

Thenue Housing Association Limited

Report and Financial Statements

For the year ended 31st March 2014

Registered Housing Association No. HAL193

FCA Reference No. 1933R(S)

Scottish Charity No. SC032782

THENUE HOUSING ASSOCIATION LIMITED

CONTENTS

	Page
MEMBERS OF THE MANAGEMENT COMMITTEE EXECUTIVES AND ADVISERS	1
REPORT OF THE MANAGEMENT COMMITTEE	2
REPORT BY THE AUDITORS ON CORPORATE GOVERNANCE MATTERS	6
REPORT OF THE AUDITORS	7
INCOME AND EXPENDITURE ACCOUNT	9
STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES	9
BALANCE SHEET	10
CASH FLOW STATEMENT	11
NOTES TO THE FINANCIAL STATEMENTS	12

THENUE HOUSING ASSOCIATION LIMITED

MANAGEMENT COMMITTEE, EXECUTIVES AND ADVISERS YEAR ENDED 31st MARCH 2014

MANAGEMENT COMMITTEE

George Alexander
Christine Brolly (Resigned 12 May 2013)
Lynne Carr
Catherine Chalmers
Mark Gibson
Robert J Kelly (Appointed 17 September 2013)
Charlotte Levy

Chairperson of Housing Management Sub
Committee

Catherine Martin (Resigned 21 May 2013)
James McLellan
Filbert Masau
Derek Quinn

Joint Vice Chairperson & Chairperson of
Community Regeneration Sub Committee
Chairperson of the Property Services
Sub Committee. Chairperson of the Audit
and Risk Sub Committee.

William Redmond

Ann Scott (Resigned 17 September 2013)
Owen Stewart

Chairperson, Chairperson of
the Finance & Staffing Sub Committee,
Joint Vice Chairperson

Margaret Vass

EXECUTIVE OFFICERS

Charles Turner
Brian Gannon

Chief Executive
Head of Housing (Housing Management &
Community Regeneration)
Head of Property Services
Head of Finance (IT & Corporate Services)

Beth Reilly
John Russell

REGISTERED OFFICE

423 London Road
Glasgow
G40 1AG

AUDITORS

Alexander Sloan
Chartered Accountants
38 Cadogan Street
Glasgow
G2 7HF

BANKERS

Bank of Scotland
The Mound
Edinburgh
EH1 1YZ

SOLICITORS

TC Young
7 West George Street
Glasgow
G2 1BA

THENUE HOUSING ASSOCIATION LIMITED

REPORT OF THE MANAGEMENT COMMITTEE FOR THE YEAR ENDED 31ST MARCH 2014

The Management Committee presents its report and the Financial Statements for the year ended 31st March 2014.

Legal Status

The Association is a registered non-profit making organisation under the Co-operative and Community Benefit Societies Act 2014. The Association is constituted under its Rule Book. The Association is a registered Scottish Charity with the charity number SC032782.

Principal Activities

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

Review of Business and Future Developments

Without a strong financial foundation, the Association cannot aspire to develop and manage and maintain a range of affordable quality housing in sustainable communities. April 2013 saw the introduction of the so called 'bedroom tax', which the Association anticipated having a substantial effect on the ability of many of its tenants to pay their basic rent plus the additional under occupancy charge and therefore adversely affecting the Association's finances .

The Association was therefore particularly pleased that as a result of both hard work by staff liaising with tenants and the securing of discretionary housing benefit payments, the full effect of the introduction of the bedroom tax was mitigated somewhat. Certainly overall arrears increased, but at the end of March 2014, the arrears figure of £719k was considerably lower than the Association anticipated it being some twelve months previously, with an estimated £45k of this being attributable to the under-occupancy charge.

The year as a whole saw the Association incur a deficit of £447k from turnover of £11.5 million and reflects the level of investment in the year on maintaining and improving our housing stock. Over £4.5 million was spent progressing the work required to bring our property up to the Scottish Housing Quality Standard, general modernisation work and major repair contracts. The year ahead will see the final investment of £1.8 million to complete the Associations Scottish Housing Quality Standard programme.

The year ended with six fewer housing units in ownership. A total of 25 new houses were built, 24 in Bridgeton were demolished and 9 were lost through Right to Buy and Shared Ownership sales. Procurement savings, largely in planned maintenance contracts meant a slower than anticipated drawdown of loan, so the average debt per unit at the year-end stands at £12,001.

Of the 253 houses let during the year, 177 of them were re-lets. This is a substantial increase from the 131 re-lets in 2012/2013. With increased volume comes increased expenditure, but big savings were made in the 'lost rent' created in between tenancies. Only £61k was lost, and this equates to less than 0.6% of overall rental income and an average of 21 days to re-let; a 30% improvement from 2012/2013. The average cost of a repair reduced over the year by 16%, so each reactive repair now costs only £100.85.

Along with strong finances, good governance, improved performance and value for money were three key themes that have been important for the Association during the year. These three themes stem from our analysis of the results of the April 2013 resident satisfaction survey.

The Association was very pleased that that overall satisfaction was high at 91%. In addition the Association was rated high in terms of communication with tenants at 92% overall satisfaction. The vast majority of tenants were of the opinion that Thenue is good at listening (84%) and responding to their views (83%).

REPORT OF THE MANAGEMENT COMMITTEE
FOR THE YEAR ENDED 31ST MARCH 2014

Review of Business and Future Developments (Contd)

The reactive repairs service is an area of high satisfaction, with 87% of tenants who have reported a repair in the last twelve months stating they were satisfied with the service they received. A further area of improvement is our out of hours repairs service where satisfaction has increased from 87% in 2010 to 94% in 2013.

There were also however some key results which will challenge us in the coming year. Participation continues to be one of those with high numbers of tenants stating that they are simply not interested in participating in decision making and where they are interested this tends to be in the least proactive ways such as by completing surveys and by receiving information. Despite this challenge, the Association continues to ensure that tenants are aware of the opportunities for participation in this unique community controlled housing Association. As a result, during 2013, Thenue appointed the Tenants' Information Service to independently assess our approach and make recommendations on how our tenant participation strategy can be improved. Implementing the conclusions from this review will be a priority for 2014.

Value for money was another area where satisfaction was lower with 64% of tenants stating their rent represents good value for money. The Association aims to achieve value for money and to be transparent in how it operates. Outwith this set of accounts we publish information on how we perform, what we spend and how we are governed. For Thenue, value for money is about being effective in how we plan, manage and operate the business. It means making the best use of the resources available to us to provide quality housing and community regeneration activities backed by high quality services and support.

At the end of the year when inflation was running at 2.6% Thenue increased rent by just 2.6%, when the average in the sector was 3.3%. Work carried out by the Institute of Fiscal Studies, concluded that over the last five years, (2008 to 2013), general inflation was running at 20%, energy prices rose by 60% and food prices by 30%. Thenue's rent increases over that same five year period have totalled 18.8%. That is 1.2% below inflation.

It is very important to Thenue that all our customers feel they get value for money from all of the services we provide. Value for money is the balance between cost and quality; it's about providing and maintaining the same service, whilst reducing costs or providing a higher level of service for the same money. Value for money is important: the economy is still recovering, but there are considerable changes and pressures mounting on Association tenants; and grants for new homes are not at a level that allow new development activities without too much exposure to risk for the remainder of the business.

In this environment it is essential that the Association gets every last bit of value from assets and their people to make them go further. Thenue is committed to getting the most out of the money customers pay in rent and are focusing on improving the value for money of all services and making savings wherever possible for re-investment.

Our Community Regeneration activities are a good example of where we are delivering added value from the services we provide. During the year, the Association's Financial Inclusion Team helped secure, on average, an additional £2,000 of disposable income for each of the 300 tenants they helped. Project work over the year has seen even greater community benefits. Projects ranging from Learning Works, Urban Fox, Calton Heritage & Learning Centre, Smart Communities, Move & Connect and Money Advice Plus have brought in over their project lives, some £2.3 million which has gone straight into Thenue communities. That is for every £1 invested in such projects this has resulted in a return on investment of £14.11.

The remainder of 2014 and beyond will bring its own challenges, and most will stem from how quickly the UK Government plans to roll out Universal Credit, or indeed whether we will remain part of the UK in the future. With certainty, the Association is determined to give the absolute best they can for every one of its customers - that is tenants, factored owners and all service users. Remaining strong and an independent community controlled housing Association will be how we aim to achieve this.

**REPORT OF THE MANAGEMENT COMMITTEE
FOR THE YEAR ENDED 31ST MARCH 2014**

Management Committee and Executive Officers

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

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

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

Statement of Management Committee's Responsibilities

The Co-operative and Community Benefit Societies Act 2014 requires the Management Committee to prepare Financial Statements for each financial year which give a true and fair view of the state of affairs of the Association and of the surplus or deficit of the Association for that period. In preparing those Financial Statements, the Management Committee is required to:-

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

The Management Committee is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Association and to enable them to ensure that the Financial Statements comply with the Co-operative and Community Benefit Societies Act 2014, the Housing (Scotland) Act 2010 and the Determination of Accounting Requirements 2012. They are also responsible for safeguarding the assets of the Association and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities. It is also responsible for ensuring the Association's suppliers are paid promptly.

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

In so far as the Management Committee are aware:

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

REPORT OF THE MANAGEMENT COMMITTEE
FOR THE YEAR ENDED 31ST MARCH 2014

Statement on Internal Financial Control

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

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

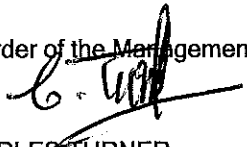
It is the Management Committee's responsibility to establish and maintain systems of Internal Financial Control. Such systems can only provide reasonable and not absolute assurance against material financial mis-statement or loss. Key elements of the Association's systems include ensuring that:

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

Auditors

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

By order of the Management Committee


CHARLES TURNER
Secretary
19 August 2014

THENUE HOUSING ASSOCIATION LIMITED

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

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

Basis of Opinion

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

Opinion

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

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



ALEXANDER SLOAN
Chartered Accountants

GLASGOW
19 August 2014

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

We have audited the financial statements of Thenue Housing Association Limited for the year ended 31st March 2014 which comprise an income and expenditure account, balance sheet, cash flow statement and related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the Association's members, as a body, in accordance with Section 87 of the Co-operative and Community Benefit Societies Act 2014. Our audit work has been undertaken so that we might state to the Association's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Association and the Association's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective Responsibilities of Management Committee and Auditors

As explained more fully in the Statement of Management Committee's Responsibilities the Association's Management Committee, are responsible for the preparation of the Financial Statements that give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit on the Financial Statements

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

Opinion on the financial statements

In our opinion the Financial Statements:

- give a true and fair view of the state of the Association's affairs as at 31st March 2014 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been properly prepared in accordance with the Co-operative and Community Benefit Societies Act 2014, the Housing (Scotland) Act 2010 and the Determination of Accounting Requirements 2012.

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

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

Matters on which we are required to report by exception

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

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

We have nothing to report in respect of these matters.



ALEXANDER SLOAN
Chartered Accountants
Statutory Auditors
GLASGOW
19 August 2014

THENUE HOUSING ASSOCIATION LIMITED

INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED 31st MARCH 2014

	Notes	2014 £	2013 £
TURNOVER	2.	11,533,249	11,750,960
Operating Costs	2.	(10,683,599)	(9,312,877)
OPERATING SURPLUS	9.	849,650	2,438,083
Gain On Sale Of Housing Stock	7.	28,941	19,848
Release of Negative Goodwill	22.	27,486	27,486
Interest Receivable and Other Income		8,680	12,736
Interest Payable and Similar Charges	8.	(1,361,802)	(1,262,013)
		(1,296,695)	(1,201,943)
(DEFICIT)/SURPLUS ON ORDINARY ACTIVITIES		(447,045)	1,236,140

All amounts relate to continuing activities. All recognised surpluses and deficits have been included in the Income & Expenditure Account. Historical cost surpluses and deficits are identical to those shown in the accounts.

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

	2014 £	2013 £
(Deficit)/Surplus for the financial year	(447,045)	1,236,140
Prior year adjustment	-	1,513,761
Total losses and gains recognised since last annual report	(447,045)	2,749,901

THENUE HOUSING ASSOCIATION LIMITED

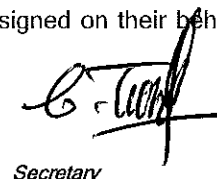
BALANCE SHEET AS AT 31st MARCH 2014

	Notes	£	2014 £	£	2013 £
TANGIBLE FIXED ASSETS					
Housing Properties - Depreciated Cost	10.(a)		117,026,670		114,468,733
Less: Social Housing Grant	10.(a)		(69,331,847)		(68,461,761)
: Other Public Grants	10.(a)		(2,865,486)		(2,874,801)
			<u>44,829,337</u>		<u>43,132,171</u>
Other fixed assets	10.(b)		3,561,227		3,601,535
			<u>48,390,564</u>		<u>46,733,706</u>
Negative Goodwill	22.		(816,787)		(844,273)
FIXED ASSET INVESTMENTS					
Investment in subsidiaries	21.		100		100
Shared Equity Cost	21.	2,539,394		2,608,260	
Shared Equity Grant	21.	(2,539,394)		(2,608,260)	
			<u></u>	<u></u>	
CURRENT ASSETS					
Debtors	13.	1,448,656		2,288,681	
Cash at bank and in hand		1,964,306		1,211,267	
			<u>3,412,962</u>	<u>3,499,948</u>	
CREDITORS: Amounts falling due within one year	14.	(2,553,173)		(4,700,587)	
NET CURRENT ASSETS/(LIABILITIES)			859,789		(1,200,639)
TOTAL ASSETS LESS CURRENT LIABILITIES			48,433,666		44,688,894
CREDITORS: Amounts falling due after more than one year	15.		(33,462,582)		(29,242,829)
PROVISIONS FOR LIABILITIES AND CHARGES					
Furniture & Flooring Replacement	23.	(617,437)		(645,363)	
			<u>(617,437)</u>	<u>(645,363)</u>	
NET ASSETS			<u>14,353,647</u>		<u>14,800,702</u>
CAPITAL AND RESERVES					
Share Capital	17.		151		161
Designated Reserves	18.(a)		205,412		2,406,561
Revenue Reserves	18.(b)		14,148,084		12,393,980
			<u>14,353,647</u>		<u>14,800,702</u>

The Financial Statements were approved by the Management Committee and signed on their behalf on 19 August 2014.


Chairperson


Vice-Chairperson


Secretary

THENUE HOUSING ASSOCIATION LIMITED

CASH FLOW STATEMENT FOR THE YEAR ENDED
31st MARCH 2014

	Notes	2014 £	2013 £
Net Cash Inflow from Operating Activities	16.	522,036	4,319,315
Returns on Investment and Servicing of Finance			
Interest Received	8,680	12,736	
Interest Paid	(1,374,392)	(1,248,515)	
Net Cash Outflow from Investment and Servicing of Finance		(1,365,712)	(1,235,779)
Capital Expenditure and Financial Investment			
Acquisition and Construction of Properties	(4,593,562)	(9,648,049)	
Purchase of Other Fixed Assets	(275,638)	(740,224)	
Social Housing Grant Received	1,893,108	3,434,625	
Social Housing Grant Repaid	(111,915)	-	
Other Grants Received	181,963	336,580	
Proceeds on Disposal of Properties	261,347	93,113	
Net Cash Outflow from Capital Expenditure and Financial Investment		(2,644,697)	(6,523,955)
Net Cash Outflow before use of Liquid Resources and Financing		(3,488,373)	(3,440,419)
Financing			
Loan Advances Received	4,500,000	2,637,634	
Loan Principal Repayments	(258,604)	(275,708)	
Share Capital Issued	16	19	
Net Cash Inflow from Financing		4,241,412	2,361,945
Increase / (decrease) in Cash	16.	753,039	(1,078,474)

THENUE HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2014

NOTES TO THE FINANCIAL STATEMENTS

1 PRINCIPAL ACCOUNTING POLICIES

Basis Of Accounting

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

Turnover

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

Retirement Benefits

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

Valuation Of Housing Properties

Housing Properties are stated at cost, less social housing and other public grants and less accumulated depreciation. Housing under construction and Land are not depreciated. The Association depreciates housing properties by major component on a straight line basis over the estimated useful economic lives of each identified component. All components are categorised as Housing Properties within note 10. Impairment reviews are carried out if events or circumstances indicate that the carrying value of the components listed below is higher than the recoverable amount.

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

THENUE HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2014

NOTES TO THE FINANCIAL STATEMENTS (Continued)

1 PRINCIPAL ACCOUNTING POLICIES (Continued.)

Depreciation And Impairment Of Other Fixed Assets

Other Fixed Assets are stated at cost less accumulated depreciation. Depreciation is charged on a straight line basis over the expected economic useful lives of the assets at the following annual rates:-

Office Premises:

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

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

Social Housing Grant And Other Grants In Advance/Arrears

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

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

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

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

Sales Of Housing Properties

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

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

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

THENUE HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2014

NOTES TO THE FINANCIAL STATEMENTS (Continued)

1 PRINCIPAL ACCOUNTING POLICIES (Continued.)

Leases/Leased Assets

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

Capitalisation Of Development Overheads

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

Development Interest

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

Designated Reserves

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

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

Property Development Cost

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

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

Negative Goodwill

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

Provisions

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

THENUE HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2014

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

	Notes	2014			2013		
		Turnover £	Operating Costs £	Operating Surplus / (Deficit) £	Turnover £	Operating Costs £	Operating Surplus / (Deficit) £
Social Lettings	3.	10,804,971	9,954,184	850,787	10,303,277	8,464,036	1,839,241
Other Activities	4.	728,278	729,415	(1,137)	1,447,683	848,841	598,842
Total		11,533,249	10,683,599	849,650	11,750,960	9,312,877	2,438,083

3. PARTICULARS OF INCOME & EXPENDITURE FROM SOCIAL LETTINGS

	General Needs Housing £	Supported Housing £	Shared ownership £	2014 Total £	2013 Total £
Income from Lettings					
Rent Receivable Net of Identifiable Service Charges	9,788,019	652,614	101,255	10,541,888	10,039,125
Service Charges Receivable	223,058	100,565	542	324,165	356,070
Gross Rents Receivable	10,011,077	753,179	101,797	10,866,053	10,395,195
Less: Rent losses from voids	48,252	11,055	1,775	61,082	91,918
Total Income From Social Letting	9,962,825	742,124	100,022	10,804,971	10,303,277
Expenditure on Social Letting Activities					
Service Costs	242,560	125,248	-	367,808	327,197
Management and maintenance administration costs	3,073,824	154,269	57,618	3,285,711	3,104,189
Reactive Maintenance	1,297,835	85,198	-	1,383,033	1,356,867
Bad Debts - Rents and Service Charges	166,558	-	-	166,558	194,255
Planned and Cyclical Maintenance, including Major Repairs	3,030,756	86,956	-	3,117,712	2,105,122
Depreciation of Social Housing	1,568,135	47,025	18,202	1,633,362	1,376,406
Impairment of Housing	-	-	-	-	-
Operating Costs of Social Letting	9,379,668	498,696	75,820	9,954,184	8,464,036
Operating Surplus on Social Letting Activities	583,157	243,428	24,202	850,787	1,839,241
2013	1,564,595	250,262	24,384		

THENUE HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2014

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

	Grants From Scottish Ministers	Other Revenue Grants	Supporting People Income	Other Income	Total Turnover	Operating Costs Bad Debts	Operating Costs Other	Operating Surplus /(Deficit) 2014	Operating Surplus /(Deficit) 2013
	£	£	£	£	£	£	£	£	£
Wider Role Activities	113,754	147,544	-	-	261,298	-	268,875	(7,577)	(4,057)
Factoring	-	-	-	280,490	280,490	46,318	247,906	(13,734)	(20,465)
Development and construction of property activities	-	-	-	-	-	-	3,616	(3,616)	(3,975)
Support Activities	-	-	91,139	-	91,139	-	118,624	(27,485)	(22,528)
Other Income	-	-	-	95,351	95,351	-	44,076	51,275	(528)
Community Energy Savings Project	-	-	-	-	-	-	-	-	650,395
Total From Other Activities	113,754	147,544	91,139	375,841	728,278	46,318	683,097	(1,137)	598,842
2013	16,714	62,098	91,139	1,277,732	1,447,683	20,061	828,780	598,842	

THENUE HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2014

NOTES TO THE FINANCIAL STATEMENTS (Continued)

5. OFFICERS' EMOLUMENTS

	2014	2013
	£	£

The Officers are defined in s149 of the Co-operative and Community Benefit Societies Act 2014 as the members of the Management Committee, managers or servants of the Association.

Aggregate Emoluments payable to Officers with Emoluments greater than £60,000 (excluding Pension Contributions)	70,969	68,902
---	--------	--------

Pension contributions made on behalf on Officers with emoluments greater than £60,000	6,813	6,615
---	-------	-------

Emoluments payable to Chief Executive (excluding pension contributions)	70,969	68,902
---	--------	--------

The number of Officers, including the highest paid Officer, who received emoluments (excluding pension contributions) over £60,000 was in the following ranges:-

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

In accordance with the Association's cost sharing agreement with its subsidiary, Thenue Housing Services, officers' emoluments of £nil and employer pension costs of £nil (2013 - £Nil and £Nil respectively) were recharged to Thenue Housing Services.

6. EMPLOYEE INFORMATION

	2014	2013
	No.	No.
The average monthly number of full time equivalent persons employed during the year was	62	59

The average total number of Employees employed during the year was	69	65
--	----	----

Staff Costs were:	£	£
Wages and Salaries	2,025,136	1,900,317
Social Security Costs	158,672	157,806
Other Pension Costs	309,520	294,942
	2,493,328	2,353,065

THENUE HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2014

NOTES TO THE FINANCIAL STATEMENTS (Continued)

7. GAIN ON SALE OF HOUSING STOCK		
	2014	2013
	£	£
Sales Proceeds	261,347	93,113
Cost of Sales	232,406	73,265
Gain On Sale Of Housing Stock	<u>28,941</u>	<u>19,848</u>
8. INTEREST PAYABLE		
	2014	2013
	£	£
On Bank Loans & Overdrafts	1,374,392	1,262,013
	1,374,392	1,262,013
Less: Interest Capitalised	12,590	-
	<u>1,361,802</u>	<u>1,262,013</u>
9. (DEFICIT)/SURPLUS ON ORDINARY ACTIVITIES		
	2014	2013
(Deficit) / Surplus on Ordinary Activities before Taxation is stated after charging:-	£	£
Depreciation - Tangible Owned Fixed Assets	1,763,338	1,500,712
Auditors' Remuneration - Audit Services	13,848	14,982
Operating Lease Rentals - Land & Buildings	55,078	55,078
Operating Lease Rentals - Other	<u>16,040</u>	<u>17,360</u>

THENUE HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2014

NOTES TO THE FINANCIAL STATEMENTS (Continued)

10. TANGIBLE FIXED ASSETS

a) Housing Properties	Housing Properties Held for Letting £	Housing Properties In course of Construction £	Completed Shared Ownership Properties £	Total £
COST				
As at 1st April 2013	119,035,002	2,734,373	1,301,293	123,070,668
Additions	2,465,812	2,122,340	18,000	4,606,152
Disposals	(556,338)	-	(23,788)	(580,126)
Schemes Completed	3,384,171	(3,384,171)	-	-
As at 31st March 2014	124,328,647	1,472,542	1,295,505	127,096,694
DEPRECIATION				
As at 1st April 2013	8,387,804	-	214,131	8,601,935
Charge for Year	1,523,657	-	18,202	1,541,859
Disposals	(68,145)	-	(5,625)	(73,770)
As at 31st March 2014	9,843,316	-	226,708	10,070,024
SOCIAL HOUSING GRANT				
As at 1st April 2013	66,253,110	1,842,779	365,872	68,461,761
Additions	81,690	1,073,442	-	1,155,132
Disposals	(285,046)	-	-	(285,046)
Schemes Completed	1,794,241	(1,794,241)	-	-
As at 31st March 2014	67,843,995	1,121,980	365,872	69,331,847
OTHER CAPITAL GRANTS				
As at 1st April 2013	2,624,801	250,000	-	2,874,801
Additions	-	-	-	-
Disposals	(9,315)	-	-	(9,315)
Schemes Completed	-	-	-	-
As at 31st March 2014	2,615,486	250,000	-	2,865,486
NET BOOK VALUE				
As at 31st March 2014	44,025,850	100,562	702,925	44,829,337
As at 31st March 2013	41,769,287	641,594	721,290	43,132,171

Additions to housing properties includes capitalised development administration costs of £72,326 (2013: £74,565) and capitalised major repair costs to existing properties of £2,360,128 (2013: £5,390,120)

All land and housing properties are freehold.

THENUE HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2014

NOTES TO THE FINANCIAL STATEMENTS (Continued)

10. TANGIBLE FIXED ASSETS (Continued)

b) Other Tangible Assets

	Accom Furnishings £	Commercial Property £	Calton Heritage & Learning Centre	Office Premises £	Office Furniture & Equipment £	Total £
COST						
As at 1st April 2013	2,537	276,897	503,349	3,325,251	1,187,083	5,295,117
Additions	-	-	160,844	60,633	54,161	275,638
Eliminated on Disposals	(2,537)	(4,008)	-	-	-	(6,545)
As at 31st March 2014	-	272,889	664,193	3,385,884	1,241,244	5,564,210
GRANTS RECEIVED						
As at 1st April 2013	-	-	479,925	-	27,308	507,233
Received in year	-	-	160,844	-	21,119	181,963
As at 31st March 2014	-	-	640,769	-	48,427	689,196
AGGREGATE DEPRECIATION						
As at 1st April 2013	2,537	19,202	-	149,333	1,015,277	1,186,349
Charge for year	-	7,783	469	73,956	47,767	129,975
Eliminated on disposal	(2,537)	-	-	-	-	(2,537)
As at 31st March 2014	-	26,985	469	223,289	1,063,044	1,313,787
NET BOOK VALUE						
As at 31st March 2014	-	245,904	22,955	3,162,595	129,773	3,561,227
As at 31st March 2013	-	257,695	23,424	3,175,918	144,498	3,601,535

The Carlton Heritage & Learning Centre is being funded by grant income from the Big Lottery Grant Fund.

11. CAPITAL COMMITMENTS

	2014 £	2013 £
Capital Expenditure that has been contracted for but has not been provided for in the Financial Statements	223,000	2,332,000

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

12. COMMITMENTS UNDER OPERATING LEASES

	2014 £	2013 £
At the year end, the annual commitments under operating leases were as follows:-		
Land and Buildings		
Expiring within one year	12,313	-
Expiring between two and five years	35,249	28,589
Expiring in over five years	7,516	26,489
Other		
Expiring within one year	5,745	5,177
Expiring between two and five years	6,060	6,060
Expiring in over five years	-	17,360

THENUE HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2014

NOTES TO THE FINANCIAL STATEMENTS (Continued)

13. DEBTORS

	2014 £	2013 £
Arrears of Rent & Service Charges	719,057	559,774
Less: Provision for Doubtful Debts	(393,562)	(266,638)
	<u>325,495</u>	<u>293,136</u>
Social Housing Grant Receivable	328,358	913,733
Other Debtors	787,572	1,076,741
Amounts Due from Group Undertakings	7,231	5,071
	<u>1,448,656</u>	<u>2,288,681</u>

14. CREDITORS: Amounts falling due within one year

	2014 £	2013 £
Housing Loans	273,542	251,899
Trade Creditors	944,782	1,654,576
Rent & Factoring Payments in Advance	534,673	513,155
Social Housing Grant in Advance	189,760	37,159
Other Taxation and Social Security	54,137	74,752
Consultants and Contractors	299,463	897,367
Other Creditors	64,716	61,295
Accruals and Deferred Income	192,100	1,210,384
	<u>2,553,173</u>	<u>4,700,587</u>

At the balance sheet date there were pension contributions outstanding of £37918 (2013: £34647)

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

	2014 £	2013 £
Housing Loans	<u>33,462,582</u>	<u>29,242,829</u>
Housing Loans are secured by specific charges on the Association's housing properties and are repayable at varying rates of interest in instalments, due as follows:-		
Within one year	273,542	251,899
Between one and two years	530,747	258,711
Between two and five years	1,775,538	1,351,276
In five years or more	31,156,297	27,632,842
	<u>33,736,124</u>	<u>29,494,728</u>
Less: Amount shown in Current Liabilities	273,542	251,899
	<u>33,462,582</u>	<u>29,242,829</u>

THENUE HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2014

NOTES TO THE FINANCIAL STATEMENTS (Continued)

16. CASH FLOW STATEMENT

<i>Reconciliation of operating surplus to net cash inflow from operating activities</i>	2014 £	2013 £
Operating Surplus	849,650	2,438,083
Depreciation	1,763,338	1,500,712
Change in Provisions for liabilities and charges	(27,926)	(57,202)
Change in Debtors	254,650	(419,971)
Change in Creditors	(2,317,650)	857,719
Share Capital Written Off	(26)	(26)
Net Cash Inflow from Operating Activities	<u>522,036</u>	<u>4,319,315</u>

<i>Reconciliation of net cash flow to movement in net debt</i>	2014 £	£	2013 £	£
Increase / (decrease) in Cash	753,039		(1,078,474)	
Cash flow from change in debt	<u>(4,241,396)</u>		<u>(2,361,926)</u>	
Movement in net debt during year		(3,488,357)		(3,440,400)
Net debt at 1st April 2013		<u>(28,283,461)</u>		<u>(24,843,061)</u>
Net debt at 31st March 2014		<u><u>(31,771,818)</u></u>		<u><u>(28,283,461)</u></u>

<i>Analysis of changes in net debt</i>	At 01.04.13 £	Cash Flows £	Other Changes £	At 31.03.14 £
Cash at bank and in hand	<u>1,211,267</u>	<u>753,039</u>		<u>1,964,306</u>
	1,211,267	753,039		1,964,306
Liquid Resources	-	-		-
Debt: Due within one year	(251,899)	258,604	(280,247)	(273,542)
Due after more than one year	<u>(29,242,829)</u>	<u>(4,500,000)</u>	<u>280,247</u>	<u>(33,462,582)</u>
Net Debt	<u><u>(28,283,461)</u></u>	<u><u>(3,488,357)</u></u>	<u>-</u>	<u><u>(31,771,818)</u></u>

THENUE HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2014

NOTES TO THE FINANCIAL STATEMENTS (Continued)

17. SHARE CAPITAL

Shares of £1 each Issued and Fully Paid	£
At 1st April 2013	161
Issued in year	16
Cancelled in year	(26)
At 31st March 2014	<u>151</u>

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

18. RESERVES

(a) Designated Reserves	Major Repairs £	Total £
At 1st April 2013	2,406,561	2,406,561
Transfer to / (from) Revenue Reserves	(2,201,149)	(2,201,149)
At 31st March 2014	<u>205,412</u>	<u>205,412</u>

(b) Revenue Reserves	Total £
At 1st April 2013	12,393,980
(Deficit) / Surplus for the year	(447,045)
Transfer (to) / from Designated Reserves	2,201,149
At 31st March 2014	<u>14,148,084</u>

19. HOUSING STOCK

The number of units of accommodation in management at the year end was:-	2014 No.	2013 No.
General Needs	2,559	2,541
Shared Ownership	63	66
Supported Housing	189	189
	<u>2,811</u>	<u>2,796</u>

20. RELATED PARTY TRANSACTIONS

Members of the Management Committee are related parties of the Association as defined by The related party relationships of the members of the Management Committee is summarised as

4 members are tenants of the Association

2 members are factored owners

Those members that are tenants of the Association have tenancies that are on the Association's Governing Body Members cannot use their position to their advantage. Any transactions between the Association and any entity with which a Governing Body Member has a connection with is made at arm's length and is under normal commercial terms.

THENUE HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2014

NOTES TO THE FINANCIAL STATEMENTS (Continued)

21. FIXED ASSET INVESTMENT

	2014 £	2013 £
Shared Equity Properties		
Development Cost of Shared Equity Property	2,539,394	2,608,260
Less: Grants Receivable	<u>2,539,394</u>	<u>2,608,260</u>
	-	-
Investments in Subsidiaries		
As at 31st March 2014 & 31st March 2013	<u>100</u>	<u>100</u>

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

The Association has two 100% owned subsidiaries, Thenue Housing Services and the Calton Heritage & Learning Centre. The relationship between the Association and its subsidiaries is set out in an independence agreement between both parties.

The following transactions took place between the entities during the year: The Association incurred costs on behalf of its subsidiary Thenue Housing Services Limited of £12,482 (2013 - £5,774). These costs have been recharged to Thenue Housing Services Limited. At the year end the amount owing by Thenue Housing Services Limited to the Association was £4,141 (2013 - £5,071).

The aggregate amount of capital and reserves and the results of Thenue Housing Services for the year ended 31st March 2014 were as follows:

	2014 £	2013 £
Capital & Reserves	<u>49,776</u>	<u>49,346</u>
Profit for the year	<u>430</u>	<u>251</u>

The Association also administers the funds of the Calton Heritage & Learning Centre. In the period to 31 March 2014 the Association administered £95,497 of income and £62,484 of expenditure on behalf of the charity.

The total funds and results for the year ended 31st March 2014 for the Calton Heritage & Learning Centre were as follows:

	2014 £
Total Funds	<u>33,013</u>

THENUE HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2014

NOTES TO THE FINANCIAL STATEMENTS (Continued)

22. NEGATIVE GOODWILL

	2014 £
Balance as at 1st April 2013	844,273
Release during the year	(27,486)
As at 31st March 2014	<u>816,787</u>

23. PROVISIONS FOR LIABILITIES AND CHARGES

	2014 £	2013 £
Furniture & Flooring Replacement		
Balance as at 1st April 2013	645,363	702,565
Decrease in Provision	(27,926)	(57,202)
Balance as at 31st March 2014	<u>617,437</u>	<u>645,363</u>

THENUE HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2014

NOTES TO THE FINANCIAL STATEMENTS (Continued)

24. RETIREMENT BENEFIT OBLIGATIONS

General

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

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

The Scheme offers six benefit structures to employers, namely:

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

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

In the year to 31 March 2014, Thenue Housing Association Limited operated the Final salary 1/60th accrual rate for those staff who were members of the scheme at 31st March 2010 and the Career average revalued earnings with a 1/70th accrual rate for new entrants from 1st April 2010. From 1 April 2014, the Association closed the defined benefit options to new entrants with all existing members from the scheme transferring on this date to the Career average revalued earnings with a 1/70th accrual rate option. From 1 April 2014, the Association operates the Defined Contribution option for new entrants joining from 1 April 2014.

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

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

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

As at the balance sheet date there were 50 active members of the Scheme employed by Thenue Housing Association Limited. The annual pensionable payroll in respect of these members was £1,506,947. Thenue Housing Association Limited continues to offer membership of the Scheme to its employees.

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

THENUE HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2014

NOTES TO THE FINANCIAL STATEMENTS (Continued)

24. RETIREMENT BENEFIT OBLIGATIONS (Continued)

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

The Scheme Actuary has prepared an Actuarial Report that provides an approximate update on the funding position of the Scheme as at 30th September 2013. 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 £470 million and indicated a decrease in the shortfall of assets compared to liabilities to approximately £272 million, equivalent to a past service funding level of 63%.

Financial Assumptions

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

	% p.a.
- Investment return pre-retirement	5.3
- Investment return post-retirement - non pensioners	3.4
- Investment return post-retirement - pensioners	3.4
- Rate of Salary increases	4.1
- Rate of price inflation:	
RPI	2.6
CPI	2.0
- Rate of price inflation	3.0

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

THENUE HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2014

NOTES TO THE FINANCIAL STATEMENTS (Continued)

24. RETIREMENT BENEFIT OBLIGATIONS (Continued)

Valuation Results

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

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

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

The Trustees have recently supplied Thenue Housing Association Limited with an updated contribution figure to the past service deficit. From 1 April 2014 Thenue Housing Association Limited will be required to pay £480,869 per annum as a contribution to the past service deficit. This will represent an increase of 167% in Thenue Housing Association Limited's contribution to the past service deficit. The deficit contribution will increase each April by 3%.

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

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

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

THENUE HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2014

NOTES TO THE FINANCIAL STATEMENTS (Continued)

24. RETIREMENT BENEFIT OBLIGATIONS

Growth Plan

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

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

The rules of the Plan allow for the declaration of bonuses and/or investment credits of 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 financial position of the Plan by comparing the assets with the past service liabilities as at the valuation date. Asset values are calculated by reference to market levels. Accrued past service liabilities are valued by discounting expected future benefit payments using a discount rate calculated by reference to the expected future investment returns.

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

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

The rules of the Growth Plan state that the proportion of obligatory contributions to be borne by the Member and the Member's Employer shall be determined by way of agreement between them. Such agreement shall require the Employer to pay part of such contributions and may provide that the Employer shall pay the whole of them.

Thenue Housing Association Limited paid contributions at a rate of nil% during the accounting period. Members paid no fixed percentage during the accounting period. From the first of April 2013 the Association has to make monthly deficit contributions of £113.55 per month to service the deficit.

As at the Balance Sheet date there were 2 active member(s) of the Plan employed by Thenue Housing Association Limited. Thenue Housing Association Limited continues to offer membership of the plan to its employees/ has closed the Plan to new entrants.

It is not possible in the normal course of events to identify on a reasonable and consistent basis the share of underlying assets and liabilities belonging to individual participating employers. The Plan is a multi-employer scheme, where the assets are co-mingled for investment purposes, and benefits are paid out of the Plan's total assets. Accordingly, due to the nature of the Plan, the accounting charge for the period under FRS17 represents the employer contribution payable.

THENUE HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2014

NOTES TO THE FINANCIAL STATEMENTS (Continued)

24. RETIREMENT BENEFIT OBLIGATIONS

Growth Plan (Contd.)

The valuation results at 30 September 2011 were completed in 2012 and have been formalised. The valuation of the Plan was performed by a professionally qualified Actuary using the Projected Unit Method. The market value of the Plan's assets at the valuation date was £780 million and the Plan's Technical Provisions (i.e. past service liabilities) were £928 million. The valuation therefore revealed a shortfall of assets compared with the value of liabilities of £148 million, equivalent to a past service funding level of 84%.

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

Financial Assumptions

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

	% p.a.
Rate of return pre retirement	4.9
Rate of return post retirement - Active/Deferred	4.6
Rate of return post retirement - Pensioners	4.8
Bonuses on accrued benefits	0
Rate of price inflation	2.9
Consumer Prices Index	2.4

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

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

THENUE HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2014

NOTES TO THE FINANCIAL STATEMENTS (Continued)

24. RETIREMENT BENEFIT OBLIGATIONS

Growth Plan (Continued)

The Regulator has the power under Part 3 of the Pensions Act 2004 to issue scheme funding directions where it believes that the actuarial valuation assumptions and/or recovery plan are inappropriate. For example, the Regulator could require that the Trustee strengthens the actuarial assumptions (which would increase the scheme liabilities and hence impact on the recovery plan) or impose a schedule of contributions on the Scheme (which would effectively amend the terms of the recovery plan). A copy of the recovery plan in respect of the September 2008 valuation was forwarded to The Pensions Regulator on 18 December 2009, as is required by legislation.

Following a change in legislation in September 2005 there is a potential debt on the employer that could be levied by the Trustee of the Plan and the Pensions Act 2011 has more recently altered the definition of Series 3 of the Growth Plan so that a liability arises to employers from membership for any Series except Series 4. The debt is due in the event of the employer ceasing to participate in the Plan or the Plan winding up.

The 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.