

**CALVAY HOUSING ASSOCIATION LIMITED**

**FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 MARCH 2012**

**Financial Services Authority No: 2194R(S)**

**Registered Housing Association No: HAC 80**

**Charity No SC039234**

**BAKER TILLY UK AUDIT LLP**  
**Chartered Accountants**

**Glasgow**

# CALVAY HOUSING ASSOCIATION LIMITED

## FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2012

<b>Contents</b>	<b>Page</b>
Report of Committee of Management	1 - 3
Statement of Management Committee Responsibilities	4
Committee of Management Statement on Internal Financial Controls	5 - 6
Auditor's Reports	7 - 8
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 - 27

### **Registration particulars:**

Financial Services Authority	Industrial & Provident Societies Act 1965 Registered Number: 2149 R(S)
Scottish Housing Regulator	Housing (Scotland) Act 2001 Registered Number: HAC 80
Office of Scottish Charity Regulator	Charities and Trustee Investment Act (Scotland) 2005 Scottish Charity Number SC039234

**CALVAY HOUSING ASSOCIATION LIMITED**

**REPORT OF COMMITTEE OF MANAGEMENT**

**FOR THE YEAR ENDED 31 MARCH 2012**

**(continued)**

**REGISTERED OFFICE**

55 Calvay Road  
Barlanark  
Glasgow  
G33 4RQ

**AUDITORS**

Baker Tilly UK Audit LLP  
Chartered Accountants  
Registered Auditor  
Breckenridge House  
274 Sauchiehall Street  
Glasgow  
G2 3EH

**BANKERS**

The Royal Bank of Scotland  
1304 Duke Street  
Glasgow  
G31 5PZ

**SOLICITORS**

TC Young  
7 West George St  
Glasgow  
G2 1BA

**CALVAY HOUSING ASSOCIATION LIMITED**  
**REPORT OF COMMITTEE OF MANAGEMENT**  
**FOR THE YEAR ENDED 31 MARCH 2012**  
**(continued)**

The Committee of Management present their report and audited financial statements for the year ended 31 March 2012.

**Principal activity**

The principal activity of the Association is the provision of housing for let at rents affordable to the client groups for whom it intends to provide.

**Business review**

The Committee of Management note that the Association's Balance Sheet as detailed on page 10 shows a satisfactory position. The Committee are pleased to note that there is a substantial balance of cash on hand and large positive net current asset position as shown on the Balance Sheet. Total reserves exceed £3.2m.

The Association had successfully acquired 384 houses from the Glasgow Housing Association (GHA) at an agreed valuation of £2.49m. The subsequent programme of buy backs and demolition has consolidated this additional housing stock at 310 houses. Further investment in the stock will take place over the coming years.

To finance the above acquisition the Association negotiated a new business loan from the Clydesdale Bank Ltd in the sum of £7.19m. This loan was used to acquire the GHA houses, plus the owners buy backs and the eventual demolition of the 74 substandard homes in June 2012 and repay the existing loan.

During the coming financial year the Association intends to carry out energy efficiency improvements to some of the ex GHA stock in the form of external insulation and new roofs. The intention is to also upgrade a substantial number of low performing gas boilers to more energy efficient ones, with the assistance of some environmental grant.

Following the implementation of the Statement of Recommended Practice – Accounting by registered social housing providers – Update 2010 (SORP 2010), the Association has implemented component accounting. As a result of the changes brought about by the SORP 2010 and the detailed guidance of the Technical Notes, the Association has adopted a new accounting policy, which has resulted in a prior period adjustment. The 2011 comparative figures have been restated. This is further explained in Note 22 to the financial statements.

**Surplus for the year and transfers**

The results for the year are shown in the attached Income and Expenditure Account.

	£
Transfers to designated reserves:	
- Future repairs reserve	-
Transferred from revenue reserve	586,441
Surplus for the year	<u>586,441</u>

**CALVAY HOUSING ASSOCIATION LIMITED**  
**REPORT OF COMMITTEE OF MANAGEMENT**  
**FOR THE YEAR ENDED 31 MARCH 2012**  
**(continued)**

**Members of Committee of Management**

The members of the Committee of Management of the Association during the year to 31 March 2012 were as follows:

Peter Howden (Chairperson)	Rosemarie Lindsay
Tam Kay	Flo Harris (resigned 26.01.12)
Anna Ellis (Secretary)	Betty Mitchell
Yvonne Currie	John Robertson (resigned 31.05.12)
Janet Martin (Treasurer)	Annemarie Boyle (elected 22.09.11)
Pauline Barr (Vice Chair)	Alison A'Hara (elected 22.09.11)
Annie Robertson (elected 22.09.11)	Alex Scott (co-opted 29.09.11)
Archie McDermid (elected 22.09.11/resigned 23.03.12)	

**Fixed assets**

Changes in fixed assets in the year are set out in note 8 of the financial statements.

**Component Accounting**

Calvay has adopted Component Accounting into its financial statements this year in compliance with the SORP 2010. Major Components (Note 1) of our buildings are identified and depreciated over specific economic life spans. Their replacement is then capitalised in the accounts as they occur. There are resulting prior year adjustments shown to the relevant notes to the accounts and detailed in Note 22.

**Credit Payment Policy**

The Association's policy concerning the payment of its trade creditors complies with the Confederation of British Industry guidelines. The average payment period is thirty days.

**Maintenance policies**

The Association seeks to maintain its properties to the highest standard. To this end programmes of cyclical repairs are carried out in the medium term to deal with the gradual and predictable deterioration of building components. It is expected that the cost of all these repairs would be charged to the Income and Expenditure Account.

In addition, the Association has a long-term programme of major repairs to cover for works which have become necessary since the original development was completed, including works required by subsequent legislative changes. This includes replacement or repairs to features of the properties, which have come to the end of their economic lives. In line with the SORP 2010, replacements to building components (as identified in Note 1) are capitalised in the balance sheet as they occur. All other major repairs are charged to the Income and Expenditure account.

**Treasury Management**

The Association has an active treasury management function, which operates in accordance with the Treasury Management Policy approved by the Committee of Management. In this way the Association manages its borrowing arrangements to ensure that it is always in a position to meet its financial obligations as they fall due, whilst minimising excess cash and liquid resources held.

**Employee Involvement and Health & Safety**

The Association encourages employee involvement in all major initiatives.

**CALVAY HOUSING ASSOCIATION LIMITED**

**REPORT OF COMMITTEE OF MANAGEMENT**

**FOR THE YEAR ENDED 31 MARCH 2012**

**(continued)**

**Wider Role**

The Association is fully committed to fulfilling a wider role in the community by direct involvement in social activities outwith the provision of houses, and by support for the work of Calvay Social Action Group.

**Quality and Integrity of Personnel**

The integrity and competence of personnel are ensured through high recruitment standards and subsequent training courses. High quality personnel are seen as an essential part of the control environment and the ethical standards expected are communicated to all staff members.

**Budgetary Process**

Each year the Committee of Management approves the annual budget and rolling three-year strategic plan. Key risk areas are identified. Performance is monitored and relevant action taken throughout the year through quarterly reporting to the Committee of variances from the budget, updated forecasts for the year together with information on the key risk areas. Approval procedures are in place in respect of major areas of risk such as major contract tenders, expenditure and treasury management.

**Rental Income**

The Association's Rent Policy is a points system based on the size, type and facilities of the accommodation. The policy ensures that the rent structure is easy to administer and covers the wide variations within the Association's properties. The points value is reviewed annually to ensure that the rents cover the required costs. This policy follows the generally accepted practice/principles of the Housing Movement.

**Future developments**

The Association intends to continue with its policy of improving the quality of housing within its action area.

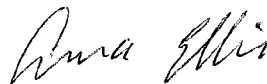
**Information for the auditors**

As far as the Committee members are aware there is no relevant audit information of which the auditors are unaware and the Committee members have taken all the steps they ought to have taken to make themselves aware of any relevant audit information and to ensure that the auditors are aware of any such information.

**Auditors**

Baker Tilly UK Audit LLP has indicated its willingness to continue in office

On behalf of the Committee of Management



Name: A Ellis

Date: 30/8/12

**CALVAY HOUSING ASSOCIATION LIMITED**  
**STATEMENT OF MANAGEMENT COMMITTEE RESPONSIBILITIES**  
**FOR THE YEAR ENDED 31 MARCH 2012**

Under the legislation relating to Industrial and Provident Societies we are required 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 of that period. In preparing those financial statements we are required to:

- select suitable accounting policies and apply them consistently;
- make reasonable and prudent judgements and estimates;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Association will continue in business.

We are also responsible for:

- keeping proper accounting records;
- safeguarding the Association's assets;
- taking reasonable steps for the prevention and detection of fraud.

# CALVAY HOUSING ASSOCIATION LIMITED

## COMMITTEE OF MANAGEMENT'S STATEMENT ON INTERNAL FINANCIAL CONTROL

YEAR ENDED 31 MARCH 2012

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

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

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

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



**CALVAY HOUSING ASSOCIATION LIMITED**

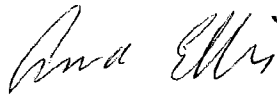
**COMMITTEE OF MANAGEMENT'S STATEMENT ON INTERNAL FINANCIAL CONTROL**

**YEAR ENDED 31 MARCH 2012**  
*(continued)*

The Committee of Management have reviewed the effectiveness of the system of internal financial control in existence in the Association for the year ended 31 March 2012 and until the below date. 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 auditors' report on the financial statements.

By order of the Committee of Management

Date: 30/3/12



Name: A Ellis

**CALVAY HOUSING ASSOCIATION LIMITED**

**AUDITOR'S REPORT ON CORPORATE GOVERNANCE MATTERS**

**YEAR ENDED 31 MARCH 2012**

**Corporate Governance**

In addition to our audit of the financial statements, we have reviewed the Committee of Management's statement on pages 5 and 6 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 Bulletin 2009/4 that was 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 pages 5 and 6 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.

*Baker Tilly UK Audit*

Baker Tilly UK Audit LLP  
Registered Auditors  
Chartered Accountants  
Glasgow

Date: *19/9/12.*

**Independent Auditor's report to the members of  
Calvay Housing Association Limited**

We have audited the financial statements of Calvay Housing Association Limited for the year ended 31 March 2012 on pages 9 to 27. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

As explained more fully in the Committee's Responsibilities Statement set out on page 4, the Committee are responsible for the preparation of the financial statements and for being satisfied that they 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 of the financial statements**

A description of the scope of an audit of financial statements is provided on the APB's website at [www.frc.org.uk/apb/scope/private.cfm](http://www.frc.org.uk/apb/scope/private.cfm).

**Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the Association's affairs as at 31 March 2012 and of its income and expenditure for the year then ended; and
- have been prepared in accordance with the requirements of the Industrial and Provident Societies Acts 1965 to 2002, Schedule 7 of the Housing (Scotland) Act 2001 and the Registered Social Landlords Accounting Requirements (Scotland) Order 2007.

**Matters on which we are required to report by exception**

We have nothing to report in respect of the following matters where the Industrial and Provident Societies Acts 1965 to 2002 requires us to report to you if, in our opinion:

- a satisfactory system of control over transactions has not been maintained; or
- the Association has not kept proper accounting records; or
- the financial statements are not in agreement with the books of account of the Association; or
- we have not received all the information and explanations we require for our audit.

*Baker Tilly UK Audit LLP*

BAKER TILLY UK AUDIT LLP

Statutory Auditor

Breckenridge House

274 Sauchiehall Street

GLASGOW

G2 3EH

Date: .....19/9/12.....

**CALVAY HOUSING ASSOCIATION LIMITED**

**INCOME & EXPENDITURE ACCOUNT**

**FOR THE YEAR ENDED 31 MARCH 2012**

	Notes	2012	2011
		£	As restated £
<b>Turnover</b>	2	2,799,192	1,927,254
Less: Operating costs	2	1,978,082	1,595,794
<b>Operating surplus</b>	2	821,110	331,460
Profit on sale of fixed assets		-	33,063
Interest receivable and other income		9,768	5,642
Interest payable and other charges	7	(244,437)	(167,774)
<b>Surplus on ordinary activities before tax</b>		586,441	202,391
Taxation on surplus on ordinary activities	5	-	-
<b>Surplus for year</b>		586,441	202,391

The results for 2011 and 2012 relate wholly to continuing activities.

**STATEMENT OF TOTAL RECOGNISED SURPLUSES AND DEFICITS FOR THE YEAR  
ENDING 31 MARCH 2012**

	2012	2011
	£	As restated £
Surplus for the year	586,441	202,391
Prior period adjustment (Note 22)	517,505	-
Total surpluses and deficits recognised since last reporting period	1,103,946	202,391

# CALVAY HOUSING ASSOCIATION LIMITED

## BALANCE SHEET

AS AT 31 MARCH 2012

	Notes	2012		2011	
		£	£	£	£
				As restated	
<b>Tangible Fixed Assets</b>					
Housing properties					
- gross cost less depreciation	8		34,867,993		31,918,649
Less: HAG and other grants	8		<u>(26,057,340)</u>		<u>(25,937,355)</u>
			8,810,653		5,981,294
Other Assets	8		<u>192,242</u>		<u>207,516</u>
			9,002,895		6,188,810
<b>Current Assets</b>					
Debtors	9	271,345		223,205	
Cash at bank and in hand		<u>2,577,899</u>		<u>1,613,001</u>	
		2,849,244		1,836,206	
<b>Current Liabilities</b>					
Creditors due within one year	10	<u>(508,398)</u>		<u>(372,831)</u>	
			2,340,846		1,463,375
			<u>11,343,741</u>		<u>7,652,185</u>
<b>Creditors due falling after more than one year</b>	11		<u>(8,075,574)</u>		<u>(4,970,454)</u>
<b>Net Assets</b>			<u>3,268,167</u>		<u>2,681,731</u>
 <b>Capital and Reserves</b>					
Share capital	15		71		76
Designated reserves	6		953,677		953,677
Revenue reserves	6		<u>2,314,419</u>		<u>1,727,978</u>
			<u>3,268,167</u>		<u>2,681,731</u>

These financial statements were approved by the Committee of Management and authorised for issue on 30.6.12, and signed on their behalf by:

Secretary: *Anna Ellis*

Member: *Tom Hawden*

Member: *Pauline Barr*

**CALVAY HOUSING ASSOCIATION LIMITED**

**CASH FLOW STATEMENT**

**FOR YEAR ENDED 31 MARCH 2012**

		2012	2011
		£	As restated £
<b>Net cash inflow from operating activities</b>	<b>16</b>	1,199,066	687,489
<b>Costs on investments and servicing of finance</b>			
Interest received		9,768	5,642
Interest paid		(244,437)	(167,774)
		(234,669)	(162,132)
<b>Investing activities</b>			
Cash paid for construction and purchases		(3,255,019)	(2,144,492)
Proceeds from shared ownership sales		-	70,392
Housing association grant received		175,938	44,187
Housing association grant repaid		-	(26,381)
<b>Net cash (outflow)/inflow from investing activities</b>		(3,079,081)	(2,056,294)
Net cash (outflow) before financing		(2,114,684)	(1,530,937)
<b>Financing</b>			
Loans received		7,190,000	1,606,915
Loan principal repayments		(4,110,413)	(84,400)
Cancellation of share capital		(5)	(12)
		3,079,582	1,522,503
<b>Increase/(decrease) in cash and cash equivalents</b>		964,898	(8,434)

Further details are given in note 16.

# CALVAY HOUSING ASSOCIATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2012

### 1. Accounting Policies

#### (a) Introduction and accounting basis

The principal accounting policies of the Association are set out in the paragraphs (b) to (m) below. The Association is incorporated under the Industrial and Provident Societies Act 1965 and is registered with The Financial Services Authority. The financial statements have been prepared under the historical cost convention, and in compliance with The Registered Social Landlords Accounting Requirements (Scotland) Order 2007, the Statement of Recommended Practice (SORP), "Accounting by Registered Social Housing Providers, Update 2010" and applicable Accounting Standards.

#### (b) Finance

The financial statements have been prepared on the basis that the capital expenditure referred to in note 8 will be grant aided, funded by loans or met out of reserves, or from proceeds of sales.

#### (c) Mortgages

Mortgage loans are advanced by private lenders under the terms of the individual mortgage deeds in respect of each property or housing scheme. Advances are available only in respect of those developments which have been given approval for Housing Association Grant.

#### (d) Housing Association Grants

Housing Association Grants (HAG) are utilised to reduce the amount of mortgage loan in respect of an approved scheme to the amount which it is estimated can be serviced by the net annual income of the scheme. The amount of HAG is calculated on the qualifying cost (note 1(f)) of the scheme in accordance with instructions issued from time to time. HAG is repayable under certain circumstances, primarily following the sale of property, but will normally be restricted to net proceeds of sale.

# CALVAY HOUSING ASSOCIATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2012

(e) **Fixed assets - Housing Land and Buildings** (note 8)

Housing Properties are stated at cost, less housing association grant less accumulated depreciation.

The cost of such properties includes the following:

- (i) cost of acquiring land and buildings
- (ii) development expenditure including applicable overheads
- (iii) interest charged on the loans raised to finance the scheme

Works to existing properties will generally be capitalised under the following circumstances:

- (i) Where a component of the housing property that has been treated separately purposes and depreciated over its useful economic life is replaced or restored;  
or
- (ii) Where the subsequent expenditure provides an enhancement of the economic benefits of the tangible fixed assets in excess of the previously assessed standard of performance. Such enhancement can occur if the improvements result in an increase in rental income, a material reduction in future maintenance costs or a significant extension of the life of the property.

Works to existing properties which fail to meet the above criteria are charged to the Income and Expenditure account.

The adoption of Component Accounting during the year represents a change in accounting policy. Previously the major components of the Association's housing properties were deemed to be land and buildings. The major components are now deemed to be Land, Structure, Windows, Kitchens, Bathrooms, and Central Heating. Each component has a substantially different economic life and is depreciated over this individual life. Depreciation rates are shown below. The new accounting policy is compliant with the SORP 2010.

Interest on loans financing development is capitalised up to the date of the housing stock coming on to rental stream.

(f) **Depreciation**

(i) **Housing Properties**

Depreciation is charged on a straight line basis over the expected economic useful lives of each major component that makes up the housing property as follows:

Land	Not depreciated
Structure	Over 50 years
Bathrooms	Over 30 years
Windows	Over 30 years
Kitchens	Over 20 years
Central Heating	Over 20 years



# CALVAY HOUSING ASSOCIATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2012

(ii) **Other Fixed Assets**

The Association's other assets are written off evenly over their expected useful lives as follows:

Office premises	- over 20 years
Commercial premises	- over 30 years
Environmental Works	- over 10 years
Furniture & equipment	- over 5 years

A full year's depreciation is charged on these assets in the year of purchase, but no charge is made in the year of disposal.

(g) **Designated Reserves**

The transfer to the future repairs reserve is calculated using future projections obtained from the Associations Life Cycle Costing Model. This reserve is based on estimated future costs to be incurred by the Association, in respect of existing housing accommodation for all repairs, including improvement or replacement, with a cycle of two or more years.

(h) **Value Added Tax**

The Association is VAT registered. However, a large proportion of the income, namely rents, is exempt for VAT purposes and therefore gives rise to a partial exemption calculation. Expenditure as a result is shown inclusive of VAT.

(i) **Pensions**

The Association participates in the centralised Pensions Trust Scottish Housing Association Pension Scheme (SHAPS) Defined Benefits Pension 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.

The expected cost to the Association of pensions is charged to the Income and Expenditure Account so as to spread the cost of pensions over the service lives of the employees.

(j) **Sale of Housing Properties**

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

# CALVAY HOUSING ASSOCIATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2012

(j) **Sale of Housing Properties** *(continued)*

First tranche Shared Ownership disposals are credited to turnover on completion, the cost of construction of these sales is taken to operating costs. Disposals of subsequent tranches are treated as fixed asset disposals with the gain or loss on disposal taken to the income and expenditure account, in accordance with the Statement of Recommended Practice.

(k) **Turnover**

Turnover represents rental, service and management charges from properties, agency fees, revenue based grants receivable from the Scottish Ministers and first tranche sales of shared equity and shared ownership properties.

(l) **Impairment of Fixed Assets**

Reviews for impairment of housing properties are carried out on an annual basis and any impairment in an income-generating unit is recognised by a charge to the Income and Expenditure account. Impairment is recognised where the carrying value of an income-generating unit exceeds the higher of its net realisable value or its value in use. Value in use represents the net present value of expected future cash flows from these units.

(m) **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.

**2. Particulars of turnover, operating costs and operating surplus/(deficit)**

	Notes	Turnover £	Operating Costs £	Operating Surplus £	2011 As restated £
Social lettings	3	2,601,018	(1,733,187)	867,831	306,538
Other activities	4	198,174	(244,895)	(46,721)	24,922
Total		<u>2,799,192</u>	<u>(1,978,082)</u>	<u>821,110</u>	<u>331,460</u>
<b>2011 As restated</b>		<u>1,927,254</u>	<u>(1,595,794)</u>	<u>331,460</u>	

**CALVAY HOUSING ASSOCIATION LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**YEAR ENDED 31 MARCH 2012**

**3. Particulars of turnover, operating costs and operating surplus from social letting activities**

	<b>General Needs Housing £</b>	<b>Shared Ownership £</b>	<b>Total £</b>	<b>2011 As restated £</b>
<b>Income from social lettings</b>				
Rent receivable net of Service charges	2,578,101	42,325	2,620,426	1,589,406
Service charges	13,444	-	13,444	18,248
Gross income from rents and service charges	2,591,545	42,325	2,633,870	1,607,654
Less: Rent Losses from Voids	(32,852)	-	(32,852)	(14,381)
	2,558,693	42,325	2,601,018	1,593,273
Grants from the Scottish Ministers	-	-	-	-
<b>Total turnover from social letting</b>	<b>2,558,693</b>	<b>42,325</b>	<b>2,601,018</b>	<b>1,593,273</b>
<b>Expenditure on social lettings</b>				
Service costs	126,679	-	126,679	113,916
Management and maintenance	767,086	-	767,086	528,075
Planned and cyclical maintenance including major repairs	262,904	-	262,904	54,967
Reactive maintenance costs	254,026	-	254,026	161,063
Bad debts—rents and service charges	72,769	-	72,769	44,801
Depreciation of social housing	249,723	-	249,723	383,913
<b>Operating costs for social letting</b>	<b>1,733,187</b>	<b>-</b>	<b>1,733,187</b>	<b>1,286,735</b>
<b>Operating Surplus for social letting activities</b>	<b>825,506</b>	<b>42,325</b>	<b>867,831</b>	<b>306,538</b>
<b>Operating Surplus for social letting activities for 2011 as restated</b>	<b>263,319</b>	<b>43,219</b>	<b>306,538</b>	

The amount of service charges receivable on housing accommodation not eligible for Housing Benefit was £nil (2011 - £nil).

# CALVAY HOUSING ASSOCIATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2012

### 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	Other operating costs	Operating surplus or deficit	Operating surplus or deficit for previous period of account
	£	£	£	£	£	£	£	£	£
Wider action/wider role	10,739	44,287	-	18,380	73,406	-	(77,118)	(3,712)	12,641
Care and repair of property	-	-	-	21,960	21,960	-	(24,314)	(2,354)	21,960
Factoring	-	-	-	13,823	13,823	-	(5,574)	8,249	-
Development and construction of property activities	-	61,146	-	-	61,146	-	(110,050)	(48,904)	(8,238)
Support activities	-	-	-	-	-	-	-	-	-
Care activities	-	-	-	-	-	-	-	-	-
Agency/management services for registered social landlords	-	-	-	27,839	27,839	-	(27,839)	-	-
Other agency/management services	-	-	-	-	-	-	-	-	-
Developments for sale to registered social landlords	-	-	-	-	-	-	-	-	-
Developments and improvements for sale to non registered social landlords	-	-	-	-	-	-	-	-	-
Other activities	-	-	-	-	-	-	-	-	(1,441)
<b>Total from other activities</b>	<b>10,739</b>	<b>105,433</b>	<b>-</b>	<b>82,002</b>	<b>198,174</b>	<b>-</b>	<b>(244,895)</b>	<b>(46,721)</b>	<b>24,922</b>
<b>2011</b>	<b>12,641</b>	<b>109,594</b>	<b>-</b>	<b>211,746</b>	<b>333,981</b>	<b>-</b>	<b>(309,059)</b>	<b>24,922</b>	

Other Revenue Grants include £44,287 designated funding received in the year from Big Lottery (2011: £68,768)

# CALVAY HOUSING ASSOCIATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2012

### 5. Taxation

The Association was formally recognised as a recognised Scottish charity on 5<sup>th</sup> February 2008 and as such is exempt from tax on its charitable activities from this date onwards.

### 6. Reserves

#### (a) Designated Reserves

	At 31 March 2011 £	Transfer from revenue reserve £	Expenditure in the year £	At 31 March 2012 £
Future repairs reserve	953,677	-	-	953,677

No restrictions are placed upon these reserves, but the Committee has designated their use for specific purposes.

#### (b) Revenue Reserve

	2012 £	2011 £
Opening balance at 1 April 2011 as originally reported	1,210,473	1,525,587
Prior Period Adjustment (Note 22)	517,505	-
At 1 April 2011 as restated	1,727,978	1,525,587
Surplus for year	586,441	202,391
Closing balance at 31 March 2012	2,314,419	1,727,978

### 7. Interest Payable

	2012 £	2011 £
Interest payable in the year has been charged as follows:		
Loans	244,437	167,774

**CALVAY HOUSING ASSOCIATION LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS (cont'd)**  
**YEAR ENDED 31 MARCH 2012**

**8. Tangible Fixed Assets**

	Housing Properties Held for Letting £	Completed Shared Ownership Properties £	Environmental Works £	Housing Properties Total £	Commercial Property £	Other £	Total £
<b>Cost</b>							
At 1 April 2011	30,086,405	817,001	1,515,869	32,419,275	1,253,430	308,176	33,980,881
Prior Period Adjustment (Note 22)	394,895	-	-	394,895	-	-	394,895
As restated	30,481,300	817,001	1,515,869	32,814,170	1,253,430	308,176	34,375,776
Additions during year	3,255,019	-	-	3,255,019	-	-	3,255,019
Disposals	(58,975)	-	-	(58,975)	-	-	(58,975)
At 31 March 2012	33,677,344	817,001	1,515,869	36,010,214	1,253,430	308,176	37,571,820
<b>Housing Association Grant</b>							
At 1 April 2011	24,177,940	778,841	1,463,339	26,420,120	1,067,314	-	27,487,434
Prior Period Adjustment (Note 22)	(482,765)	-	-	(482,765)	-	-	(482,765)
As restated	23,695,175	778,841	1,463,339	25,937,355	1,067,314	-	27,004,669
Additions during year	175,938	-	-	175,938	-	-	175,938
Disposals	(55,952)	-	-	(55,952)	-	-	(55,952)
At 31 March 2012	23,815,161	778,841	1,463,339	26,057,340	1,067,314	-	27,124,655
<b>Depreciation</b>							
At 1 April 2011	480,290	23,558	31,518	535,366	43,380	243,396	822,142
Prior Period Adjustment (Note 22)	360,155	-	-	360,155	-	-	360,155
As restated	840,445	23,558	31,518	895,521	43,380	243,396	1,182,297
Provided during year	243,707	763	5,253	249,723	9,306	5,967	264,996
Disposals	(3,023)	-	-	(3,023)	-	-	(3,023)
At 31 March 2012	1,081,129	24,321	36,771	1,142,221	52,686	249,363	1,444,270
<b>Net book value</b>							
At 31 March 2012	8,781,054	13,839	15,759	8,810,652	133,430	58,813	9,002,895
As at 31 March 2011 as restated	5,945,680	14,602	21,012	5,981,294	142,736	64,780	6,188,810

None of the Association's land or buildings was held under a lease. Development costs capitalised was £nil (2011 £nil). Total major repair costs were £309,862 (2011 £344,602) of which £154,813 (2011 £289,635) was capitalised, of the amount capitalised £154,813 (2011 £289,635) related to replacement of components and £nil (2011 £nil) related to improvements.

**CALVAY HOUSING ASSOCIATION LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS (cont'd)**

**YEAR ENDED 31 MARCH 2012**

	<b>2012</b>	<b>2011</b>
	<b>£</b>	<b>£</b>
<b>9. Debtors</b>		
Amounts falling due within one year:		
Gross rents in arrears	158,273	56,983
Technical rent arrears	188,175	118,567
Less bad debt provision	<u>(104,664)</u>	<u>(44,165)</u>
	241,784	131,385
Trade debtors	12,021	9,897
Other debtors	<u>17,540</u>	<u>81,923</u>
	<u>271,345</u>	<u>223,205</u>
<b>10. Creditors due within one year</b>		
Loans (note 11)	180,644	206,177
Trade creditors	133,541	81,859
Other creditors	132,724	15,907
Accruals and deferred income	17,599	32,443
Other tax and social security	12,119	-
Rents in advance	31,771	10,064
HAG Repayable	<u>-</u>	<u>26,381</u>
	<u>508,398</u>	<u>372,831</u>
<b>11. Creditors: Amounts falling due after more than one year</b>		
Loans	<u>8,075,574</u>	<u>4,970,454</u>

Loans are secured by specific charges on the Association's properties. Loans are repayable at current rates of interest ranging from 0.93% to 4.59% (2011 – 0.93% to 4.59%) in instalments due as follows:

In one year or less	180,644	206,177
Between one and two years	183,336	206,177
Between two and five years	550,008	603,344
In five years or more	<u>7,161,586</u>	<u>4,160,933</u>
	<u>8,256,218</u>	<u>5,176,631</u>

**CALVAY HOUSING ASSOCIATION LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS (cont'd)**

**YEAR ENDED 31 MARCH 2012**

	<b>2012</b>	<b>2011</b>
	<b>£</b>	<b>£</b>
<b>12. Employees</b>		
Wages and salaries	445,603	462,638
Social security costs	39,971	39,394
Other pension costs	51,947	39,020
	537,521	541,052

The average full time equivalent of persons employed by the Association during the year were as follows:

	<b>No</b>	<b>No</b>
Administration and maintenance	17	18

The Directors are defined as the members of the Management Committee, the Director and any other person reporting directly to the Directors or the Management Committee whose total emoluments exceed £60,000 per year.

During the current year, there were no directors with emoluments, excluding pension contributions, over £60,000.

	<b>£</b>	<b>£</b>
Aggregate Emoluments payable to Directors (including pension contributions and benefits in kind)	61,209	63,237
Emoluments payable to Highest Paid Director (excluding pension contributions)	55,881	54,907

The Director is an ordinary member of the Association's pension scheme described below. No enhanced or special terms apply to memberships and he has no other pension arrangements to which the Association contribute. The Association's contributions for the Director in the year amounted to £5,328 (2011 - £8,331).

Total expenses reimbursed insofar as not chargeable to UK Income Tax nil nil

No member of the Committee of Management received any emoluments in respect of their services to the Association.



# CALVAY HOUSING ASSOCIATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (cont'd)

YEAR ENDED 31 MARCH 2012

### 13. Pension Fund

Calvay Limited participates in the SHAPS Pension Scheme (the "Scheme"). The Scheme is funded and is contracted out of the State Pension scheme.

It is not possible in the normal course of events to identify the share of underlying assets and liabilities belonging to an individual participating employer 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.

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 last formal valuation of the Scheme was performed at 30 September 2009 by a professionally qualified actuary using the Projected Unit Credit method. The market value of the Scheme's assets as at the valuation date was £295 million. The valuation showed a shortfall of assets compared to liabilities of £160 million, equivalent to a past service funding level of 64.8%.

The Scheme Actuary has prepared an Actuarial Report that provides an approximate update on the funding position of the Scheme as at 30 September 2010. 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 £335 million and indicated an increase in the shortfall of assets compared to liabilities to approximately £162 million, equivalent to a past service funding level of 67.4%

Following a change in legislation in September 2005 there is a potential debt on the employer that could be levied by the Trustee of the Scheme. The debt is due in the event of the employer ceasing to participate in the Scheme or the Scheme winding up.

The debt for the Scheme as a whole is calculated by comparing the liabilities for the Scheme (calculated on a 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 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 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.

Calvay Housing Association Limited has been notified by The Pensions Trust of the estimated employer debt on withdrawal from the SHAPS Scheme based on the financial position of the Scheme as at 30 September 2011. As of this date the estimated employer debt for Calvay Housing Association Limited was £1,808,261.

The Association has been notified by the Pensions Trust that the amount to be paid in additional contributions towards the past service deficit in 2012/13 is £33,625. It is likely that additional contributions will be required in future years and the Association will be notified of these amounts annually.

# CALVAY HOUSING ASSOCIATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (cont'd)

YEAR ENDED 31 MARCH 2012

### 13. Pension fund (continued)

The Scheme offers five benefit structures to employers, namely:

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

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

Calvay Housing Association Limited has elected to operate the final salary with a 1/60<sup>th</sup> accrual rate benefit option for active members as at 1 April 2009 and the same benefit structure for any new entrants.

During the accounting period Calvay Housing Association Limited paid contributions at the rate of 15.4% of pensionable salaries. Member contributions were 7.7%.

As at the balance sheet date there were 8 active members of the Scheme employed by Calvay Housing Association. The annual pensionable payroll in respect of these members was £253,375.

Calvay Housing Association Limited continues to offer membership of the Scheme to its employees

The key valuation assumptions used to determine the assets and liabilities of the Scottish Housing Associations' Pension Scheme are:

<b>2009 Valuation Assumptions</b>	<b>% p.a.</b>
Investment return pre retirement	7.4
Investment return post retirement – Non pensioners	4.6
Investment return post retirement - Pensioners	4.8
Rate of salary increases	4.5
<b>Rate of pension increases</b>	
- Pension accrued pre 6 April 2005 in excess of GMP	2.9
- Pension accrued post 6 April 2005 (for leavers before 1 October 1993 pension increases are 5.0%)	2.2
Rate of price inflation	3.0

<b>Mortality Tables</b>	
Non-pensioners	SAPS (SIPA) All Pensioners Year of Birth Long Cohort with 1% p.a. minimum improvement
Pensioners	SAPS (SIPA) All Pensioners Year of Birth Long Cohort with 1% p.a. Minimum improvement

**CALVAY HOUSING ASSOCIATION LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS (cont'd)**

**YEAR ENDED 31 MARCH 2012**

**13. Pension fund (continued)**

<b>Contribution Rates for Future Service (payable from 1 April 2011)</b>	<b>% p.a.</b>
Final salary 1/60ths	19.2
Career average revalued earnings 1/60ths	17.1
Career average revalued earnings 1/70ths	14.9
Career average revalued earnings 1/80ths	13.2
Career average revalued earnings 1/120ths	9.4
Additional rate for deficit contributions*	10.4

(\*expressed in nominal pound terms (for each employer) increasing each 1 April in line with the rate of salary increases assumption. Earnings as at 30 September 2009 are used as the reference point for calculation the additional contributions).

	<b>2012</b>	<b>2011</b>
	<b>£</b>	<b>£</b>
<b>14. Auditors' Remuneration</b>		
The remuneration of the auditors (including expenses)	8,840	8,362
Remuneration of entities other than Baker Tilly UK Audit LLP	<u>520</u>	<u>-</u>

**15. Share Capital**

Shares of £1 fully paid and issued at 1 April 2011	76	88
Shares issued during year	1	-
Shares cancelled during year	<u>(6)</u>	<u>(12)</u>
Shares of £1 fully paid and issued at 1 April 2012	<u>71</u>	<u>76</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.

**CALVAY HOUSING ASSOCIATION LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS (cont'd)**

**YEAR ENDED 31 MARCH 2012**

<b>16. Notes to the Cash Flow Statement</b>		<b>2012</b>		<b>2011</b>
		£		As restated £
<b>Reconciliation of surplus to net cash inflow from operating activities</b>				
Surplus for year		586,441		202,391
Net interest payable		234,669		162,132
Operating surplus for the year excluding interest and tax payable		<u>821,110</u>		<u>364,523</u>
Depreciation – other assets		15,273		37,916
Depreciation – housing properties		249,723		345,997
Gain on sale of fixed assets		-		(33,063)
(Increase) in debtors		(48,140)		(82,750)
Increase in creditors		161,100		54,866
		<u>1,199,066</u>		<u>687,489</u>
<b>Reconciliation of net cash flow to movement in net debt</b>				
Increase/ (decrease) in cash for the year		964,898		(8,434)
Loans received		(7,190,000)		(1,606,915)
Loan repayments		4,110,413		84,400
Change in net debt		<u>(2,114,689)</u>		<u>(1,530,949)</u>
Net debt as at 1 April 2011		<u>(3,563,630)</u>		<u>(2,032,681)</u>
Net debt as at 31 March 2012		<u>(5,678,319)</u>		<u>(3,563,630)</u>
<b>Analysis of changes in net debt</b>				
	<b>As at 31</b>		<b>Other</b>	<b>As at 31</b>
	<b>March 2011</b>	<b>Cash Flow</b>	<b>Changes</b>	<b>March 2012</b>
	£	£	£	£
Cash at bank and in hand	1,613,001	964,898	-	2,577,899
Debt due within one year	(206,177)	25,533	-	(180,644)
Debt due after one year	<u>(4,970,454)</u>	<u>(3,105,120)</u>	-	<u>(8,075,574)</u>
	<u>(3,563,630)</u>	<u>(2,114,689)</u>	-	<u>(5,678,319)</u>

<b>17. Capital Commitments</b>		<b>2012</b>		<b>2011</b>
		£		£
Expenditure authorised by the Committee of Management contracted less certified.				
		<u>-</u>		<u>-</u>

**18. Contingent Liabilities**

Housing Association Grant allocated to components (as detailed in Note 1 (d)) that have subsequently been replaced by the Association are recognised in the Income and Expenditure account, with the cost of the replacement and any additional funding for this replacement being capitalised. The recycled grant recognised in the Income and Expenditure account at 31 March 2012 was £538,717 (2011: £482,765).

**CALVAY HOUSING ASSOCIATION LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS (cont'd)**

**YEAR ENDED 31 MARCH 2012**

<b>19. Housing Stock</b>	<b>2012</b>	<b>2011</b>
	<b>No</b>	<b>No</b>
The number of units in Management at 31 March 2012 was as follows		
General needs	800	520
Supported	30	-
Shared Ownership	24	24
	<u>854</u>	<u>544</u>

**20. Related Parties**

Various members of the Management Committee are tenants of the Association. The transactions with the Association are all done on standard terms, as applicable to all tenants

**21. Reconciliation of Funds**

	<b>2012</b>	<b>2011 as restated</b>
	<b>£</b>	<b>£</b>
At 1 April as previously reported	2,164,226	2,479,352
Prior period adjustment (Note 22)	517,505	-
At 1 April as restated	<u>2,681,731</u>	<u>2,479,352</u>
Surplus for year	586,441	202,391
New shares issued	1	-
Shares cancelled	<u>(6)</u>	<u>(11)</u>
At 31 March	<u>3,268,167</u>	<u>2,681,731</u>

**22. Prior Period Adjustment- Component Accounting**

Following the implementation of the Statement of Recommended Practice – Accounting by registered social housing providers – Update 2010 (SORP 2010), the Association has implemented component accounting. As a result of the changes brought about by the SORP 2010 and the detailed guidance of the Technical Notes, the Association has adopted a new accounting policy, which has resulted in a prior period adjustment.

The principle of component accounting is to account separately for each major component of a property asset with substantially different useful economic lives, and to depreciate them over their useful economic life. This has resulted in major works expenditure written off in prior years being capitalised, and an additional depreciation charge being recognised. The effect of this change in accounting policy on the 31<sup>st</sup> March 2011 financial statements is shown below. 31<sup>st</sup> March 2011 opening reserves have increased by £469,305 of which £118,720 relates to increased depreciation, £105,260 relates to major repairs previously written off to the Income and Expenditure Account now capitalised as components and £482,765 relates to HAG now allocated across all components.

**CALVAY HOUSING ASSOCIATION LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS (cont'd)**

**YEAR ENDED 31 MARCH 2012**

**22. Prior Period Adjustment – Component Accounting (continued)**

The effect of this change on the comparative year's figures of 2011 has been to:

	<b>£</b>
Increase depreciation charge	(241,435)
Decrease major works charged against income	<u>289,635</u>
Increase in the surplus for the year	<u>48,200</u>

In addition the effect upon the balance sheet has been to:

Increase fixed asset cost	394,895
Decrease fixed asset HAG	482,765
Increase fixed asset depreciation	<u>(360,155)</u>
Net movement in the balance sheet – increase	<u>517,505</u>