

Thenue Housing Association Limited

Report and Financial Statements

For the year ended 31st March 2015

Registered Housing Association No.HAL193

FCA Reference No. 1933R(S)

Scottish Charity No. SC032782

THENUE HOUSING ASSOCIATION LIMITED

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THENUE HOUSING ASSOCIATION LIMITED

BOARD OF MANAGEMENT, EXECUTIVES AND ADVISERS YEAR ENDED 31st MARCH 2015

BOARD OF MANAGEMENT

George Alexander

Haley Brown (Appointed 16 September 2014;Resigned 17 February 2015)

Lynne Carr

Catherine Chalmers (Resigned 16 September 2014)

Maureen Dowden (Appointed 16 September 2014)

Mark Gibson (Resigned 19 August 2014)

Robert J Kelly

Charlotte Levy

Chairperson of Housing Management Sub
Committee, Chairperson of the Finance &
Staffing Sub Committee

James McLellan (Resigned 16 September 2014)

Filbert Masau

Howard Mole (Appointed 13 January 2015)

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

Kinga Sobala (Appointed 16 September 2014)

Owen Stewart

Margaret Vass

Chairperson
Joint Vice Chairperson

EXECUTIVE OFFICERS

Charles Turner

Brian Gannon

Elizabeth Reilly

John Russell

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

REGISTERED OFFICE

423 London Road

Glasgow

G40 1AG

AUDITORS

Alexander Sloan

Chartered Accountants

38 Cadogan Street

Glasgow

G2 7HF

BANKERS

Bank of Scotland

The Mound

Edinburgh

EH1 1YZ

SOLICITORS

TC Young

7 West George Street

Glasgow

G2 1BA

**REPORT OF THE BOARD OF MANAGEMENT
FOR THE YEAR ENDED 31ST MARCH 2015**

The Board of Management presents its report and the Financial Statements for the year ended 31st March 2015.

Legal Status

The Association is a registered non-profit making organisation under the Co-operative and Community Benefit Societies Act 2014 No.1933R(S). The Association is governed 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

The Association's aim is always to work towards creating better homes and stronger communities. Two key ingredients are required to achieve this. The first is good people; the second is strong finances. All of the Association's people, that is a combination of the Board of Management and the staff team have worked very effectively to make what the Association believes to be one of its most successful years to date. Two significant highlights stand out. The first was the completion of the five year task of bringing all its homes up to the Scottish Housing Quality Standard; the second being the handover of 200 new houses in the former athletes' village in Dalmarnock.

In overall financial terms the association generated an operating surplus of £2.4 million. After accounting for non-operating items, (interest paid, interest received, sale of land and sale of houses under the right to buy), an overall surplus of £2.8 million was generated in the year and added to reserves. This favourable position occurred largely as a result of the receipt of £1.86 million in exchange for land the association owned in Dalmarnock, that was cleared to make way for the 2014 Commonwealth Games Athletes' Village.

Within the day-to-day work of the Association there have also been some significant factors that have made the year very successful. Caused largely as a result of the acquisition of 200 new houses in Dalmarnock, the Association re-let 398 houses. This is nearly 60% more than any typical year; however the rent lost as a result of property being empty in between tenancies reduced to £42,974 equating to 0.4% of overall rental income.

During the year stock numbers increased by 8% from 2,811 to 3,038 whilst the number of reactive repairs decreased by 9%, from 10,361 to 9,484, averaging £122 per repair. This meant that the average number of repairs per property has fallen during the year from 3.9 to 3.4. This is a very welcome trend as it shows the value of the investment the Association has made in its properties. Expenditure bringing all homes up to the Scottish Housing Quality Standard for 2014/15 and general modernisation work amounted to £2.8 million. Having previously completed all of the work associated with thermal efficiency, the programme of works in the year concentrated on renewing and replacing bathroom suites, kitchen units, new wiring and new bin collection areas.

REPORT OF THE BOARD OF MANAGEMENT
FOR THE YEAR ENDED 31ST MARCH 2015

Review of Business and Future Developments (Contd)

The Association is always committed to helping people who find themselves, for whatever reason, in housing need. This year has been no exception with 18% of all lets being offered to homeless families. One of the final decisions of the year was to contemplate rent levels for the following year and although overall rent increases for 2015/16 averaged 1.4%, over one-third of the Association's tenants received a rent freeze. This resulted in average rents being charged by the Association of £80.63 per week.

A key focus of the Association will always be cash collection. From overall rental income of £11.25 million, the Association collected £11.28 million. The resultant rent arrears figure at the end of the year therefore was £660,000 whilst £389,000 of factoring income was also collected in the year.

The Association puts a lot of time and effort into helping all its tenants sustain and flourish in their tenancies. For the fourth successive year tenancy sustainment figures have increased, with this year's figure being 91%. Unfortunately, not all tenancies are a success which meant that 34 tenancies failed during the year, and resulted in either an eviction or a property being abandoned.

The community regeneration side of the work of the Association goes from strength to strength. The ongoing Smart Communities, Learning Works and Urban Fox projects have been supplemented by Support & Connect and Urban Green. Together these community regeneration projects have attracted some £461,000 of additional income, which has been used to deliver success stories across all the Association's communities.

The Association has loans with three lenders, (Royal Bank of Scotland, Nationwide Building Society and The Housing Finance Corporation). Combined outstanding loans at the end of the year totalled some £44.7 million. Consistently throughout the year the Association has satisfied all relevant financial covenants.

Towards the end of the year the Association was given a significant endorsement by its tenants in a wide-ranging opinion survey. The impressive set of results, with some approval ratings above 90%, confirms the Association remains highly regarded by its customers. The survey carried out by an independent research company in interviews with almost 1,500 people, found that a massive 94% of people said they were satisfied with the standard of their home. That figure has soared by eight per cent over two years when the last survey was conducted.

92% of those questioned said Thenue was good at keeping them informed while Thenue's work in various neighborhoods was also rated highly - up 4% on two years ago at 91%. Asked whether they were satisfied or dissatisfied with Thenue's overall service 89% said they were satisfied.

One revealing statistic emerged from the survey relating to the use of the internet by those questioned. Almost half, (47%) said they never accessed the internet, something which the Association has been aware of for some time and is tackling head on with its 'Smart Communities' initiative. This is a wide-ranging digital inclusion drive aimed at helping people living in the communities Thenue serve to learn more about the internet and increase their digital skills. This is one of the Association's key priorities for the coming twelve months, especially as all new claimants for the new Universal Credit will become 'digital by default'. It will be important that the Association manoeuvres itself into a position to help these customers, because ultimately cash collection will be tied up in this new welfare reform strategy being progressed by the new UK Westminster Government.

REPORT OF THE BOARD OF MANAGEMENT
FOR THE YEAR ENDED 31ST MARCH 2015

Review of Business and Future Developments (Contd)

Looking forward, one of the Association's objectives for 2016 will be to start to build new housing on land in its ownership in Castlemilk and in Bridgeton. Castlemilk has special significance, because an aim of the Association is to help create a new community facility for the benefit of Netherholm residents. Working closely with the local Area Association will progress this project where a funding application can be lodged to the Big Lottery.

Looking forward, Thenue are on a quest to constantly improve all services, all levels of satisfaction and offer good value for money at all times. Wherever these levels are lower than 100%, then a priority will be to learn how to do things better and work together to create better homes and stronger communities.

**REPORT OF THE BOARD OF MANAGEMENT
FOR THE YEAR ENDED 31ST MARCH 2015**

Board of Management and Executive Officers

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

Each member of the Board of Management 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 Board of Management.

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

Statement of Board of Management's Responsibilities

The Co-operative and Community Benefit Societies Act 2014 requires the Board of Management 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 Board of Management 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 Board of Management is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Association and to enable them to ensure that the Financial Statements comply with the Co-operative and Community 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 Board of Management 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 Board of Management 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 Board of Management 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 BOARD OF MANAGEMENT
FOR THE YEAR ENDED 31ST MARCH 2015

Statement on Internal Financial Control

The Board of Management 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 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 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 Board of Management 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;
- Quarterly 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;
- Regulatory returns are prepared, authorised and submitted promptly to the relevant regulatory bodies;
- all significant new initiatives, major commitments and investment projects are subject to formal authorisation procedures, through the Board of Management;
- the Board of Management receive reports from management and from the external and internal auditors to provide reasonable assurance that internal financial controls are in place and are effective and that a 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.

The Board of Management has reviewed the effectiveness of the system of internal financial control in existence in the Association for the year ended 31 March 2015. No weaknesses were found in internal financial controls which resulted in material losses, contingencies or uncertainties which require disclosure in the financial statements or in the auditor's report on the financial statements.

Auditors

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

By order of the Board of Management



CHARLES TURNER
Secretary
18 August 2015

REPORT BY THE AUDITORS TO THE MEMBERS

THENUE HOUSING ASSOCIATION LIMITED
ON CORPORATE GOVERNANCE MATTERS

In addition to our audit of the Financial Statements, we have reviewed your statement on Page 6 concerning the Association's compliance with the information required by the Regulatory Standards in respect of internal financial controls contained within the publication "Our Regulatory Framework" and associated Regulatory Advice Notes which are issued by the Scottish Housing Regulator.

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 Financial Reporting Council. 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 6 has provided the disclosures required by the relevant Regulatory Standards within the publication "Our Regulatory Framework" and associated Regulatory Advice Notes issued by the Scottish Housing Regulator in respect of internal financial controls 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 Board of Management and Officers of the Association, and examination of relevant documents, we have satisfied ourselves that the Board of Management's Statement on Internal Financial Control appropriately reflects the Association's compliance with the information required by relevant Regulatory Standards within the publication "Our Regulatory Framework" and associated Regulatory Advice Notes issued by the Scottish Housing Regulator in respect of internal financial controls.



ALEXANDER SLOAN
Chartered Accountants

GLASGOW
18 August 2015

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 2015 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 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 Board of Management and Auditors

As explained more fully in the Statement of Board of Management's Responsibilities the Association's Board of Management, 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 Board of Management; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Board of Management'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 2015 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.

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 Board of Management's Report is inconsistent with the financial statements.

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

Matters on which we are required to report by exception (contd.)

- 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
18 August 2015

THENUE HOUSING ASSOCIATION LIMITED

INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED 31st MARCH 2015

	Notes	£	2015 £	£	2014 £
TURNOVER	2.		12,269,727		11,533,249
Operating Costs	2.		(9,862,647)		(10,683,599)
OPERATING SURPLUS	9.		2,407,080		849,650
Gain On Sale Of Housing Stock	7.	1,867,115		28,941	
Release of Negative Goodwill	23.	27,486		27,486	
Interest Receivable and Other Income		12,110		8,680	
Interest Payable and Similar Charges	8.	(1,489,362)		(1,361,802)	
			417,349		(1,296,695)
SURPLUS / (DEFICIT) ON ORDINARY ACTIVITIES			2,824,429		(447,045)

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.

The notes on pages 13 to 32 form an integral part to these financial statements.

THENUE HOUSING ASSOCIATION LIMITED

BALANCE SHEET AS AT 31st MARCH 2015

	Notes	£	2015 £	£	2014 £
TANGIBLE FIXED ASSETS					
Housing Properties - Depreciated Cost	11.(a)		156,007,710		117,026,670
Less: Social Housing Grant	11.(a)		(94,598,535)		(69,331,847)
: Other Public Grants	11.(a)		(2,882,460)		(2,865,486)
			<u>58,526,715</u>		<u>44,829,337</u>
Other fixed assets	11.(b)		3,379,483		3,561,227
			<u>61,906,198</u>		<u>48,390,564</u>
Negative Goodwill	23.		(789,301)		(816,787)
FIXED ASSET INVESTMENTS					
Investment in subsidiaries	22.		100		100
Shared Equity Cost	22.	2,539,394		2,539,394	
Shared Equity Grant	22.	(2,539,394)		(2,539,394)	
			<u>-</u>		<u>-</u>
CURRENT ASSETS					
Debtors	14.	1,305,590		1,448,656	
Cash at bank and in hand		1,893,499		1,964,306	
		<u>3,199,089</u>		<u>3,412,962</u>	
CREDITORS: Amounts falling due within one year	15.	(2,633,630)		(2,553,173)	
NET CURRENT ASSETS			565,459		859,789
TOTAL ASSETS LESS CURRENT LIABILITIES			61,682,456		48,433,666
CREDITORS: Amounts falling due after more than one year	16.		(43,906,203)		(33,462,582)
PROVISIONS FOR LIABILITIES AND CHARGES					
Furniture & Flooring Replacement	24.	(598,171)		(617,437)	
			<u>(598,171)</u>		<u>(617,437)</u>
NET ASSETS			17,178,082		14,353,647
CAPITAL AND RESERVES					
Share Capital	18.		157		151
Designated Reserves	19.(a)		-		205,412
Revenue Reserves	19.(b)		17,177,925		14,148,084
			<u>17,178,082</u>		<u>14,353,647</u>

The Financial Statements were approved by the Board of Management and signed on their behalf on 18 August 2015.


Chairperson


Vice-Chairperson


Secretary

The notes on pages 13 to 32 form an integral part to these financial statements.

THENUE HOUSING ASSOCIATION LIMITED

CASH FLOW STATEMENT FOR THE YEAR ENDED
31st MARCH 2015

	Notes	2015 £	2014 £
Net Cash Inflow from Operating Activities	17.	4,007,081	522,036
Returns on Investment and Servicing of Finance			
Interest Received	12,110	8,680	
Interest Paid	(1,489,362)	(1,374,392)	
Net Cash Outflow from Investment and Servicing of Finance		(1,477,252)	(1,365,712)
Capital Expenditure and Financial Investment			
Acquisition and Construction of Properties	(40,813,069)	(4,593,562)	
Purchase of Other Fixed Assets	45,689	(275,638)	
Social Housing Grant Received	25,214,154	1,893,108	
Social Housing Grant Repaid	(28,119)	(111,915)	
Other Grants Received	25,685	181,963	
Proceeds on Disposal of Properties	1,927,290	261,347	
Net Cash Outflow from Capital Expenditure and Financial Investment		(13,628,370)	(2,644,697)
Net Cash Outflow before use of Liquid Resources and Financing		(11,098,541)	(3,488,373)
Financing			
Loan Advances Received	11,300,000	4,500,000	
Loan Principal Repayments	(272,287)	(258,604)	
Share Capital Issued	21	16	
Net Cash Inflow from Financing		11,027,734	4,241,412
(Decrease) / Increase in Cash	17.	(70,807)	753,039

The notes on pages 13 to 32 form an integral part to these financial statements

THENUE HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2015

NOTES TO THE FINANCIAL STATEMENTS

1 PRINCIPAL ACCOUNTING POLICIES

Basis Of Accounting

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

Basis Of Consolidation

The Association has obtained exemption from the Financial Conduct Authority from producing Consolidated Financial Statements as provided by Section 99(3A) of the Co-operative and Community Benefit Societies Act 2014. The Financial Statements for Thenue Housing Association Limited present information about it as an individual undertaking and not about its Group.

Turnover

Turnover represents rental and service charge income receivable, fees receivable and revenue grants 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 11. Impairment reviews are carried out if events or circumstances indicate that the carrying value of the components listed below is higher than the recoverable amount.

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

THENUE HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2015

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
- Wiring	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 2015

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

In accordance with Financial Reporting Standard 12 provision is made for the following items in the accounts :The Association receives service charge income from supported accomodation tenants in relation to the costs of furniture and flooring replacement. 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 2015

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

	Notes	2015			2014		
		Turnover	Operating Costs	Operating Surplus / (Deficit)	Turnover	Operating Costs	Operating Surplus / (Deficit)
		£	£	£	£	£	£
Social Lettings	3.	11,254,618	8,958,929	2,295,689	10,804,971	9,954,184	850,787
Other Activities	4.	1,015,109	903,718	111,391	728,278	729,415	(1,137)
Total		12,269,727	9,862,647	2,407,080	11,533,249	10,683,599	849,650

3. PARTICULARS OF INCOME & EXPENDITURE FROM SOCIAL LETTINGS

	General Needs Housing	Supported Housing	Shared ownership	2015 Total	2014 Total
	£	£	£	£	£
Income from Lettings					
Rent Receivable Net of Identifiable Service Charges	10,169,909	681,388	99,793	10,951,090	10,541,888
Service Charges Receivable	241,313	104,767	422	346,502	324,165
Gross Rents Receivable	10,411,222	786,155	100,215	11,297,592	10,866,053
Less: Rent losses from voids	40,713	2,261	-	42,974	61,082
Net Rents Receivable	10,370,509	783,894	100,215	11,254,618	10,804,971
Total Income From Social Letting	10,370,509	783,894	100,215	11,254,618	10,804,971
Expenditure on Social Letting Activities					
Service Costs	264,756	103,790	-	368,546	367,808
Management and maintenance administration costs	3,704,038	225,573	72,286	4,001,897	3,285,711
Reactive Maintenance	1,231,643	90,537	-	1,322,180	1,383,033
Bad Debts - Rents and Service Charges	111,079	255	451	111,785	166,558
Planned and Cyclical Maintenance, including Major Repairs	1,486,371	30,472	-	1,516,843	3,117,712
Depreciation of Social Housing	1,572,450	47,252	17,976	1,637,678	1,633,362
Operating Costs of Social Letting	8,370,337	497,879	90,713	8,958,929	9,954,184
Operating Surplus on Social Letting Activities	2,000,172	286,015	9,502	2,295,689	850,787
2014	583,157	243,428	24,202		

THENUE HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2015

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) 2015 £	Operating Surplus /(Deficit) 2014 £
Wider Role Activities	125,396	335,810	-	-	461,206	-	475,457	(14,251)	(7,577)
Factoring	-	-	-	290,136	290,136	-	250,199	39,937	(13,734)
Development and construction of property activities	-	-	-	-	-	-	2,654	(2,654)	(3,616)
Support Activities	-	-	91,139	-	91,139	-	120,881	(29,742)	(27,485)
Other Income	-	-	-	85,870	85,870	-	54,527	31,343	51,275
Energy Efficiency Grants	-	-	-	86,758	86,758	-	-	86,758	-
Total From Other Activities	125,396	335,810	91,139	462,764	1,015,109	-	903,718	111,391	(1,137)
2014	113,754	147,544	91,139	375,841	728,278	46,318	683,097	(1,137)	

THENUE HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2015

NOTES TO THE FINANCIAL STATEMENTS (Continued)

5. OFFICERS' EMOLUMENTS

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

	2015	2014
	£	£
Aggregate Emoluments payable to Officers with Emoluments greater than £60,000 (excluding Pension Contributions)	<u>73,835</u>	<u>70,969</u>
Pension contributions made on behalf of Officers with emoluments greater than £60,000	<u>7,088</u>	<u>6,813</u>
Emoluments payable to Chief Executive (excluding pension contributions)	<u>73,835</u>	<u>70,969</u>

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
£70,001 to £80,000	1	1

In accordance with the Association's cost sharing agreement with its subsidiary, Thenue Housing Services, officers' emoluments of £Nil and employers costs of £Nil (2014 - £nil and £nil respectively) were recharged to Thenue Housing Services.

6. EMPLOYEE INFORMATION

	2015	2014
	No.	No.
The average monthly number of full time equivalent persons employed during the year was	<u>64</u>	<u>62</u>
The average total number of Employees employed during the year was	<u>76</u>	<u>69</u>
Staff Costs were:	£	£
Wages and Salaries	2,238,916	2,025,136
Social Security Costs	169,806	158,672
Other Pension Costs	663,233	309,520
	<u>3,071,955</u>	<u>2,493,328</u>

THENUE HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2015

NOTES TO THE FINANCIAL STATEMENTS (Continued)

7. GAIN ON SALE OF HOUSING STOCK

	2015	2014
	£	£
Sales Proceeds	1,927,290	261,347
Cost of Sales	60,175	232,406
Gain On Sale Of Housing Stock	<u>1,867,115</u>	<u>28,941</u>

During the year the Association disposed of three separate plots of land. These plots were purchased by Glasgow City Council as part of land acquisitions that it undertook as part of the Commonwealth Games development works. The proceeds from these disposals are included in the above figures.

8. INTEREST PAYABLE

	2015	2014
	£	£
On Bank Loans & Overdrafts	1,489,362	1,374,392
	1,489,362	1,374,392
Less: Interest Capitalised	-	12,590
	<u>1,489,362</u>	<u>1,361,802</u>

9. SURPLUS / (DEFICIT) ON ORDINARY ACTIVITIES BEFORE TAXATION

	2015	2014
	£	£
Surplus / (Deficit) on Ordinary Activities before Taxation is stated after charging:-		
Depreciation - Tangible Owned Fixed Assets	1,766,750	1,763,338
Auditors' Remuneration - Audit Services	13,100	13,848
Operating Lease Rentals - Land & Buildings	55,078	55,078
Operating Lease Rentals - Other	<u>18,890</u>	<u>16,040</u>

10. TAX ON SURPLUS / (DEFICIT) ON ORDINARY ACTIVITIES

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

THENUE HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2015

NOTES TO THE FINANCIAL STATEMENTS (Continued)

11. TANGIBLE FIXED ASSETS

a) Housing Properties	Housing Properties Held for Letting £	Housing Properties In course of Construction £	Completed Shared Ownership Properties £	Total £
COST				
As at 1st April 2014	124,328,647	1,472,542	1,295,505	127,096,694
Additions	40,611,806	201,263	-	40,813,069
Disposals	(214,245)	-	(11,893)	(226,138)
As at 31st March 2015	164,726,208	1,673,805	1,283,612	167,683,625
DEPRECIATION				
As at 1st April 2014	9,843,316	-	226,708	10,070,024
Charge for Year	1,610,364	-	17,976	1,628,340
Disposals	(19,412)	-	(3,037)	(22,449)
As at 31st March 2015	11,434,268	-	241,647	11,675,915
SOCIAL HOUSING GRANT				
As at 1st April 2014	67,843,995	1,121,980	365,872	69,331,847
Additions	25,279,085	148,169	-	25,427,254
Disposals	(160,566)	-	-	(160,566)
As at 31st March 2015	92,962,514	1,270,149	365,872	94,598,535
OTHER CAPITAL GRANTS				
As at 1st April 2014	2,615,486	250,000	-	2,865,486
Additions	18,702	-	-	18,702
Disposals	(1,728)	-	-	(1,728)
As at 31st March 2015	2,632,460	250,000	-	2,882,460
NET BOOK VALUE				
As at 31st March 2015	57,696,966	153,656	676,093	58,526,715
As at 31st March 2014	44,025,850	100,562	702,925	44,829,337

Additions to housing properties includes capitalised development administration costs of £53,094 (2014 - £72,326) and capitalised major repair costs to existing properties of £2,047,827 (2014 £2,360,128).

All land and housing properties are freehold.

THENUE HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2015

NOTES TO THE FINANCIAL STATEMENTS (Continued)

11. TANGIBLE FIXED ASSETS (Continued)

b) Other Tangible Assets

	Calton Heritage & Learning Centre £	Commercial Property £	Office Premises £	Office Furniture & Equipment £	Total £
COST					
As at 1st April 2014	664,193	272,889	3,385,884	1,241,244	5,564,210
Additions	6,983	-	-	29,011	35,994
Disposals	-	(28,492)	(53,191)	-	(81,683)
As at 31st March 2015	671,176	244,397	3,332,693	1,270,255	5,518,521
GRANTS RECEIVED					
As at 1st April 2014	640,769	-	-	48,427	689,196
Received in year	6,983	-	-	-	6,983
As at 31st March 2015	647,752	-	-	48,427	696,179
AGGREGATE DEPRECIATION					
As at 1st April 2014	469	26,985	223,289	1,063,044	1,313,787
Charge for year	469	6,452	69,498	52,653	129,072
As at 31st March 2015	938	33,437	292,787	1,115,697	1,442,859
NET BOOK VALUE					
As at 31st March 2015	22,486	210,960	3,039,906	106,131	3,379,483
As at 31st March 2014	22,955	245,904	3,162,595	129,773	3,561,227

The Calton Heritage & Learning Centre was funded by a grant from the Big Lottery.

12. CAPITAL COMMITMENTS

	2015 £	2014 £
Capital Expenditure that has been contracted for but has not been provided for in the Financial Statements	97,000	223,000

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

13. COMMITMENTS UNDER OPERATING LEASES

At the year end, the annual commitments under operating leases were as follows:-	2015 £	2014 £
Land and Buildings		
Expiring within one year	12,313	12,313
Expiring between two and five years	42,765	35,249
Expiring in over five years	-	7,516
Other		
Expiring within one year	15,868	5,745
Expiring between two and five years	-	6,060

THENUE HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2015

NOTES TO THE FINANCIAL STATEMENTS (Continued)

14. DEBTORS

	2015 £	2014 £
Arrears of Rent & Service Charges	660,485	719,057
Less: Provision for Doubtful Debts	(392,206)	(393,562)
	<u>268,279</u>	<u>325,495</u>
Social Housing Grant Receivable	392,384	328,358
Other Debtors	639,207	787,572
Amounts Due from Group Undertakings	5,720	7,231
	<u>1,305,590</u>	<u>1,448,656</u>

15. CREDITORS: Amounts falling due within one year

	2015 £	2014 £
Housing Loans	857,634	273,542
Trade Creditors	614,254	944,782
Rent in Advance	618,479	534,673
Social Housing Grant in Advance	40,686	189,760
Other Taxation and Social Security	61,328	54,137
Consultants and Contractors	89,342	299,463
Other Creditors	68,446	64,716
Accruals and Deferred Income	283,461	192,100
	<u>2,633,630</u>	<u>2,553,173</u>

At the balance sheet date there were pension contributions outstanding of £67,714 (2014 £37,918).

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

	2015 £	2014 £
Housing Loans	<u>43,906,203</u>	<u>33,462,582</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	857,634	273,542
Between one and two years	878,717	530,747
Between two and five years	2,679,345	1,775,538
In five years or more	40,348,141	31,156,297
	<u>44,763,837</u>	<u>33,736,124</u>
Less: Amount shown in Current Liabilities	857,634	273,542
	<u>43,906,203</u>	<u>33,462,582</u>

THENUE HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2015

NOTES TO THE FINANCIAL STATEMENTS (Continued)

17. CASH FLOW STATEMENT

<i>Reconciliation of operating surplus to net cash inflow from operating activities</i>	2015 £	2014 £
Operating Surplus	2,407,080	849,650
Depreciation	1,766,750	1,763,338
Change in Provisions for liabilities and charges	(19,266)	(27,926)
Change in Debtors	207,093	254,650
Change in Creditors	(354,561)	(2,317,650)
Share Capital Written Off	(15)	(26)
Net Cash Inflow from Operating Activities	<u>4,007,081</u>	<u>522,036</u>

<i>Reconciliation of net cash flow to movement in net debt</i>	2015 £	£	2014 £	£
(Decrease) / Increase in Cash	(70,807)		753,039	
Cash flow from change in debt	<u>(11,027,713)</u>		<u>(4,241,396)</u>	
Movement in net debt during year		(11,098,520)		(3,488,357)
Net debt at 1st April 2014		(31,771,818)		(28,283,461)
Net debt at 31st March 2015		<u>(42,870,338)</u>		<u>(31,771,818)</u>

<i>Analysis of changes in net debt</i>	At 01.04.14 £	Cash Flows £	Other Changes £	At 31.03.15 £
Cash at bank and in hand	1,964,306	(70,807)		1,893,499
	1,964,306	(70,807)		1,893,499
Debt: Due within one year	(273,542)	(1,168,184)	584,092	(857,634)
Due after more than one year	(33,462,582)	(9,859,529)	(584,092)	(43,906,203)
Net Debt	<u>(31,771,818)</u>	<u>(11,098,520)</u>	<u>-</u>	<u>(42,870,338)</u>

THENUE HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2015

NOTES TO THE FINANCIAL STATEMENTS (Continued)

18. SHARE CAPITAL

Shares of £1 each Issued and Fully Paid	£
At 1st April 2014	151
Issued in year	21
Cancelled in year	(15)
At 31st March 2015	<u>157</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.

19. RESERVES

(a) Designated Reserves	Major Repairs £	Total £
At 1st April 2014	205,412	205,412
Transfer to / (from) Revenue Reserves	(205,412)	(205,412)
At 31st March 2015	<u>-</u>	<u>-</u>

(b) Revenue Reserves	Total £
At 1st April 2014	14,148,084
Surplus / (Deficit) for the year	2,824,429
Transfer (to) / from Designated Reserves	205,412
At 31st March 2015	<u>17,177,925</u>

20. HOUSING STOCK

The number of units of accommodation in management at the year end was:-	2015 No.	2014 No.
General Needs	2,787	2,559
Shared Ownership	62	63
Supported Housing	189	189
	<u>3,038</u>	<u>2,811</u>

THENUE HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2015

NOTES TO THE FINANCIAL STATEMENTS (Continued)

21. RELATED PARTY TRANSACTIONS

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

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

4 members are tenants of the Association
1 member is a factored owner

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

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

22. FIXED ASSET INVESTMENT

	2015 £	2014 £
Shared Equity Properties		
Development Cost of Shared Equity Property	2,539,394	2,539,394
Less: Grants Receivable	<u>2,539,394</u>	<u>2,539,394</u>
	-	-
Investments in Subsidiaries		
As at 31st March 2015 & 31st March 2014	<u>100</u>	<u>100</u>

In the opinion of the Board of Management 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 three 100% owned subsidiaries Thenue Housing Services Limited, Calton Heritage & Learning Centre, and Thenue Trust. The relationship between the Association and its subsidiaries are set out in an independence agreement between The Association and the individual subsidiaries.

The following transactions took place between the Association and Thenue Housing Services Limited during the year: The Association incurred costs on behalf of its subsidiary Thenue Housing Services Limited of £7,672 (2014 - £12,842). 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 £2,491 (2014 - £4,141).

The aggregate amount of capital and reserves and the results of Thenue Housing Services Limited for the year ended 31st March 2015 were as follows:

	2015 £	2014 £
Capital & Reserves	<u>49,707</u>	<u>49,677</u>
Profit for the year	<u>37</u>	<u>539</u>

THENUE HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2015

NOTES TO THE FINANCIAL STATEMENTS (Continued)

22. FIXED ASSET INVESTMENT (Continued)

The Association also administers the funds of the Calton Heritage & Learning Centre. In the period to 31 March 2015 the Association administered £180,391 of income (2014: £95,497) and £135,518 of expenditure (2014: £62,484) on behalf of the charity. At the year end, the Association was owed £3,028 (2014: £2,891).

The total funds and results for the year ended 31st March 2015 for the Calton Heritage & Learning Centre were as follows:

	2015 £	2014 £
Total Funds	76,986	32,113
Surplus for the year	44,873	32,113

The Association also administers the funds of Thenue Trust. In the period to 31 March 2015 the Association administered £77 of income (2014: £158) and £Nil of expenditure (2014: £200) on behalf of the charity. At the year end, the Association was owed £200 (2014: £200).

The total funds and results for the year ended 31st March 2015 for Thenue Charitable Trust were as follows:

	2015 £	2014 £
Total Funds	2,377	2,300
Surplus / (Deficit) for the year	77	(42)

23. NEGATIVE GOODWILL

	2015 £	2014 £
Balance as at 1st April 2014	816,787	844,273
Release during the year	(27,486)	(27,486)
As at 31st March 2015	789,301	816,787

24. PROVISIONS FOR LIABILITIES AND CHARGES

	2015 £	2014 £
Furniture & Flooring Replacement		
Balance as at 1st April 2014	617,437	645,363
Decrease in Provision	(19,266)	(27,926)
Balance as at 31st March 2015	598,171	617,437

THENUE HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2015

NOTES TO THE FINANCIAL STATEMENTS (Continued)

25. 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 five benefit structures to employers, namely:

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

From 1 April 2014, the Association closed the defined benefit option 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 4.45% to 10.45% of pensionable salaries. Member contributions were 2% to 9.6%.

As at the balance sheet date there were 55 active members of the Scheme employed by Thenue Housing Association Limited. The annual pensionable payroll in respect of these members was £1,688,819. 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 2015

NOTES TO THE FINANCIAL STATEMENTS (Continued)

25. RETIREMENT BENEFIT OBLIGATIONS (Continued)

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

The Scheme Actuary has prepared an Actuarial Report that provides an approximate update on the funding position of the Scheme as at 30th September 2014. 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 £539 million and indicated an increase in the shortfall of assets compared to liabilities to approximately £281 million, equivalent to a past service funding level of 66%.

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

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 2015

NOTES TO THE FINANCIAL STATEMENTS (Continued)

25. RETIREMENT BENEFIT OBLIGATIONS (Continued)

Valuation Results

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

<i>Benefit Structure</i>	<i>Long-term joint contribution rate (% of pensionable salaries)</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 2015 Thenue Housing Association Limited will be required to pay £494,802 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 2015

NOTES TO THE FINANCIAL STATEMENTS (Continued)

25. RETIREMENT BENEFIT OBLIGATIONS

Growth Plan

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

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

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

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

The rules of the 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 contribution during the accounting period. From 1 April 2015, the Association has to make deficit contributions of £1,446 per annum 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 2015

NOTES TO THE FINANCIAL STATEMENTS (Continued)

25. RETIREMENT BENEFIT OBLIGATIONS

Growth Plan (Contd.)

The valuation results at 30 September 2011 were completed in 2012 and have been formalised. The valuation of the Plan was performed by a professionally qualified Actuary using the Projected Unit Method. The market value of the 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 2013. The market value of the Plan's assets at that date was £772 million and the Plan's Technical Provisions (i.e. past service liabilities) were £927 million. The update, therefore revealed a shortfall of assets compared with the value of liabilities of £155 million, equivalent to a funding level of 83%.

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	4.2
Rate of return post retirement - Pensioners	4.2
Bonuses on accrued benefits	0.0
Inflation: Retail Prices Index (RPI)	2.9
Inflation: Consumer Prices Index (CPI)	2.4

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

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.

THENUE HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2015

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

The leaving employer's share of the buy-out debt is the proportion of the Plan's 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.