald Murdoch		1	-
Ian McAdam	(resigned 19 September 2007)	-	1

GRAMPIAN HOUSING ASSOCIATION LIMITED - CONSOLIDATED

BOARD OF MANAGEMENT, EXECUTIVES AND ADVISERS

For the year ended 31 March 2008

Registered Office:

Huntly House
74 Huntly Street
Aberdeen
AB10 1TD

Auditors:

Baker Tilly UK Audit LLP
First Floor, Quay 2
139 Fountainbridge
Edinburgh
EH3 9QG

Bankers:

The Royal Bank of Scotland plc
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

REPORT OF THE BOARD OF MANAGEMENT

For the year ended 31 March 2008

The Board of Management presents its report and audited financial statements for the year ended 31 March 2008.

Principal activities

The principal activity of Grampian Housing Association (the Group) 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 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 areas. Factoring services are provided for a wide range of homes. The Association also has developing relationships with other agencies including NHS Grampian, and Grampian Community Care Charitable Trust (GCCCT). The future objectives of the Association are broadly based within the context of the provision of social housing, and the associated wider housing and related fields. Objectives are measured by appropriate Key Performance Indicators, which are regularly reviewed within the Association's committee structure and they are reported to the Scottish Housing Regulator.

The principal activities of Kirkgate Holdings Limited are to build for sale, or to rent properties at market rent levels, and to develop medical centres for NHS Grampian.

Kirkgate Homes Limited is a dormant company.

Legal Status

Grampian Housing Association Limited (the Association), is incorporated in Scotland and registered with the Financial Services Authority under the Industrial and Provident Societies Act, 1965, as a registered Housing Association. It has two subsidiaries: Kirkgate Holdings Limited and Kirkgate Homes Limited (dormant company).

Kirkgate Holdings Limited (the Company), is incorporated in Scotland and registered with the Financial Services Authority under the Industrial and Provident Societies Act, 1965, as a non-registered Housing Association. It is under common control and is treated as a subsidiary of Grampian Housing Association Limited. The members of the company, as entered in the register of members, hold the share capital of the Company as nominees.

Board Members and Training

The group operates a formal induction process for new board members, and regularly reviews the composition of its board to ensure, as far as possible, that its membership comprises an appropriate gender balance with equal opportunities for all members and appointees. A skills audit has been performed, and following on from the appraisal process further board training is undertaken to ensure that members possess an appropriate mix of skills.

Housing stock

During the year the Group completed 68 units of new rental properties. 22 units were completed at Burnland Place, Elrick, 16 at Broomhill Way Kingseat Newmacher and 30 units at Waulkmill Road in Elgin. The Association also acquired 28 second-hand houses from the Defence Housing Executive, at Cromarty Place Lossiemouth.

Also during the year 15 homes passed from the Association's ownership as tenants exercised their Right to Buy. In addition, 39 shared ownership properties were lost through sharing owners exercising their right to staircase to 100% ownership.

At the year-end the Association owned 2,383 rental properties, and had 411 shared ownership properties in management. It also currently leases 87 properties to Aberdeen Foyer and provides factoring services for over 600 other homes in the Grampian area. Also worthy of note was the appointment of the Association as the exclusive agent, in the Grampian area, for the Scottish Government's new grant assisted initiative Open Market Low Cost Initiative for First Time Buyers (LIFT).

Development

REPORT OF THE BOARD OF MANAGEMENT

For the year ended 31 March 2008

The Group's growth has continued through its substantial ongoing housing development plans, from within the Devanha volume procurement programme. At the year-end there were 708 property units either actively under development for the Association, or being considered for future development. Of these, 455 units were identified for future housing rental, 89 units being developed on behalf of other Devanha Associations, and 164 new units under the LIFT shared equity grant assisted programme. The Association's wide geographical span of operations spreads throughout Aberdeen City, Aberdeenshire and Moray. Property units were being developed for the Association itself or under partnership agreements with Aberdeenshire Housing Partnership, and Castlehill Housing Association.

Looking to the future, further developments will primarily be undertaken under the Devanha programme, whose membership comprises of Grampian and the other four local RSLs. Capital commitments of £9,190,000 were authorised and contracted for in the immediate future. The Group's capital investment on housing properties for the year ended 31 March 2008 was £4,264,000. This was funded in part by way of Housing Association Grant (HAG) funding from Communities Scotland, which amounted to £1,029,000, and other grants amounting to £2,000. The remainder was funded from the Group's own resources, which included £3,226,000 of sales proceeds from sharing owners and other property sales, from which capital grants (HAG) of £1,001,000 were repaid.

Income and Expenditure

The Group had a turnover of £10,607,000, an increase of 21% on the previous year's £8,737,000. On this turnover it showed a deficit before tax of £96,000, compared with a surplus of £571,000 in 2007. The operating costs at £10,418,000 were increased by £2,690,000 or by 35%, which was due to record repair expenditures. It should also be noted that both turnover and operating costs have increased by £1,094,000 because of Homestake (LIFT) transactions. Within the reported deficit figure it should be further noted that the Association had a record surplus on disposal of housing assets of £1,759,000, which compared to the previous year's figure of £1,361,000. The very high repair costs expenditures amounted to £4,802,000, including an element for overheads, and in total these represented 46% of the total operating costs. These show as an increase of £1,076,000 or 29% when compared to the previous year's figure of £3,726,000. Significant expenditures were again incurred in extensive programmes of window, kitchen and boiler replacements. As in previous years extensive window replacements were completed in the former Burnsfield HC, Moray HC and the LSVT housing stock areas (ex.Scottish Homes). We have now also incorporated internal insulation in the window programme on the special construction no-fines flatted properties at Heathryfold (former Scottish Homes properties). The kitchen replacements were mainly to the Association's own build where properties were in excess of 15 years old. The boiler replacements have been to various housing units replacing the older inefficient boilers or ones with historic problems. A bathroom replacement programme commenced at Heathryfold and this will also continue into the forthcoming year. With the aid of grant funding from Aberdeen City Council to private owners we have been able to continue with the extensive Block Refurbishment programme at Nigg Kirk Road. We have now completed the external works to all but one Block (Block 4), and also underway was the internal refurbishment works to 5 of the Blocks. We sourced grant funding for solar panel heating to a number of estates where gas is not available and completed installations at Johnshaven, Burghead, Hopeman, Skinner Avenue Inverurie, and partly to Gordon Court Newmacher. Extensive upgrading to kitchens and gas central heating systems was also done to the properties at Cromarty Place Lossiemouth, which were purchased from the Ministry of Defence. Net interest charges increased to £2,044,000 from £1,799,000, which is primarily due to increased housing stock developments, and to higher interest rates on variable borrowings. 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 gross cost of housing properties amounted to £125,044,000 (an increase of £2,701,000) and after allowing for depreciation and HAG these have a net book value of £40,424,000. Updated favourable valuations of the Group's housing stock were undertaken by the valuer DTZ Peda Consulting, and Note 11 refers. The other tangible fixed assets decreased slightly, on a net book value basis from £4,239,000 to £4,218,000.

The current assets stock of shared ownership housing buybacks increased from nil to £280,000 at the year-end. While the group's net Work in Progress has increased from £2,061,000 to £3,767,000, which refers to the development of assets under construction on behalf of other Housing Associations and the Devanha partners, as well as an amount of £1,141,834 for a new exclusive development of six homes for sale at Collieston for Kirkgate Holdings.

REPORT OF THE BOARD OF MANAGEMENT

For the year ended 31 March 2008

Current debtors have decreased slightly from £1,779,000 to £1,625,000. However, debtors due in more than one year have increased by £336,000 due to work undertaken at Nigg Kirk Road on behalf of certain owner occupiers of the mixed ownership blocks of flats. The cash at bank and in hand at £1,297,000 reduced by £319,000 at the year-end, although the amount can be affected by the late receipt of grant amounts from the Scottish Housing Regulator.

Short-term Creditors show a small decrease from £5,561,000 to £5,518,000. With regard to long-term creditors the loans have increased from £34,661,000 to £38,758,000, because of bank funding to support new developments.

Reserves

At the year-end the Revenue reserves have decreased slightly from £1,078,000 to £1,003,000. 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 the Scottish Housing Regulator can also significantly 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 £3,000 was transferred from designated reserves, which now stand at £4,472,000. These reserves are based on the Association's obligation to maintain its housing properties in a satisfactory state of repair, and the amount set aside will cover the next two years of planned cyclical works. It should be also noted that the Association's long-term repair programme, and updated energy audit report, complies with the requirements of the Scottish Housing Quality Standard (SHQS).

The Capital reserve has decreased from £1,974,000 to £1,915,000, which is due to property sales. In summary, the Revenue reserves and Designated reserves have decreased slightly from £5,553,000 to £5,475,000.

Staffing

Staff numbers decreased for full time equivalent persons from 79 to 77, because of certain temporary staffing arrangements with our maintenance staff.

Wider Action and Customer Participation

This year we were successful in securing £100,000 in Big Lottery funding over three years, which allowed us to expand the Financial Inclusion project and hire another part-time staff member. The project is also worked in partnership, and partly funded by Castlehill and Tenants First, as well as fulfilling a service level agreement with Margaret Blackwood HA. Our money advice service has also bedded down well in the Aberdeen City regeneration areas of Torry, Woodside, Middlefield, Seaton and Tillydrone, and also, there is a prison surgery project, which is funded by the Community Regeneration Fund.

The wider role funding for Housing Support ended on 31 March, although alternative funding is being sought. However, in conjunction with Tenants First we are continuing to provide a much needed service to our most vulnerable tenants helping them to remain in their tenancies. Evaluation of the project indicated that 100% of the project's clients felt that their quality of life had improved as a result of input from their housing support worker.

It was a very busy year for the joint Instant Neighbour Furniture Project, which was provided jointly with the four other local RSLs, where 176 furniture packages were provided involving £304,000 of Housing Association Grant. The packages provide a variety of new and quality used furniture to tenants who did not have a previous home of their own, and the packages help clients in settling in more quickly with their new tenancies. This undoubtedly improves the success chances of the tenancy.

REPORT OF THE BOARD OF MANAGEMENT

For the year ended 31 March 2008

Wider Action and Customer Participation *(continued)*

Other general Wider Role Projects included our partnerships with MAP (Moray Against Poverty), and the Opportunity Gateway continued with the focus turning to evaluation and future funding issues, although unfortunately MAP recently ceased to employ paid staff. Also during the year considerable work was done with Multi ethnic Aberdeen Limited (MeAL), and we worked with Community Food Initiatives North East to improve the health and wellbeing of our tenants by promoting existing community food outlets and other schemes. We also continued to support and develop the Street Football project throughout Aberdeen, Aberdeenshire and Moray.

A special focus continues to be placed on working in Torry, in relation to the ongoing development of the Greyhope Road site, and the support provided for the Old Torry Partnership. This involved the running of the 'Big Debate' and involvement in the 'Choices' workshop, which aimed to help to get people back into work. We also supported the Torry Health Action Team (THAT), and promoted a development trust in Torry. Extensive community consultation was undertaken about the development of the Greyhope Road site, which is to be developed for housing and as a new office for SEPA.

During the year, Tenants Participation and Advisory Service (TPAS Scotland) were appointed to carry out an independent audit and review of the Association's Customer Participation Strategy. The work, which saw the involvement of customers has cumulated in the production of a revised strategy supported by an action plan to implement the key recommendations arising from the audit. Overall the Association's approach was acknowledged as one that met recommended practice, and the recommendations are more about developing some areas rather than major step change. The Association is to seek TPAS accreditation in regard to the strategy and this will help reinforce its public commitment to involving customers whenever this is needed.

Partnerships and New Initiatives

The Group continues to work closely with partners such as Devanha, NHSGrampian, GCCCT, Aberdeen Foyer and the Church of Scotland over a wide range of projects.

During the year, planning permission was at last achieved for the innovative and much needed development of the Timmer Market site, for both affordable rent, and the provision of a new medical facility for NHSGrampian. Also during the year, the subsidiary company Kirkgate Holdings Limited, partly developed a site at Collieston for the construction of 6 new properties for market sale. The three and four bedroom homes will be completed during the summer of 2008, and currently are partly sold.

Also during the year the Association was awarded the scheme management of the "Low-Cost Initiative for First Time Buyers (LIFT)" scheme management by the Scottish Housing Regulator. We have been chosen to exclusively run the pilot in Aberdeen City, Aberdeenshire and Moray. The Open Market Shared Equity Scheme aims to help people on low incomes who wish to purchase a home on the open market but cannot afford to pay the full market price. The applicant pays for the majority share (normally between 60% to 80%, based on their income) with grant from the Scottish Government to help fund the remainder of the price of the property.

Devanha Limited was jointly formed in May 2006 by the five north east based Registered Social Landlords, as a company limited by guarantee, to address efficient procurement and effective development programme delivery.

Partnerships and New Initiatives *(continued)*

Following a tendering exercise, exclusive long-term agreements for Devanha were concluded with contractors and consultants. In November 2007, the Scottish Housing Regulator's procurement programmes for 1,563 units of affordable housing over four years commenced with tranche one approval. The Devanha five founding principles through collaborative working embrace:

- Savings in Unit Costs
- Quality Improvements
- Innovative delivery
- Sustainability
- Employment and Training

REPORT OF THE BOARD OF MANAGEMENT

For the year ended 31 March 2008

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 using the Retail Prices Index (RPI), as a point of reference with an increase being applied of RPI +1% on 1st July each year, and this was ratified by the board for 2008. It should be noted however, that in 2007 the applied rent increase was made by using the Consumer Price Index (CPI) as the guide rather than the RPI, and for that year only a deviation to the policy was agreed by the board of the Association. The Association is also moving towards rent harmonisation.

Key Performance Indicators (KPIs)

The Association's relevant KPIs, based on data returned and published in the Annual Performance and Statistical Returns to the Scottish Housing Regulator, and in other RSL statistics information is as follows:

	Actual 2006/07	Peer Group 2006/07	Projected/Actual 2007/08	Budget 2007/08
% Void Loss	0.48%	1.40%	0.37%	0.75%
Non-Technical Arrears as a % of Net Rental Income – Current Tenants	3.80%	7.0%	4.42%	N/A
% Current Tenants Owing > 13 Weeks Rent	2.58%	6.20%	2.76%	N/A
% Total Rent Arrears	3.3%	5.8%	3.7%	N/A
Average Re-Let Time	16 days	38 days	15 days	N/A
Management Costs per unit	£511	£543	£535	£556
Staff costs as % of Turnover	25.21%		25.70%	24.90%
% Properties meeting SHQS	68%		77.47%	78.84%
% Emergency Repairs completed within Target Response Time	99.50%	96.70%	99.48%	N/A
Unit Cost of Day to Day Repairs	£323		£431	£320

Risk Management

The Group has a moral and statutory duty of care to its tenants, employees and assets. It will meet this duty by ensuring that risk management plays an integral part in the management of the Association at a strategic and operational level. Risk Management is an active process, which requires co-operation from the board of management, senior management and all staff. The Association will aim to make all employees aware of risks through training and communication. The Groups's risk management policy was approved by the Finance and General Purposes Committee in May 2008. The internal compliance function has delivered various written reports to the Audit Committee, while the tendering for internal audit services has been delayed pending the outcome of the potential new group structure negotiations.

Treasury Management Policy

REPORT OF THE BOARD OF MANAGEMENT

For the year ended 31 March 2008

Under its Rules the Group cannot enter into transactions of a speculative nature. At the year-end the Group had an appropriate mix of fixed and variable rate funding arrangements. The Group has an active treasury management function, which operates in accordance with the treasury policy approved by the Board of Management. During the year continual active improvements in working capital controls delayed bank cash drawdowns and realised net interest savings for the Association.

Maintenance Policies

The Group seeks to maintain its properties to the highest standards. To that end programmes of cyclical repairs are carried out in the medium term to deal with the gradual and predicable deterioration of building components. It is expected that the cost of all of these repairs will be charged to the Income and Expenditure Account. In addition, the Group has a long-term programme of major repairs to cover for works, which have become necessary since the original developments were completed, including works required by subsequent legislative changes. This includes replacement or repairs to components of the properties, which have come to the end of their economic lives. 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 Group follows, is to pay all purchases within 28 days, although some payments are settled in 14 days, and in accordance with creditor terms.

Group Structure

During the year discussions were held, and are still ongoing with Langstane Housing Association Limited, about the formation of a possible new group structure and the boards of both Groups have agreed in principle to form a new holding company. The intention is for both companies to continue operating on an independent basis, although back office services would be shared where appropriate, in the departmental areas of development and finance where joint working has already commenced. Plans have been lodged for an expanded office complex building in King Street, Aberdeen, which eventually could become the new headquarters for the new group and its operating companies.

Statement as to the disclosure of information to auditors

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

Auditors

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

By order of the Board

Alan J Moat
Secretary

Aberdeen
26 August 2008

GRAMPIAN HOUSING ASSOCIATION LIMITED -CONSOLIDATED

STATEMENT OF BOARD OF MANAGEMENT'S RESPONSIBILITIES

For the year ended 31 March 2008

Statute requires the Board of Management to prepare financial statements for each financial year which give a true and fair view of the affairs of the group and of the surplus or deficit for that period. In preparing those financial statements, the Board of Management is required to fulfil the following obligations:

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

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

The Board of Management is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Association and to enable them to ensure that the financial statements comply with the Industrial and Provident Societies Act 1965 to 2002, the Housing (Scotland) Act 2001 and the Registered Housing Associations (Accounting Requirements) (Scotland) Order 2007. They are also responsible for safeguarding the assets of the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

By order of the Board of Management

Alan J Moat
Secretary

BOARD OF MANAGEMENT'S STATEMENT ON INTERNAL FINANCIAL CONTROLS

For the year ended 31 March 2008

The Board of Management acknowledge their ultimate responsibility for ensuring that the Group has in place a system of controls that is appropriate to the various business environments in which it operates. These controls are designed to give reasonable assurance with respect to:

- the reliability of financial information used within the Group or for publication
- the maintenance of proper accounting records; and
- the safeguarding of assets (against unauthorised use or disposition).

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

- formal policies and procedures are in place, including the documentation of key systems and rules relating to the delegation of authorities, which allow the monitoring of controls and restrict the unauthorised use of the Group's assets.
- experienced and suitably qualified staff take responsibility for important business functions. Annual appraisal procedures have been established to maintain standards of performance.
- forecasts and budgets are prepared regularly which allow the Board of Management and staff to monitor the key business risks and financial objectives, and progress towards financial plans set for the year and the medium term; regular management accounts are prepared promptly, providing relevant, reliable and up-to-date financial and other information and significant variances from budgets are investigated as appropriate.
- all significant new initiatives, major commitments and investment projects are subject to formal authorisation procedures, through relevant sub-committees comprising Board of Management members and Co-optees.
- the Board of Management reviews reports from their Senior Management Team, staff 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 Group.
- 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 Group for the year ended 31 March 2008 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

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 10 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 10 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.

28 August 2008
LLP

Baker Tilly UK Audit

Registered Auditors
Chartered Accountants
Edinburgh

Independent Auditor's report to the members of

Grampian Housing Association Limited

We have audited the financial statements on pages 13 to 38, which have been prepared under the accounting policies set out on pages 16 to 18.

This report is made solely to the Association's members, as a body, in accordance with section 9 of the 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 Social Landlords (Accounting Requirements) (Scotland) Order 2007. We also report to you if, in our opinion, the Board of Management's Report is not consistent with the financial statements, if the Group 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 Group'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 Group's affairs as at 31 March 2008 and of its deficit 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 Social Landlords Accounting Requirements (Scotland) Order 2007.

28 August 2008
LLP

Baker Tilly UK Audit

Registered Auditors
Chartered Accountants
Edinburgh

GRAMPIAN HOUSING ASSOCIATION LIMITED - CONSOLIDATED

CONSOLIDATED INCOME AND EXPENDITURE ACCOUNT

For the year ended 31 March 2008

	<i>Note</i>	2008	2007
		£000	£000
Turnover	<i>1 & 2</i>	10,607	8,737
Operating costs		(10,418)	(7,728)
		<hr/>	<hr/>
Operating surplus		189	1,009
Surplus on disposal of housing fixed assets		1,759	1,361
Interest receivable	<i>8</i>	77	59
Interest payable	<i>9</i>	(2,121)	(1,858)
		<hr/>	<hr/>
(Deficit) / Surplus on ordinary activities before Taxation		(96)	571
Taxation charge on (deficit) / surplus on ordinary activities	<i>10</i>	(41)	(195)
		<hr/>	<hr/>
(Deficit) / Surplus on ordinary activities after Taxation for the financial year	<i>19</i>	(137)	376
		<hr/> <hr/>	<hr/> <hr/>

All figures relate to continuing operations.

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

GRAMPIAN HOUSING ASSOCIATION LIMITED - CONSOLIDATED

CONSOLIDATED BALANCE SHEET

	<i>Note</i>	As at 31 March 2008			
		2008		2007	
		GROUP	ASSOCIATION	GROUP	ASSOCIATION
		£000	£000	£000	£000
Tangible fixed assets					
Housing properties – gross cost					
less depreciation	<i>11</i>	122,342	121,694	119,990	119,322
Less Housing Association Grant	<i>11</i>	(75,542)	(75,542)	(75,515)	(75,514)
Less Other Grants	<i>11</i>	(6,376)	(6,376)	(6,420)	(6,420)
		<hr/>	<hr/>	<hr/>	<hr/>
		40,424	39,776	38,055	37,388
Other	<i>12</i>	4,218	2,932	4,239	2,952
		<hr/>	<hr/>	<hr/>	<hr/>
		44,642	42,708	42,294	40,340
Current assets					
Stock and Work in Progress	<i>13</i>	3,767	2,641	2,061	1,848
Debtors	<i>14</i>	1,625	2,027	1,779	1,966
Cash at bank and in hand	<i>15</i>	1,297	1,272	1,616	1,547
		<hr/>	<hr/>	<hr/>	<hr/>
		6,689	5,940	5,456	5,361
Creditors: amounts falling due					
Within one year	<i>16</i>	(5,518)	(4,756)	(5,561)	(5,447)
		<hr/>	<hr/>	<hr/>	<hr/>
Net current assets / (liabilities)		1,171	1,184	(105)	(86)
		<hr/>	<hr/>	<hr/>	<hr/>
Debtors: amounts falling due					
after one year	<i>14</i>	336	636	-	305
		<hr/>	<hr/>	<hr/>	<hr/>
Total assets less current					
Liabilities		46,149	44,528	42,189	40,559
Creditors: amounts falling due					
After more than one year	<i>17</i>	(38,758)	(37,483)	(34,661)	(33,366)
		<hr/>	<hr/>	<hr/>	<hr/>
Net assets		7,391	7,045	7,528	7,193
		<hr/>	<hr/>	<hr/>	<hr/>
Capital and reserves					
Share capital	<i>18</i>	1	1	1	1
Designated reserves	<i>19</i>	4,472	4,472	4,475	4,475
Capital reserve	<i>19</i>	1,915	1,915	1,974	1,974
Revenue reserves	<i>19</i>	1,003	657	1,078	743
		<hr/>	<hr/>	<hr/>	<hr/>
Shareholders' funds	<i>19</i>	7,391	7,045	7,528	7,193
		<hr/>	<hr/>	<hr/>	<hr/>

These financial statements were approved and authorised for issue by the Board of Management and authorised for issue on 26 August 2008 by:

David A Young
Chair

Hugh M Munro
Board Member

Alan J. Moat
Chief Executive/Secretary

GRAMPIAN HOUSING ASSOCIATION LIMITED - CONSOLIDATED

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 March 2008

	<i>Notes</i>	2008 £000	£000	2007 £000	£000
Cash (outflow)/inflow from operating activities	22		(1,457)		1,297
Returns on investments and servicing of finance					
Interest received		77		59	
Interest paid		(2,112)		(1,768)	
		<hr/>		<hr/>	
Net cash outflow from returns on investments and servicing of finance			(2,035)		(1,709)
Taxation					
Corporation tax paid		(221)		(159)	
Less grants received		100		100	
		<hr/>		<hr/>	
Net cash (outflow) on taxation			(121)		(59)
Capital expenditure and financial investment					
Acquisition and construction of					
Housing properties		(3,753)		(7,360)	
Purchase of other fixed assets		(133)		(1,247)	
Capital grants received		1,277		5,818	
Capital grants repaid		(1,036)		(1,449)	
Sales of housing properties		3,226		3,418	
Sales of other fixed assets		18		24	
		<hr/>		<hr/>	
Net cash outflow from capital expenditure and investing activities			(401)		(742)
			<hr/>		<hr/>
Net cash outflow before use of liquid resources and financing			(4,014)		(1,213)
Financing					
Loan advances received		3,857		1,380	
Loan principal repayments		(162)		(145)	
		<hr/>		<hr/>	
Net cash inflow from financing	24		3,695		1,235
			<hr/>		<hr/>
(Decrease)/ increase in cash in the year	23 & 24		(319)		22
			<hr/> <hr/>		<hr/> <hr/>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2008

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

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 Social Landlords Accounting Requirements (Scotland) Order 2007 and with the Statement of Recommended Practice (SORP), Accounting by Registered Social Landlords.

Basis of Consolidation

The Group financial statements consolidate the accounts of Grampian Housing Association Limited, and its subsidiary company Kirkgate Holdings Limited using acquisition accounting.

Turnover

Turnover represents rental and service charge income receivable from tenants and owner occupiers, fees and revenue based grants receivable from local authorities and Scottish Housing Regulator and fees from the provision of management services. It also includes lease income from commercial property.

Development costs and allowances

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

Housing properties, housing association grant and depreciation

(a) Housing properties are stated at cost. 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 would be recognised in the income and expenditure account.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2008

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 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

In relation to Kirkgate Holdings Limited, land and buildings depreciation is provided to write off the cost of housing properties by equal instalments over their estimated remaining useful economic lives of 60 years. Improvements to housing properties are capitalised where appropriate, and are depreciated between 5 and 60 years in a straight line depreciation basis. The expected life span of the improvements vary depending upon their classification, and the following periods have been used:

Roofing 60 years; Bathrooms 20 years; Kitchens 15 years; Heating 10 years; Carpets 5 years

No depreciation is provided on freehold land or commercial properties under construction.

Commercial Properties under construction

Commercial properties under construction, include the capitalised costs of the land acquisition, which is made up of the valuation certificate and other development costs to date.

Designated reserves

Cyclical and major repairs reserve

This reserve is based on the Association's obligation to maintain its housing properties in a satisfactory state of repair. Reactive repairs are met from revenue in the year in which they are incurred. However repairs of a cyclical or long-term nature are carried out in accordance with the Association's life cycle costing programme and will be funded from designated reserves. External decoration is planned to take place every 4 years with decoration of internal common parts every 8 years and major components replaced in accordance with the life cycle programme.

The reserve must also cover future major repairs expenditure. The actual cost is charged to the income and expenditure account and is covered by a reserve transfer. The Association's rental policy takes into account the need for adequate major repairs provisions to accumulate.

Anticipated spend on cyclical and major repairs over the next five years is £10,958,000.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2008

1. Accounting policies (continued)

Pensions

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

Taxation

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 the Housing and Regeneration Department or local authorities are payable to subsidise the capital cost of housing developments. Grants from the Housing and Regeneration Department take the form of Housing Association Grant (HAG) funding. Advances are generally available only in respect of those developments which have been given approval by Scottish Housing Regulator.

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

Deferred Income

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

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 any 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 - CONSOLIDATED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2008

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	2008 Surplus/(Deficit)	2007 Surplus/(Deficit)
		£000	£000	£000	£000	£000	£000	£000	£000	£000
Income and expenditure from Lettings										
General needs housing accommodation		6,907	(6,650)	(346)	(89)	-	-	(1,741)	(1,830)	(815)
Shared ownership accommodation	3(a)	721	(235)	(32)	454	-	-	(153)	301	232
Other	3(a)	445	(208)	-	237	-	-	(119)	118	143
		<u>8,073</u>	<u>(7,093)</u>	<u>(378)</u>	<u>602</u>	<u>-</u>	<u>-</u>	<u>(2,013)</u>	<u>(1,411)</u>	<u>(440)</u>
Other income and expenditure										
Other (note 3b)		2,534	(2,947)	-	(413)	-	-	(108)	(521)	(409)
		<u>2,534</u>	<u>(2,947)</u>	<u>-</u>	<u>(413)</u>	<u>-</u>	<u>-</u>	<u>(108)</u>	<u>(521)</u>	<u>(409)</u>
Total		<u>10,607</u>	<u>(10,040)</u>	<u>(378)</u>	<u>189</u>			<u>(2,121)</u>	<u>(1,932)</u>	<u>(849)</u>
Investment income					-	-	77	-	77	59
Disposal of fixed assets					-	1,759	-	-	1,759	1,361
Total Surplus/(deficit) before taxation					<u>189</u>	<u>1,759</u>	<u>77</u>	<u>(2,121)</u>	<u>(96)</u>	<u>571</u>

GRAMPIAN HOUSING ASSOCIATION LIMITED - CONSOLIDATED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2008

a. Income and expenditure from lettings

	General Needs £000	Shared Ownership £000	Other £000	Total 2008 £000	Total 2007 £000
Rents receivable net of identifiable service charges	6,550	632	-	7,182	6,769
Service charges receivable eligible for housing benefit	384	88	-	472	453
Other income	-	-	445	445	402
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	6,934	720	445	8,099	7,624
Less rent losses from voids	(27)	1	-	(26)	(34)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Net rents receivable from lettings	6,907	721	445	8,073	7,590
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Expenditure on lettings					
Services	(522)	-	-	(522)	(450)
Management	(1,214)	(235)	-	(1,449)	(1,395)
Routine and cyclical maintenance	(4,802)	-	-	(4,802)	(3,726)
Rent losses from bad debts	(47)	-	-	(47)	(68)
Other costs	(65)	-	(208)	(273)	(251)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total expenditure on lettings	(6,650)	(235)	(208)	(7,093)	(5,890)
Depreciation	(346)	(32)	-	(378)	(361)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Operating surplus / (deficit) on lettings	(89)	454	237	602	1,339
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

Other income primarily comprises Aberdeen Foyer rental income, Kirkgate rents and fees and Warm Deal Grant Income. Other costs are those associated with Kirkgate rents and fees.

Note: In the year ended 31 March 2007 £191,000 of cyclical maintenance costs were misclassified as other development costs (note 3(b)) rather than including them as routine and cyclical maintenance costs.

Average weekly rent levels for assured rents on				
General needs accommodation			£57.44	£55.65
Average annual increase			3.22 %	5.00%

GRAMPIAN HOUSING ASSOCIATION LIMITED - CONSOLIDATED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2008

b. Particulars of turnover, operating costs and operating surplus or deficit from other activities

	Grants from Scottish Ministers	Other revenue grants	Other income	Total Turnover	Operating Costs	Operating surplus or (deficit)	2007
	£000	£000	£000	£000	£000	£000	£000
Wider action/wider role	623	76	-	699	(1,006)	(307)	(217)
Factoring	-	-	242	242	(283)	(41)	(124)
Development activities	115	-	-	115	(320)	(205)	(109)
Agency/management services for Registered Social Landlords	169	-	-	169	(169)	-	-
Homestake/LIFT	-	-	1,094	1,094	(1,094)	-	-
Other agency/management services	-	-	-	-	-	-	-
Other activities	-	-	215	215	(75)	140	120
Total from other activities	907	76	1,551	2,534	(2,947)	(413)	(330)
2007	777	9	361	1,147	(1,477)	(330)	

Other activities comprise commercial rental income, NHS lease income, garage and parking income, and special project management.

GRAMPIAN HOUSING ASSOCIATION LIMITED - CONSOLIDATED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2008

4. Housing stock

	Units under development		Units under management	
	2008	2007	2008	2007
Housing accommodation for letting:				
New build and mixed funded	133	203	2,383	2,302
	<hr/>	<hr/>	<hr/>	<hr/>
Home ownership accommodation:				
Shared ownership	-	-	411	450
	<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 pensions contributions exceed £60,000 per year.

	2008	2007
	£000	£000
Total emoluments payable to directors (including pension contributions)	307	292
	<hr/>	<hr/>
Emoluments payable to the highest paid director (excluding pension contributions))	81	78
Pension contributions	8	8
	<hr/>	<hr/>
	89	86
	<hr/>	<hr/>

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

The Association made pension contributions of £14,000 (2007, £13,000) on behalf of those directors whose total emoluments, excluding pension contributions are in excess of £60,000 per annum.

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

More than £60,000 but not more than £70,000	1	1
More than £70,000 but not more than £80,000	-	1
More than £80,000 but not more than £90,000	1	-

GRAMPIAN HOUSING ASSOCIATION LIMITED - CONSOLIDATED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2008

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	
	2008	2007
Administration	69	69
Maintenance	8	10
	<hr/>	<hr/>
	77	79
	<hr/>	<hr/>

The aggregate payroll costs of these persons were as follows:

	2008	2007
	£000	£000
Wages and salaries	2,038	1,831
Social security costs	205	187
Other pension costs	258	158
	<hr/>	<hr/>
	2,501	2,176
	<hr/>	<hr/>

7. Operating Surplus on ordinary activities

	2008	2007
	£000	£000
<i>Operating Surplus on ordinary activities before taxation is stated after charging:</i>		
Depreciation – housing fixed assets	397	381
Depreciation – non housing fixed assets	144	134
Repairs (cyclical, major, day to day)	4,491	3,726
Auditors' remuneration:		
Audit	27	24
Other services	8	8
Operating lease rentals:		
Buildings	222	218
Other	18	18
	<hr/>	<hr/>

8. Interest receivable

	2008	2007
	£000	£000
Bank interest receivable	77	59
	<hr/>	<hr/>

9. Interest payable

	2008	2007
	£000	£000
On bank loans and overdrafts	1,838	1,586
On all other loans	283	272
	<hr/>	<hr/>
	2,121	1,858
	<hr/>	<hr/>

GRAMPIAN HOUSING ASSOCIATION LIMITED - CONSOLIDATED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2008

10. Taxation

Analysis of charge in year

	2008	2007
	£000	£000
<i>UK corporation tax</i>		
Current tax on income for the year	17	201
Adjustment in respect of previous years	13	(13)
	<hr/>	<hr/>
Total current tax	30	188
Deferred tax movement	17	(13)
Adjustment in respect of previous periods	(6)	20
	<hr/>	<hr/>
Tax on (deficit) / surplus on ordinary activities	41	195
	<hr/>	<hr/>

Factors affecting the tax charge for the current year

The current tax charge for the year is higher (2007: higher) than the standard rate of corporation tax in the UK (20%, 2007: 30%). The differences are explained below:

	2008	2007
	£000	£000
<i>Current tax reconciliation</i>		
(Deficit) / Surplus on ordinary activities before tax	(96)	571
	<hr/>	<hr/>
Current tax (credits) / charge at 20% (2007: 30%)	(18)	171
<i>Effects of:</i>		
Expenses not deductible for tax purposes	19	15
Other timing differences	4	19
Depreciation for year in excess of capital allowances	(17)	(6)
Profit on sale of housing properties (including allowable overheads)	(377)	(447)
Depreciation on assets not qualifying for capital allowances	88	128
Capitalised interest	(4)	(32)
Indexation on capital gains	364	373
Capital gains rolled over	(47)	(25)
Adjustments to tax charge in respect of prior years	13	(13)
Small companies relief	-	(3)
Inter group transactions eliminated on consolidation	-	8
Rate changes to ACA	1	-
Rate change losses	4	-
	<hr/>	<hr/>
Total current tax charge (see above)	30	188
	<hr/>	<hr/>

Factors that may affect future tax charges

- (i) In the year ended 31 March 2008 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 £25,000.

GRAMPIAN HOUSING ASSOCIATION LIMITED - CONSOLIDATED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2008

10. Taxation (continued)

Deferred taxation

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

	2008	2008	2007	2007
	Group	Association	Group	Association
	£000	£000	£000	£000
Balance brought forward	(17)	(17)	(24)	(24)
Income & Expenditure account movement arising during the year	23	6	(13)	(13)
Adjustment in respect of previous periods	(12)	(12)	20	20
	<hr/>	<hr/>	<hr/>	<hr/>
Balance carried forward	(6)	(23)	(17)	(17)
	<hr/>	<hr/>	<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	19	2	(4)	(4)
Other timing differences	(16)	(16)	(13)	(13)
Losses	(9)	(9)	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Deferred tax asset (note 14)	(6)	(23)	(17)	(17)
	<hr/>	<hr/>	<hr/>	<hr/>

GRAMPIAN HOUSING ASSOCIATION LIMITED - CONSOLIDATED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2008

11. Tangible fixed assets - housing properties (Group)

	Held for Letting £000	Under Construction £000	Completed Shared Ownership £000	Shared Ownership Under Construction £000	Total £000
<i>Cost</i>					
At start of year	97,632	9,016	15,409	285	122,342
Additions during year	126	4,135	3	-	4,264
Transfers	9,558	(9,558)	-	-	-
Disposals in year	(224)	-	(1,338)	-	(1,562)
At end of year	107,092	3,593	14,074	285	125,044
<i>Depreciation</i>					
At start of year	2,103	-	250	-	2,353
Provided for in year	365	-	32	-	397
Eliminated on disposal	(25)	-	(23)	-	(48)
At end of year	2,443	-	259	-	2,702
<i>Housing Association Grant</i>					
At start of year	55,436	8,549	11,287	242	75,514
Additions during year	4	1,025	-	-	1,029
Transfers	6,429	(6,429)	-	-	-
Disposals in year	(30)	-	(971)	-	(1,001)
At end of year	61,839	3,145	10,316	242	75,542
<i>Other Grants</i>					
At start of year	6,171	87	156	6	6,420
Additions	2	-	-	-	2
Disposals in year	-	-	(46)	-	(46)
At end of year	6,173	87	110	6	6,376
<i>Net book value</i>					
At end of year	36,637	361	3,389	37	40,424
At beginning of year	33,922	380	3,716	37	38,055

It should be noted that an updated valuation of the Association's housing stock as at 31 March 2007, was carried out on 30 November 2007, by the external valuer DTZ Pieda Consulting. On an Existing Use Valuation, Social Housing basis (EUV-SH), a property report valuation of £61,098,000 was produced, which compared favourably with the previous housing valuation that was done in March 2004, which then valued the stock figure at £49,012,000. Similar analysis was undertaken in January 2008 for property held by Kirkgate Holdings Limited; DTZ Pieda Consulting estimated a market value on a gradual vacant possession basis of £1,809,000 for properties with a net book value of £649,000 as at 31 March 2008.

GRAMPIAN HOUSING ASSOCIATION LIMITED - CONSOLIDATED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2008

11. Tangible fixed assets – housing properties (Group) (continued)

Security has been granted to lenders in respect of housing properties. Net cumulated interest capitalised in housing properties at 31 March 2008 amounted to £1,349,420. The amount capitalised in the year was £32,483.

11. Tangible fixed assets - housing properties (Association)

	Held for Letting £000	Under Construction £000	Completed Shared Ownership £000	Shared Ownership Under Construction £000	Total £000
<i>Cost</i>					
At start of year	96,981	9,016	15,409	285	121,601
Additions during year	126	4,135	3	-	4,264
Transfers	9,558	(9,558)	-	-	-
Disposals in year	(224)	-	(1,338)	-	(1,562)
At end of year	106,351	3,593	14,074	285	124,303
<i>Depreciation</i>					
At start of year	2,029	-	250	-	2,279
Provided for in year	346	-	32	-	378
Eliminated on disposal	(25)	-	(23)	-	(48)
At end of year	2,350	-	259	-	2,609
<i>Housing Association Grant</i>					
At start of year	55,436	8,549	11,287	242	75,514
Additions during year	4	1,025	-	-	1,029
Transfers	6,429	(6,429)	-	-	-
Disposals in year	(30)	-	(971)	-	(1,001)
At end of year	61,839	3,145	10,316	242	75,542
<i>Other Grants</i>					
At start of year	6,171	87	156	6	6,420
Additions	2	-	-	-	2
Disposals in year	-	-	(46)	-	(46)
At end of year	6,173	87	110	6	6,376
<i>Net book value</i>					
At end of year	35,989	361	3,389	37	39,776
At beginning of year	33,255	380	3,716	37	37,388

GRAMPIAN HOUSING ASSOCIATION LIMITED - CONSOLIDATED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2008

11. Tangible fixed assets – housing properties (Association) (continued)

It should be noted that an updated valuation of the Association's housing stock as at 31 March 2007, was carried out on 30 November 2007, by the external valuer DTZ Pida Consulting. On an Existing Use Valuation, Social Housing basis (EUV-SH), a property report valuation of £61,098,000 was produced, which compared favourably with the previous housing valuation that was done in March 2004, which then valued the stock figure at £49,012,000.

Security has been granted to lenders in respect of housing properties. Net cumulated interest capitalised in housing properties at 31 March 2008 amounted to £1,349,420. The amount capitalised in the year was £32,483.

12. Tangible fixed assets – other (Group)

	Commercial Properties	Heritable Land and Buildings	Plant machinery Fixtures and Motor vehicles	Computer Hardware & Software	Total Non housing
	£000	£000	£000	£000	£000
<i>Cost</i>					
At start of year	2,316	2,127	408	482	5,333
Additions during year	4	-	74	64	142
Disposals during the year	-	-	(46)	(1)	(47)
At end of year	<u>2,320</u>	<u>2,127</u>	<u>436</u>	<u>545</u>	<u>5,428</u>
<i>Depreciation</i>					
At start of year	67	357	285	385	1,094
Provided during year	29	43	37	35	144
Disposals during year	-	-	(27)	(1)	(28)
At end of year	<u>96</u>	<u>400</u>	<u>295</u>	<u>419</u>	<u>1,210</u>
<i>Net book value</i>					
At 31 March 2008	<u>2,224</u>	<u>1,727</u>	<u>141</u>	<u>126</u>	<u>4,218</u>
At 31 March 2007	<u>2,249</u>	<u>1,770</u>	<u>123</u>	<u>97</u>	<u>4,239</u>

Included in heritable land and buildings is land costing £260,000. Net accumulated interest capitalised in tangible fixed assets at 31 March 2008 amounted to £17,337. No Interest was capitalised in the year.

GRAMPIAN HOUSING ASSOCIATION LIMITED - CONSOLIDATED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2008

12. Tangible fixed assets – other (Association)

	Commercial Properties	Heritable Land and Buildings	Plant machinery Fixtures and Motor vehicles	Computer Hardware & Software	Total Non housing
	£000	£000	£000	£000	£000
<i>Cost</i>					
At start of year	1,027	2,127	408	482	4,044
Additions during year	-	-	74	64	138
Disposals during the year	-	-	(46)	(1)	(47)
At end of year	<u>1,027</u>	<u>2,127</u>	<u>436</u>	<u>545</u>	<u>4,135</u>
<i>Depreciation</i>					
At start of year	65	357	285	385	1,092
Provided during year	24	43	37	35	139
Disposals during year	-	-	(27)	(1)	(28)
At end of year	<u>89</u>	<u>400</u>	<u>295</u>	<u>(419)</u>	<u>1,203</u>
<i>Net book value</i>					
At 31 March 2008	<u>938</u>	<u>1,727</u>	<u>141</u>	<u>126</u>	<u>2,932</u>
At 31 March 2007	<u>962</u>	<u>1,770</u>	<u>123</u>	<u>97</u>	<u>2,952</u>

Included in heritable land and buildings is land costing £260,000. Net accumulated interest capitalised in tangible fixed assets at 31 March 2008 amounted to £17,337. No Interest was capitalised in the year.

13. Stocks and work in progress

	2008 Group £000	2008 Association £000	2007 Group £000	2007 Association £000
Housing Stock	280	280	-	-
Work in progress – Cost	43,857	42,731	27,512	27,299
Work in Progress – Cost transferred from fixed assets (note 11)	-	-	(861)	(861)
Work in progress – HAG	(40,370)	(40,370)	(25,451)	(25,451)
Work in progress – HAG transferred from fixed assets (note 11)	-	-	861	861
	<u>3,767</u>	<u>2,641</u>	<u>2,061</u>	<u>1,848</u>

Included within Group work and progress is the Collieston Development undertaken by Kirkgate Holdings. The amount of interest capitalised on this in the year was £16,121.

GRAMPIAN HOUSING ASSOCIATION LIMITED - CONSOLIDATED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2008

14. Debtors

	2008	2008	2007	2007
	Group	Association	Group	Association
	£000	£000	£000	£000
HAG receivable	443	443	1,007	1,007
Rental debtors	245	245	193	193
Prepayments and accrued income	88	88	64	64
Other debtors	840	823	395	373
Grant receivable under Section 54 Housing Act 1988	3	3	103	103
Deferred taxation (note 10)	6	23	17	17
Loan to subsidiary undertaking due in less than one year	-	402	-	209
	<hr/>	<hr/>	<hr/>	<hr/>
	1,625	2,027	1,779	1,966
	<hr/>	<hr/>	<hr/>	<hr/>
Other Debtors due more than one year	336	336	-	-
Loan to subsidiary undertaking due in more than one year	-	300	-	305
	<hr/>	<hr/>	<hr/>	<hr/>
	336	636	1,779	305
	<hr/>	<hr/>	<hr/>	<hr/>

The above figure for rental debtors (group and association) is made up as follows:

	2008	2008	2008	2007	2007	2007
	Debtor	Provided	Net debtor	Debtor	Provided	Net debtor
	£000	£000	£000	£000	£000	£000
Due from current tenants	250	(71)	179	229	(58)	171
Due from former tenants	71	(71)	-	84	(84)	-
Due from housing benefit	66	-	66	22	-	22
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	387	(142)	245	335	(142)	193
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

£52,208 of bad debts was written off during the period (2007: £72,000).

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 £235,000 (2007: £235,000) on a specific deposit account.

16. Creditors: amounts falling due within one year

	2008	2008	2007	2007
	Group	Association	Group	Association
	£000	£000	£000	£000
Loans (secured) - see note 17	191	171	416	399
Trade creditors	2,747	2,584	2,773	2,755
Other creditors including taxation and social security	640	140	248	243
Accruals and deferred income	1,782	1,715	2,045	1,978
Payments on account	146	146	72	72
Deposits	12	-	7	-
	<hr/>	<hr/>	<hr/>	<hr/>
	5,518	4,756	5,561	5,447
	<hr/>	<hr/>	<hr/>	<hr/>

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

GRAMPIAN HOUSING ASSOCIATION LIMITED - CONSOLIDATED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2008

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

	2008	2008	2007	2007
	Group	Association	Group	Association
	£000	£000	£000	£000
Loans (secured)	38,532	37,237	34,852	33,540
Less: due within one year	(191)	(171)	(416)	(399)
	<hr/>	<hr/>	<hr/>	<hr/>
	38,341	37,066	34,436	33,141
Amounts due re excess RTB Sales	230	230	-	-
Deferred Income	187	187	225	225
	<hr/>	<hr/>	<hr/>	<hr/>
	38,758	37,483	34,661	33,366
	<hr/>	<hr/>	<hr/>	<hr/>

Loans are repayable in instalments due as follows:

	2008	2008	2007	2007
	Group	Association	Group	Association
	£000	£000	£000	£000
Monthly instalments	13,761	13,761	905	905
Quarterly instalments, interest only until 21 August 2007	-	-	14,022	14,022
Quarterly instalments, interest only until 21 August 2012	5,000	5,000	5,000	5,000
Quarterly instalments, interest only until 31 January 2013	5,000	5,000	5,000	5,000
Quarterly instalments, interest only until 22 August 2022	5,000	5,000	5,000	5,000
Quarterly instalments, interest only until 22 August 2022 *	5,000	5,000	-	-
Quarterly instalments, principal and interest until 28 November 2036	1,295	-	1,312	-
Bi-annual instalments, interest only, with bullet repayment of principal November 2016	1,221	1,221	1,236	1,236
Bi-annual instalments	2,255	2,255	2,377	2,377
	<hr/>	<hr/>	<hr/>	<hr/>
	38,532	37,237	34,852	33,540
	<hr/>	<hr/>	<hr/>	<hr/>

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

At 31 March 2008 the last instalment of loans falls to be repaid in the year ending 31 March 2036 (2007: 31 March 2036). Interest is charged at rates between 5.37% and 8.75%, (2007: 4.93% and 8.75%).

GRAMPIAN HOUSING ASSOCIATION LIMITED - CONSOLIDATED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2008

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

Amounts are estimated as repayable as follows:	2008	2008	2007	2007
	Group	Association	Group	Association
	£000	£000	£000	£000
In one year or less	191	171	416	399
Between one and two years	200	180	686	667
Between two and five years	2,672	2,607	2,328	2,266
In five years and more	35,469	34,279	31,422	30,208
	<u>38,532</u>	<u>37,237</u>	<u>34,852</u>	<u>33,540</u>

18. Share capital

Group

	2008	2007	2008	2007
Shares of £1 each fully paid	Number	Number	£000	£000
At 1 April	499	550	1	1
Issued in year	5	5	-	-
Withdrawn in year	(51)	(56)	-	-
	<u>453</u>	<u>499</u>	<u>1</u>	<u>1</u>

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

Association

	2008	2007	2008	2007
Shares of £1 each fully paid	Number	Number	£000	£000
At 1 April	499	550	1	1
Issued in year	5	5	-	-
Withdrawn in year	(51)	(56)	-	-
	<u>453</u>	<u>499</u>	<u>1</u>	<u>1</u>

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

	Revenue	Designated	Capital	Share	Total
	Reserve	Reserves	Reserve	Capital	shareholders
	£000	£000	£000	£000	funds
					£000
Balance at 1 April 2007	1,078	4,475	1,974	1	7,528
Transfer from capital reserve	59	-	(59)	-	-
Accumulated deficit for year	(137)	-	-	-	(137)
Transfer to designated Reserves	(2,899)	2,899	-	-	-
Transfer from designated reserves	2,902	(2,902)	-	-	-
	<u>1,003</u>	<u>4,472</u>	<u>1,915</u>	<u>1</u>	<u>7,391</u>

GRAMPIAN HOUSING ASSOCIATION LIMITED - CONSOLIDATED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2008

19. Reconciliation of movements in shareholders' funds (Association)

	Revenue Reserve £000	Designated Reserves £000	Capital Reserve £000	Share Capital £000	Total shareholders funds £000
Balance at 1 April 2007	743	4,475	1,974	1	7,193
Transfer from capital reserve	59	-	(59)	-	-
Accumulated deficit/(surplus for year)	(148)	-	-	-	(148)
Transfer to designated Reserves	2,899	(2,899)	-	-	-
Transfer from designated reserve	(2,902)	2,902	-	-	-
Balance at 31 March 2008	657	4,472	1,915	1	7,045

20. Designated reserves (Group and Association)

	Balance at 1 April 2007 £000	Transfers in £000	Transfers Out £000	Balance at 31 March 2008 £000
Cyclical maintenance and major repairs reserve	4,467	2,896	(2,902)	4,461
Other	8	3	-	11
	<u>4,475</u>	<u>2,899</u>	<u>(2,902)</u>	<u>4,472</u>

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

Anticipated spend on cyclical and major repairs over the next five years is £8,658,000.

21. Commitments – Group and Association

(a) Capital commitments authorised and contracted for at 31 March 2008 amounted to £9,190,000 (2007: £4,728,000). As the relevant expenditure is incurred, corresponding loans and/or grants will be sought from Housing and Regeneration Department, Local Authorities and the private sector.

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

	2008		2007	
	Land and Buildings £000	Other £000	Land and buildings £000	Other £000
Operating leases which expire:				
In second to fifth years inclusive	-	18	-	18
Over five years	222	-	218	-
	<u>222</u>	<u>18</u>	<u>218</u>	<u>18</u>

GRAMPIAN HOUSING ASSOCIATION LIMITED - CONSOLIDATED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2008

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

	2008	2007
	£000	£000
Operating surplus	189	1,009
Adjustments:		
Depreciation on non-housing fixed assets	144	134
Depreciation on housing fixed assets	397	381
Loss/(Gain) on sale of non-housing fixed assets	1	(5)
Deferred income	(37)	(39)
Movement in working capital:		
Increase in stock & work in progress	(1,717)	(694)
(Increase) in debtors	(523)	(73)
Increase in creditors	89	584
	<hr/>	<hr/>
Cashflow (outflow) / inflow from operating activities	(1,457)	1,297
	<hr/>	<hr/>

23. Analysis of changes in net debt

	At 31 March		Other	At 31 March
	2007	Cashflows	Non-cash	2008
	£000	£000	Movements	£000
			£000	
Cash in hand, at bank	1,616	(319)	-	1,297
	<hr/>	<hr/>	<hr/>	<hr/>
Debt due within one year	(416)	210	15	(191)
Debt due after more than one year	(34,436)	(3,905)	-	(38,341)
	<hr/>	<hr/>	<hr/>	<hr/>
Total debt	(34,852)	(3,695)	15	(38,532)
	<hr/>	<hr/>	<hr/>	<hr/>
Total	(33,236)	(4,014)	15	(37,235)
	<hr/>	<hr/>	<hr/>	<hr/>

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

	2008	2007
	£000	£000
Decrease/Increase in cash in the period	(319)	22
Cash inflow from debt financing	(3,695)	(1,235)
Loan premium amortisation	15	15
	<hr/>	<hr/>
Change in debt resulting from cash flows	(3,999)	(1,198)
Net debt at beginning of period	(33,236)	(32,038)
	<hr/>	<hr/>
Net debt at end of period	(37,235)	(33,236)
	<hr/>	<hr/>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2008

25. Group structure

The Association is a registered Housing Association, incorporated in Scotland and has two subsidiaries, Kirkgate Homes Limited and Kirkgate Holdings Limited. Kirkgate Holdings Limited is a Housing Association incorporated in Scotland but not registered with Scottish Housing Regulator.

Kirkgate Homes Limited is a dormant company.

Individual accounts have been prepared for Kirkgate Holdings 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 Liabilities

Included in bank balances is £25,000 deposited in an interest bearing deposit account with the Royal Bank of Scotland, in respect of a board approved guarantee for the new Savings and Loans Scheme.

27. Pension schemes

Defined contribution pension scheme

The Association participates in a defined contribution pension scheme for its employees. The pension cost charge for the year represents contributions payable by the Association to the fund and amounted to £154,000 (2007: £158,000).

Grampian Housing Association Limited participates in the Pensions Trust's Growth Plan (the Plan). The Plan is funded and is not contracted out of the state scheme. The Growth Plan is a multi-employer pension Plan.

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

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

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

The rules of the Growth Plan give the Trustee the power to require employers to pay additional contributions in order to ensure that the statutory funding objective under the Pensions Act 2004 is met. The statutory funding objective is that a pension scheme should have sufficient assets to meet its past service liabilities, known as Technical Provisions.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2008

27. Pension schemes (continued)

Defined contribution pension scheme (continued)

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 56 active members of the Plan employed by Grampian Housing Association Limited. Grampian Housing Association Limited continues to offer membership of the Plan to its employees.

It is not possible in the normal course of events to identify on a reasonable and consistent basis the share of underlying assets and liabilities belonging to individual participating employers. 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 2005 by a professionally qualified actuary using the Projected Unit Method. The market value of the Scheme's assets at the valuation date was £675 million and the Plan's Technical Provisions (i.e. past service liabilities) were £704 million. The valuation therefore revealed a shortfall of assets compared with the value of liabilities of £29 million, equivalent to a funding level of 96%.

The scheme actuary has prepared an Actuarial Report that provides an approximate update on the funding position of the plan as at 30 September 2007. Such a report is required by legislation for years in which a full actuarial valuation is not carried out. The funding update revealed an increase in the assets of the scheme to £807 million and indicated a surplus of assets compared to liabilities of approximately £40 million, equivalent to a funding level of 105.2%. Annual funding updates of the Growth Plan are carried out using approximate actuarial techniques rather than member by member calculations, and will therefore not produce the same results as a full actuarial valuation. However they will provide a good indication of the financial progress of the Plan since the last full valuation.

Since the contribution rates payable to the Plan have been determined by reference to the last full actuarial valuation the following notes relate to the formal actuarial valuation as at 30 September 2005

The financial assumptions underlying the valuation as at 30 September 2005 were as follows:

	%
	pa
Investment return pre retirement	6.6
Investment return post retirement	4.5
Bonuses on accrued benefits	0.0
Rate of price inflation	2.5

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 ten years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2008

27. Pension Schemes (continued)

Defined contribution pension scheme (continued)

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

In view of the small funding deficit and the level of prudence implicit in the assumptions used to calculate the Plan liabilities the Trustee has prepared a recovery plan on the basis that no additional contributions from participating employers are required at this point in time. In reaching this decision the Trustee has taken actuarial advice and has been advised that the shortfall of £29 million (as at 30 September 2005) will be cleared within 5 years if the investment returns from assets are in line with the “best estimate” assumptions. “Best estimate” means that there is a 50% expectation that the return will be in excess of that assumed and a 50% expectation that the return will be lower than that assumed over the next 10 years. These “best estimate” assumptions are 7.6% per annum pre retirement and 4.8% per annum post retirement.

A copy of the recovery plan must be sent to the Pensions Regulator. The Pensions Regulator has the power under Part 3 of the Pensions Act 2004 to issue scheme funding directions where it believes that the actuarial valuation assumptions and / or recovery plan are inappropriate. For example the Regulator could require that the Trustee strengthens the actuarial assumptions (which would increase the 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). The regulator has reviewed the recovery plan for the Growth Plan and Confirmed that, in respect of the September 2005 actuarial valuation, it does not propose to issue any scheme funding directions under Part 3 of the Pensions Act 2004.

The next full actuarial valuation will be carried out as at 30 September 2008.

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 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 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 2007. As of this date the estimated employer debt for Grampian Housing Association Limited was £444,988 (2007 : £802,829).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2008

28. Related party disclosures

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 2008 housing rent receivable amounted to £141,000 (2007: £140,000) and restaurant rent amounted to £39,000 (2007: £34,000). Amounts paid in advance at 31 March 2008 for housing rent receivable were £17,000 (2007: £39,000) and £213,000 (2007: £234,000) in respect of the restaurant. The Foyer also rents office accommodation from the Association and during the year to 31 March 2008 office accommodation rent receivable was £50,000 (2007: £44,000). The amount paid in advance at 31 March 2008 for office accommodation was £2,000 (2007: £2,000). During the year the Association received £3,000 (2007: £1,000) for repairs management and other services. Amounts due at 31 March 2008 were £23,000 (2007: £7,000).

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 2007 Grampian Housing Association Limited made contributions of £39,000 (2007: £41,000) to the operating costs of the shop. Since the Balance Sheet date, it has been announced that Homechoice Limited is to cease trading, which followed the withdrawal of Aberdeen City Council's grant contribution.

The Director of Development and Mr Keith Harrison (resigned 14 February 2008) 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 2008 £23,000 (2007: £20,000) for management services and £1,000 (2007: £2,000) for office Accommodation from the Trust. At 31 March 2008 the balance due from Grampian Community Care Charitable Trust was £28,000 (2007: £12,000).

During the year there were two tenant board members, Keith Harrison and James Blair. All transactions between the Association and these board members were on the same terms as other tenants and board members.

The Chief Executive and the Chairman of Grampian Housing Association Limited are members of the board of Devanha Limited. Devanha Limited is a company limited by guarantee and the Association has an equal share, together with four locally based Registered Social Landlords, in the company with each partner having joint and several liability. The company was formed to facilitate the procurement of Housing Association Grant and Public Sector financed affordable housing on behalf of its partners. For the year to 31 March 2008 the Association received £1,000 (2007: £9,500) in respect of fully rechargeable expenses and contributed £7,000 (2007: £3,000) to the funding of Devanha. At 31 March 2008 there were no amounts due to or from Devanha Limited, although £348,000 of outstanding Housing Association Grant was receivable by Grampian Housing Association Limited in its capacity as lead developer for Devanha Limited.