



**CASSILTOUN HOUSING ASSOCIATION LIMITED**

**REPORT AND FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 MARCH 2012**

**Registered Housing Association No. 84**

**FSA Registration No. 2190R(S)**

**Registered Charity No. SC 035544**

**BAKER TILLY UK AUDIT LLP**

**CHARTERED ACCOUNTANTS**

# CASSILTOUN HOUSING ASSOCIATION LIMITED

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# **CASSILTOUN HOUSING ASSOCIATION LIMITED**

## **BOARD OF MANAGEMENT, EXECUTIVES AND ADVISERS YEAR ENDED 31 MARCH 2012**

### **BOARD OF MANAGEMENT**

Teresa Sadler	Chair	Teresa McGowan
Anna M Stuart MBE	Vice Chair	Adam Milligan
Christine Miller	Secretary	Lorraine Young
George Kelly	Treasurer	Jean White
Anne Buchanan		
Evelyn Ferguson		

### **EXECUTIVE OFFICERS**

Charlie Millar	Chief Executive
Fiona McTaggart	Deputy Chief Executive
Gamal Haddou	Head of Finance & IT
Fiona McGowan	Head of Operations

### **REGISTERED OFFICE**

Castlemilk Stables  
59 Machrie Road  
Castlemilk  
Glasgow  
G45 0AZ

### **AUDITORS**

Baker Tilly UK Audit LLP  
Breckenridge House  
274 Sauchiehall Street  
Glasgow  
G2 3EH

### **BANKERS**

Bank Of Scotland  
82 Main Street  
Rutherglen  
G73 2HZ

### **SOLICITORS**

T C Young  
7 West George Street  
Glasgow  
G2 1BA

### **REGISTRATION PARTICULARS**

Financial Services Authority

Industrial and Provident Societies Act 1965  
Registered Number 2190 R (S)

Scottish Housing Regulator

Housing Scotland Act 2001  
Registered Number 84

Office of the Scottish Charity Regulator

Charity and Trustee Investment (Scotland) Act 2005  
Scottish Charity Number SC 035544

# CASSILTOUN HOUSING ASSOCIATION LIMITED

## REPORT OF THE BOARD OF MANAGEMENT AND FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 MARCH 2012

The Board of Management presents its report and the audited financial statements for the year ended 31 March 2012.

#### Principal Activities

The principal activity of Cassiltoun Housing Association is the development, management and maintenance of housing for people in housing need.

Cassiltoun Housing Association is registered with the Financial Services Authority as a Friendly Association, The Office of the Scottish Charities Regulator (OSCR) as a Charity and the Scottish Housing Regulator as a Registered Social Landlord.

The table below shows the property we own

	2012	2011
<b>Managed Property Numbers</b>		
Tenanted Property	993	989
Shared Ownership Properties	5	5
<b>Total</b>	<b>998</b>	<b>994</b>
<b>Developing Property Numbers</b>		
Tenanted Property	40	46

#### Financial Review

The year progressed very well despite the significant economic challenges facing the sector. Our income and costs this year were extremely close to what had been budgeted for and we remain confident about the future and being strong at the end of the recession.

With the exception of depreciation, our operating costs, loan interest, estate maintenance and responsive repairs costs were budgeted at £1,956k whilst the actual results were £1,943k and the forecast at the mid year point anticipating £1,949k. The depreciation charge increased from the budget as a result of component accounting and writing off assets over a shorter period.

Turnover of £3,356k was £28k better than budgeted for as wider role monies were prudently not included during the budget process. Interest receivable was higher than last year due to placing more long term deposits and receiving our full allocation of housing association grant for the Buchanan Lodge development.

In addition, cashflow performance was better than expected due to good arrears management and the prompt receipt of housing association grant. Cash funds by the year end have increased by £290k to £3,284k.

Notwithstanding the 100% debt-funding of the acquisition of SST properties, the Association's strategy of maximising the funding of capital developments from its own reserves has maintained a low level of mortgage interest repayments, and of its long-term liabilities. £298k of loans were redeemed in the year resulting in lower borrowing and reduced interest payments than last year, from £366k to £358k.

# CASSILTOUN HOUSING ASSOCIATION LIMITED

## REPORT OF THE BOARD OF MANAGEMENT AND FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 MARCH 2012

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 whereby Major Components (Note 1e) of our buildings are identified and depreciated over specific economic life spans. Their replacement is then capitalised in the accounts as they occur. This change in accounting policy has been calculated with a net impact to current year surplus of £141, analysed as an increase to the cost of the Associations fixed assets of £1,557,746, a reduction of HAG of £98,817 and an increase in accumulated depreciation of £1,656,704. Given the net impact to the opening reserves is not considered material by the Directors, this adjustment has been recognised in the 2012 financial statements as shown in note 10a.

#### Key financial information is as follows:

The financial results of Cassiltoun Housing Association are as follows: -

	<u>This Year</u>	<u>Last Year</u>
Staff Costs / Turnover	23.2%	22.3%
Overheads / Turnover	26.3%	20.1%
Reactive Maintenance / Turnover	11.5%	12.7%
Interest Payable / Turnover	10.7%	11.2%
Current Ratio (current assets / current liabilities)	486.2%	334.9%
Interest Cover	9.4 times	8.9 times
Asset cover (total assets less current liabilities / creditors > 1yr)	1.39 times	1.32 times
Net Debt per Housing Unit	£9,200	£9,490
Net Assets	£3,501,050	£2,941,395

#### Our Strategic Aims

Cassiltoun Housing Association has as its Strategic Aims:

- In order to ensure that our rents remain affordable, maintain a stock base sufficient to achieve economies of scale and deliver effective services in a cost efficient way.
- Maintain the high quality of our housing and service provision, ensuring the comfort of tenants and the protection of investment, (£50m to date).
- Maximise opportunities for community involvement in the regeneration process, promoting social inclusion and ‘wider action’.
- Ensure that the work of the Association is supported by effective financial, administrative and personnel systems.
- Ensure that the Cassiltoun Group structure is adequately supported to deliver its goals.

# **CASSILTOUN HOUSING ASSOCIATION LIMITED**

## **REPORT OF THE BOARD OF MANAGEMENT AND FINANCIAL STATEMENTS**

### **FOR THE YEAR ENDED 31 MARCH 2012**

#### **Our Operational Objectives**

- Continue to deliver the KPI's set out in the Internal Management Plan and Operational Service Plan.
- To complete a full 2012 review of our Asset Management Plan (Major Repairs Programme) for the next 30 years.
- Continue to monitor the effectiveness of our 3 year major contracts – Reactive Repairs, Gas Servicing, Environmental Maintenance and Stair Cleaning.
- To create a new subsidiary social enterprise company to take over pre 5 Stables nursery.
- To prepare for proposed Welfare Reform changes being introduced in 2013.
- To successfully complete Buchanan Lodge and introduce facilities management services.
- To maintain our Gold Standard in Investors in People.
- To Achieve “Healthy Working Lives” Bronze award and to progress towards Silver award level.
- To maximize funding to continue with the non housing regeneration in our area of operation.
- To support Cassiltoun Trust to achieve its objectives.
- To progress with the regeneration of Castlemilk Park including seeking to secure funding to extend the post of community woodlands officer beyond 2013.

#### **Our Mission Statement**

We aim to enhance the quality of life of our clients and to regenerate and sustain our community through housing-led and resident controlled initiatives.

# **CASSILTOUN HOUSING ASSOCIATION LIMITED**

## **REPORT OF THE BOARD OF MANAGEMENT AND FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 MARCH 2012**

### **Operational Review**

#### **Corporate Governance**

Cassiltoun Housing Association has a Board of Management elected by the members of the Association. It is the responsibility of the Committee to undertake the strategy, set policy, overall direction and monitor the operational activities of the Association. The members of the Board of Management are unpaid.

The Senior Management Team of Cassiltoun Housing Association is responsible for achieving the strategic direction and for undertaking operations in line with the priorities set.

As part of our commitment to continuous improvement we have once again set challenging targets, which are regularly monitored and reviewed by the Board of Management and Senior Management Team.

Our governing body is our Board of Management which is responsible to the wider membership. Board of Management members serve in a voluntary capacity, and we recognise that this puts even more onus on us to ensure that we set and achieve high standards of professionalism in our work.

We have continued to prioritise governance and to assist this a new Corporate Services and HR professional joined the team in August 2011. We reviewed effectiveness of our governance arrangements, by means of carrying out a training needs analysis to all Board of Management members' and one to one interviews between the Chief Executive and the Association's office bearers.

This report outlines the issues that have arisen during the year relating to the main activities undertaken by Cassiltoun Housing Association.

#### **Performance Management**

This year again we are delighted to report continuous improvement in many areas of our performance and excellent signs of stability in others. All our staff takes part in the business review sessions and during our annual review day when we sign off and agree the 3 Year Internal Management Plan and 30 Year Business Plan. This has been underpinned by the use of clear planning support tools such as SMART planning, Operational Service Plan, Asset Management Plan and the Association's Financial Business Plans.

We demonstrated that shared goals that are understood by all our people allows us to improve as an organisation, which will ultimately lead to our tenants receiving the best housing service possible combined with other activities and non-housing services that the association delivers with its partners.

We receive very few complaints of a serious nature and we take prompt action to resolve and learn from those we receive.

# CASSILTOUN HOUSING ASSOCIATION LIMITED

## REPORT OF THE BOARD OF MANAGEMENT AND FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 MARCH 2012

#### Best use of resources

A full review of the Risk Policy and Risk Register was undertaken in the summer of 2010 to ensure that the Association is prepared to mitigate risks that exist now or may arise in the future.

We continued to focus on our business plan objectives in our third full year after stock transfer. In addition, the Association closely managed the risks involved with the two planned development projects within a volatile building industry. The Association successfully achieved our set funding targets to ensure the financial viability of both developments.

The Associations staff attendance record was strong with a 3.5% sickness record recorded, our target is 3%. Whilst we were a little above our target we are satisfied that our absence management procedures remain effective.

The Association was awarded "Gold Standard Investors in People Status" in June 2012, very few Housing Associations have this employers distinction and we believe our ongoing performance, improvements and customer focus depends on a highly motivated and well trained staff team, which we believe we have. Investment in our staff team is critical to our success and we fully intend to maintain our staff development needs.

As reported last year our control measure that was successfully introduced in 2009 regarding how the Association procures its reactive repairs contract to operate within budget has been successful for the third year in succession. Tenant satisfaction levels have been maintained or improved.

The Association's fixed priced reactive repair contract has continued to be monitored to evaluate the effectiveness of this arrangement. At the end of the financial year we successfully controlled the reactive budget as planned, furthermore our reactive spend came in under budget. Importantly the Association's tenants have continued to play a critical role in monitoring performance. Tenant satisfaction levels are consistently high with performance levels between 99% and 100% regularly achieved.

During the year we completed 2,941 repairs, the table below summarises our targets, repair type and performance.

CATEGORY	TARGET	NUMBER	COMPLETED ON TIME	% COMPLETED ON TIME
Emergency	2 hours	226	226	100.0%
Urgent and Routine	3 days / 10 days	2,715	2,715	100.0%

In terms of other performance areas that we are particularly pleased about, our void management performance is once again worthy of note. The Association set a target of 0.35% void rent loss (£12k) however we achieved 0.29% (£9.3k). The Association is aware that having a strong base will help us prepare for the impact of Welfare Reform in 2013. We have tested our business plan and have increased the business planning void target from 1% to 2%.



# CASSILTOUN HOUSING ASSOCIATION LIMITED

## REPORT OF THE BOARD OF MANAGEMENT AND FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 MARCH 2012

The Association also continued to perform strongly in arrears management and further improved its performance in 2011/12.

Gross target was **2.00%**  
Gross performance was **1.97%**

Realistic and challenging new targets have been set for the new financial year 2012/13 as the Association intends to ensure that continuous improvement remains embedded within our planning and culture.

Following on from the previous year we believe that improved performance has been achieved against a backdrop of business growth, staffing re structuring and organisational change. The current economic down turn has continued to focus the boards attention on achieving better value for money, achieving greater efficiencies supported by continuous monitoring, to ensure that our key targets are met and also to allow us to take corrective action should the association encounter unplanned trends or changes that may adversely affect it. The Associations overall performance demonstrates that the board have a successful strategy in place to achieve this aim as we move forward and prepare for the impact that welfare reform changes will have on our business. We fully intend to support our tenants throughout the introduction of universal credit to help minimise risks for tenants and the Association.

Like every other housing association and local authority with housing stock, the Association has been busy ensuring that our properties meet the "Scottish Housing Quality Standard" by 2015 as set out by the Scottish Government.

The Association is delighted to report that as at the 31 March 2012 all of our properties meet the SHQS and this has been independently verified. This is excellent news for our tenants and for our long term financial forecasting.

#### **Service Standards**

The Senior Management Team review all complaints received to help us make improvements and to understand our customers' dissatisfactions.

We have improved on the previous year's services by delivering better quality services for our tenants including:-

- a text messaging service for tenants as a way of improving communications,
- an enhanced web site which is easy to navigate [www.cassiltoun.org.uk](http://www.cassiltoun.org.uk), and
- providing winter pathway gritting and refuse skips to assist with additional household waste over the festive period.

#### **Development and Wider Role / Regeneration Activities**

During the year the Association had two developments ongoing; one at Buchanan Lodge which will create a 40 bed residential home supporting elderly men with severe alcohol addiction. Buchanan Lodge is expected to be completed by July 2012 as this project has over run by 3 months due to unforeseen adverse weather. The second at 70 Machrie Road was completed in September 2011 on time and has assisted 6 new tenants to integrate back into the community in specially designed supported accommodation.

# CASSILTOUN HOUSING ASSOCIATION LIMITED

## REPORT OF THE BOARD OF MANAGEMENT AND FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 MARCH 2012

The Association secured a mix of funding totalling £140k to help us deliver a range of partnership work with local schools (Children's Orchard and garden Eco projects). Social enterprise company Impact Arts are delivering a range of training projects targeting the over 50s, young school children and people aged between 16 years and 35 years, generally these projects have been well attended by local people. Impact Arts carried out a social return on investment (SROI) report which provided valuable information and evidence of what this project delivers for the people who attend craft cafe but also the wider social economy. A copy of the SROI report is available on the association's web site or at our offices. We were delighted to welcome the Minister for Public Health, Michael Matheson MSP to the project in February 2012 to launch the SROI report.

Castlemilk Stables has now won 10 major awards including the "Scottish Building of the Year" awarded by the Royal Incorporation of Architects in Scotland. In April 2011 the Stables won the "My Place Awards" awarded by the Scottish Civic Trust. The judges said "it's an outstanding project and has obviously made a real impact on the local community". The Stables continues to offer an inspirational setting for our staff, strategic partners, tactical partners and most importantly the local community.

In last year's report we explained our plans to recruit a community woodland ranger in partnership with the Forestry Commission and GHA. We successfully recruited a community woodland ranger and by May 2011 the officer took up his position. The impact and improvement for local people has been fantastic as the park is now being used more frequently and many health and wellbeing events have been organised throughout the year.

The Association has also organised many tenant activities throughout the year including:-

- Family trip to Blair Drummond Safari Park
- Summer Bus Trip for over 40s
- Autumn Theatre Trip for over 40s
- Festive Theatre Trips for all the family and a Christmas fireworks display
- 2 Gala Days for all the family
- Seasonal parties at Easter, Halloween and Christmas
- Teenager Adventure Outdoor Away Day.

Like previous years these activities have been well attended by hundreds of local people and are important to supporting aspects of community sustainability. It gives people the opportunity to meet their neighbours and friends and spend time relaxing and having fun.

### **Operations**

Again like previous years we continued to make further improvements to our operational performance through the ongoing integration of service provision, which was underpinned by our robust "Operation Service Plan". Our staff have clear targets and operational objectives to achieve, these targets and objectives are regularly monitored by the Senior Management Team and Board of Management.

Feedback from tenants remains positive with regular high levels of overall satisfaction being identified from satisfaction surveys.

# **CASSILTOUN HOUSING ASSOCIATION LIMITED**

## **REPORT OF THE BOARD OF MANAGEMENT AND FINANCIAL STATEMENTS**

### **FOR THE YEAR ENDED 31 MARCH 2012**

#### **Business Continuity Plan**

The Board introduced a combined plan to ensure that the Association has robust procedures in place to deal with disasters and severe business interruption.

Over recent years the Board has become more concerned over business interruption, service delivery and health and safety during the severe winter weather and very heavy snow. In November 2010 the Board agreed to invest resources to combat office closure and maintain service delivery by purchasing two secondhand 4x4 cars that could operate safely in very bad weather, keep staff safe and allow the office to be kept open. The Business Continuity Plan was reviewed in November 2011.

Thankfully the extreme weather experienced in recent winters was not repeated in the winter of 2011/12. The Board have put measures in place to deal with severe winter weather and extended the 4x4 car policy which it will further review in May 2012.

#### **Performance Review**

The Board carries out two major strategic performance reviews each year to ensure that our Strategic and Operational Objectives are carefully monitored. The Association uses a traffic light monitoring system to quickly identify any sign that a set objective may not be achieved. At the end of the year we were delighted that all of our set objectives were achieved on time.

The Association's internal auditor carried out a major annual review based on a three year rolling programme with substantial or reasonable control assurance recorded in all areas under review.

#### **Policies and Procedures**

The board approves policy and procedures on a 3 year rolling basis unless changes in guidance or legislation enforce earlier reviews. The Association has over 70 different policies and procedures that provide the necessary guidance on how it runs and manages its business in accordance with these procedures and rules.

#### **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 19 days from receipt of invoice, via a weekly payment run.

#### **Rental Income**

The Association's Rent Policy is a points system based on the size, type and facilities of the provided accommodation. The policy ensures that the rent structure is easy to administer and covers the wide variations within the Association's properties. This policy follows the generally accepted practice/principles of the housing sector.

#### **Budgetary Process**

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

# CASSILTOUN HOUSING ASSOCIATION LIMITED

## REPORT OF THE BOARD OF MANAGEMENT AND FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 MARCH 2012

#### Treasury Management

The Association has an active treasury management function, which operates in accordance with the Treasury Management Policy approved by the Board 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. Excess balances are placed on short term deposit.

The Association, as a matter of policy, does not enter into transactions of a speculative nature. At 31 March 2012 the Association has a mix of fixed and variable rate finance which it considers appropriate at this time.

#### 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 through the Chief Executive.

#### General Reserves

Following the implementation of the Statement of Recommended Practice – Accounting by registered social housing providers – Update 2010 (SORP 2010), the Association consolidated its designated reserves moving these into revenue reserves. The balance of the designated reserves at the 31 March 2012 is therefore £nil (2011 - £1,461,016).

#### Board of Management

The Board of Management of Cassiltoun Housing Association during the year to 31 March 2012 was as follows:

Mrs Theresa Sadler	Chair
Mrs Anne M Stuart MBE	Vice-Chair
Mrs Christine Miller	Secretary
Mr George Kelly	Treasurer
Mrs Anne Buchanan	
Mrs Evelyn Ferguson	
Mrs Teresa McGowan	
Mr Adam Milligan	
Mr Darren Stuart	Resigned 22 August 2011
Mrs Jean White	
Mrs Lorraine Young	

Sub-committee membership	7	Finance & General Purposes
	5	Staffing
	6	Development & Wider Action
	7	Operations

Each member of the Board of Management holds one fully paid share of £1 in Cassiltoun Housing Association. The executive officers of Cassiltoun Housing Association hold no interest in its share capital and although not having the legal status of “director” they act as executives within the authority delegated by the Committee.

**CASSILTOUN HOUSING ASSOCIATION LIMITED**

**REPORT OF THE BOARD OF MANAGEMENT AND FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 MARCH 2012**

**Directors**

The Director of Cassiltoun Housing Association during the year to 31 March 2012 was as follows:

Mr Charlie Millar      Chief Executive


**Information for Auditors**

As far as the Board 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.

**By order of the Board of Management**

Secretary: .....  .....

Date:            27 June 2012

## CASSILTOUN HOUSING ASSOCIATION LIMITED

### STATEMENT OF BOARD OF MANAGEMENT'S RESPONSIBILITIES

The Industrial and Provident Societies Acts 1965 to 2002 require the Board of Management to prepare Financial Statements for each financial year which give a true and fair view of the Association's state of affairs 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 proper accounting records which disclose with reasonable accuracy at any time the financial position of the Association. The Board of Management must ensure that the Financial Statements comply with the Industrial and Provident Societies Acts 1965 to 2002, the Housing (Scotland) Act 2001 and the Registered Social Landlords Accounting Requirements (Scotland) Order 2007. It is 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.

**By order of the Board of Management**

Name: g. Kelly

Date: 27 June 2012

**CASSILTOUN HOUSING ASSOCIATION LIMITED**

**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:-

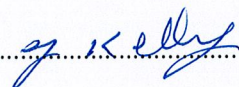
- the reliability of financial information used within the Association, or for publication;
- the maintenance of proper accounting records;
- the safeguarding of assets against unauthorised use or disposition.

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 the 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 the key business risks, financial objectives and the progress being made towards achieving the financial plans set for the year and for the medium term;
- regular financial management reports are prepared promptly, providing relevant, reliable and up to date financial and other information, with significant variances from budget being investigated as appropriate;
- all significant new initiatives, major commitments and investment projects are subject to formal authorisation procedures, through the Board of Management;
- the Board of Management receive reports from management and from the external and internal auditors, to provide reasonable assurance that control procedures are in place and are being followed and that a general review of the major risks facing the Association is undertaken;
- formal procedures have been established for instituting appropriate action to correct any weaknesses identified through internal or external audit reports.

The Board of Management have reviewed the system of internal financial control in existence in the Association for the year ended 31 March 2012 and until the below date. The system of internal financial control will ensure that there are no known material losses, contingencies or uncertainties which would require disclosure in the financial statements or in the Auditors' Report on the financial statements.

**By order of the Board of Management**

Name:  .....

Date: 27 June 2012

**REPORT BY THE AUDITORS TO THE BOARD OF MANAGEMENT OF  
CASSILTOUN HOUSING ASSOCIATION LIMITED  
ON CORPORATE GOVERNANCE MATTERS**

In addition to our audit of the Financial Statements, we have reviewed your statement on page 15 concerning the Association's compliance with the information required by the section on Internal Financial Control within SFHA's publication "Raising Standards in Housing".

**Basis of Opinion**

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

**Opinion**

In our opinion the Statement on Internal Financial Control on page 15 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 LLP*

Baker Tilly UK Audit LLP  
Statutory Auditors  
Breckenridge House  
274 Sauchiehall Street  
Glasgow  
G2 3EH

Date: *3 July 2012*



# INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF

## CASSILTOUN HOUSING ASSOCIATION LIMITED

We have audited the Financial Statements of Cassiltoun Housing Association Limited for the year ended 31 March 2012 on pages 18 to 41. 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 Housing 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 Housing 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 Board of Management and Auditors**

As explained more fully in the Board of Management's Responsibilities Statement set out on page 14, the Board 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.

We agree with the opinion of the Board of the Association that it would be of no real value to the members of the Association to consolidate or include the accounts of the Association's subsidiary, within the group accounts required to be prepared under Section 13 of the Friendly and Industrial and Provident Societies Act 1968 for the year ended 31 March 2012, because of the insignificant amounts involved.

### **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 Auditors  
Breckenridge House  
274 Sauchiehall Street  
Glasgow  
G2 3EH

Date: 3 July 2012

**CASSILTOUN HOUSING ASSOCIATION LIMITED**

**INCOME AND EXPENDITURE ACCOUNT**

**FOR THE YEAR ENDED 31 MARCH 2012**

	<b>Notes</b>	<b>2012</b>	<b>2011</b>
		<b>£</b>	<b>£</b>
<b>Turnover</b>	<b>2</b>	3,356,270	3,277,880
Operating Costs	<b>2</b>	<u>2,461,248</u>	<u>2,821,514</u>
<b>Operating Surplus</b>		895,022	456,366
Surplus on Sales of Fixed Assets	<b>4</b>	48,102	9,903
Interest Receivable		34,238	21,488
Other Finance Income	<b>20</b>	7,000	2,000
Interest Payable	<b>7</b>	<u>(357,710)</u>	<u>(366,146)</u>
<b>Surplus on Ordinary Activities before Taxation</b>	<b>8</b>	626,652	123,611
Tax on Surplus on Ordinary Activities	<b>9</b>	-	-
<b>Surplus for the Year</b>	<b>15</b>	<u><b>626,652</b></u>	<u><b>123,611</b></u>

All amounts relate to continuing activities.

**CASSILTOUN HOUSING ASSOCIATION LIMITED**  
**STATEMENT OF RECOGNISED SURPLUSES AND DEFICITS**  
**FOR THE YEAR ENDED 31 MARCH 2012**

	Note	2012 £	2011 £
<b>Surplus for the year</b>		626,652	123,611
Actuarial (loss) / gain on pension scheme	<b>20</b>	(67,000)	81,000
		<hr/>	<hr/>
Total surplus recognised since the last annual report		<u>559,652</u>	<u>204,611</u>

**CASSILTOUN HOUSING ASSOCIATION LIMITED**

**BALANCE SHEET**

**AS AT 31 MARCH 2012**

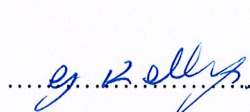
	Notes	2012			2011
		£	£	£	£
<b>TANGIBLE FIXED ASSETS</b>					
Housing Properties – Cost less Depreciation	10(a)		39,426,137		36,345,983
<b>Less:</b> Social Housing Grant	10(a)	(29,501,508)		(26,609,506)	
Other Public Grants	10(a)	<u>(272,443)</u>		<u>(237,443)</u>	
			<u>(29,773,951)</u>		<u>(26,846,949)</u>
			9,652,186		9,499,034
 Other Fixed Assets	 10(b)		 336,377		 379,706
			<u>9,988,563</u>		<u>9,878,740</u>
<b>CURRENT ASSETS</b>					
Debtors	11	123,897		129,709	
Cash at Bank and in Hand		3,284,243		2,994,619	
		<u>3,408,140</u>		<u>3,124,328</u>	
<b>CREDITORS</b> – Amounts falling due within one year	12	<u>(1,017,345)</u>		<u>(932,841)</u>	
<b>NET CURRENT ASSETS</b>			<u>2,390,795</u>		<u>2,191,487</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			12,379,358		12,070,227
<b>CREDITORS</b> – Amounts falling due after more than one year	13		(8,832,308)		(9,135,832)
Pension (Liability) / Asset	20		(46,000)		7,000
<b>NET ASSETS</b>			<u>3,501,050</u>		<u>2,941,395</u>
<b>CAPITAL AND RESERVES</b>					
Share Capital	14		508		505
Designated Reserves	15		-		1,461,016
Revenue Reserves	15		3,500,542		1,479,874
			<u>3,501,050</u>		<u>2,941,395</u>

These financial statements were approved by the Board of Management and authorised for issue on 27 June 2012 and signed on their behalf by:

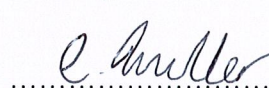
Chairperson



Treasurer



Secretary



**CASSILTOUN HOUSING ASSOCIATION LIMITED**

**CASH FLOW STATEMENT**

**FOR THE YEAR ENDED 31 MARCH 2012**

	Notes	2012	2011
		£	£
<b>Net Cash Inflow from Operating Activities</b>	<b>16(a)</b>	2,789,078	1,006,001
<b>Returns on Investments and Servicing of Finance</b>			
Interest Received		34,238	21,488
Interest Paid		<u>(357,710)</u>	<u>(366,146)</u>
		(323,472)	(344,658)
<b>Capital Expenditure and Financial Investment</b>			
Acquisition and Construction of Properties		(5,180,580)	(693,161)
Purchase of Other Fixed Assets		(2,040)	(63,119)
Grants Received		3,243,387	714,033
Proceeds on Disposal of Properties		61,141	19,892
Fire Insurance Claim		<u>-</u>	<u>311,286</u>
		(1,878,092)	288,931
<b>Net Cash inflow before use of Liquid Resources and Financing</b>		587,514	950,274
<b>Financing</b>			
Loan Principal Repayments		(297,923)	(813,032)
Share Capital Issued		<u>33</u>	<u>35</u>
		(297,890)	(812,997)
<b>Increase in cash</b>	<b>16(c)</b>	<u><u>289,624</u></u>	<u><u>137,277</u></u>

# CASSILTOUN HOUSING ASSOCIATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 MARCH 2012

#### 1.(a) PRINCIPAL ACCOUNTING POLICIES

The Association is incorporated under the Industrial and Provident Societies Act 1965 and is registered by The Financial Services Authority. The Financial Statements have been prepared in accordance with applicable Accounting Standards, the Statement of Recommended Practice - Accounting for Registered Social Landlords and on the historical cost basis. They also comply with the Registered Social Landlords Accounting Requirements (Scotland) Order 2007 and The Statement of Recommended Practice (SORP) "Accounting by Registered Social Housing Providers, Update 2010". A summary of the more important accounting policies is set out below.

#### (b) Group Accounts

The Housing Association has obtained exemption from the Financial Services Authority from producing consolidated Financial Statements as provided by Section 14 (2A) of the Friendly and Industrial and Provident Societies Act 1968. The Financial Statements for Cassiltoun Housing Association Limited present information about it as an individual undertaking and not about its Group.

#### (c) Turnover

Turnover represents rental and service charge income receivable, fees receivable and revenue grants receivable from local authorities and other agencies.

#### (d) Depreciation and Impairment of Housing Properties

Housing Properties are stated at cost less accumulated depreciation. 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 60 years
Roofs	Over 45 years
Electrical Wiring	Over 30 years
Windows	Over 25 years
Bathrooms	Over 20 years
Kitchens	Over 15 years
Heating (boilers and radiators)	Over 15 years

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

#### (e) Depreciation 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	2%	Furniture	20%
Leasehold Property	4%	Fixtures & Fittings	20%
Computer Equipment	20%	Vehicles	20%

#### (f) 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 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.

# CASSILTOUN HOUSING ASSOCIATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (Contd.)

### FOR THE YEAR ENDED 31 MARCH 2012

#### 1. PRINCIPAL ACCOUNTING POLICIES (Contd.)

##### **(g) Capitalisation of Major Repairs Expenditure**

The Association capitalises major repairs expenditure where these works result in an enhancement of economic benefits by increasing the net rental stream over the life of the property.

##### **(h) Capitalisation of Development Overheads**

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

##### **(i) Sales 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.

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.

##### **(j) Designated Reserves**

The Association had previously designated part of its reserves to meet its long term obligations. The Designated Major Repairs Reserve was based on the liability to maintain the housing properties in a state of repair which at least maintained their residual values. As these components are now capitalised no further reserve is required.

##### **(k) Retirement Benefits**

The Housing Association participates in The Scottish Housing Association Defined Benefits Pension Scheme and retirement benefits to employees of the Housing 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 Association has fully adopted accounting standard FRS17 'Retirement Benefits' in respect of the pension obligations accruing for staff under a Local Government Pension Scheme (see note 20). The impact of this standard has been reflected throughout the financial statements. For defined benefit schemes the amount charged to the income and expenditure account in respect of pension costs and other post retirement benefits is the estimated regular cost of providing the benefits accrued in the year, adjusted to reflect variations from that cost. The interest cost and expected return on assets are included within other finance costs/income. Actuarial gains and losses arising from new valuations and from updating valuations to the balance sheet date are recognised in the Statement of Total Recognised Deficits and Surpluses.

Defined benefit schemes are funded, with the assets held separately from the association in separate trustee administered funds. Full actuarial valuations, by a professionally qualified actuary, are obtained at least every three years, and updated to reflect current conditions at each balance sheet date.

The pension scheme assets are measured at fair value. The pension scheme liabilities are measured using the projected unit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency. A pension scheme asset is recognised on the balance sheet only to the extent that the surplus may be recovered by reduced future contributions or to the extent that the trustees have agreed a refund from the scheme at the balance sheet date. A pension scheme liability is recognised to the extent that the Association has a legal or constructive obligation to settle the liability.

**CASSILTOUN HOUSING ASSOCIATION LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS (Contd.)**

**FOR THE YEAR ENDED 31 MARCH 2012**

**1. PRINCIPAL ACCOUNTING POLICIES (Contd.)**

**(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) Fixed Assets - Housing Land and Buildings (note 10)**

Properties included in housing properties are stated at cost. 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

These costs are either termed "qualifying costs" for approved HAG schemes and are considered for mortgage loans by the relevant lending authorities or they are met out of the Association's reserves.

All invoices and architects' certificates relating to capital expenditure incurred in the year at gross value before retentions are included in the financial statements for the year, provided that the dates of issue or valuations are prior to the year end. Development costs are capitalised to the extent that they are attributable to specific schemes and where such costs are not excessive.

If expenditure does not qualify for HAG, it is nevertheless capitalised.

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

Interest on any loan financing the development is capitalised up to the relevant date of completion.

**(n) Improvements**

In previous years, improvements were capitalised when these resulted in an enhancement of the economic benefits of the property. Such enhancement could occur if the improvements resulted in:-

- an increase in rental income, or
- 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 and had been adjusted through this year's financial statements due to immateriality. 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, Roofs, Windows, Kitchens, Bathrooms and Central Heating systems. Each component has a substantially different economic life and is depreciated over this individual life with depreciation rates shown in Note 1e. The new accounting policy is compliant with the 2010 SORP.

The effect of the adoption of Component Accounting on the results for the year ended 31 March 2012 is to decrease the surplus by £60,246.



**CASSILTOUN HOUSING ASSOCIATION LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS (Contd.)**

**FOR THE YEAR ENDED 31 MARCH 2012**

**2. PARTICULARS OF TURNOVER, OPERATING COSTS AND OPERATING SURPLUS**

	Turnover £	2012 Operating Costs £	Operating Surplus/(Deficit) £	Turnover £	2011 Operating Costs £	Operating Surplus/(Deficit) £
Social Lettings	3,244,460	2,142,342	1,102,118	3,136,154	2,550,461	585,693
Other Activities	111,810	318,906	(207,096)	141,726	271,053	(129,327)
<b>TOTAL</b>	<u>3,356,270</u>	<u>2,461,248</u>	<u>895,022</u>	<u>3,277,880</u>	<u>2,821,514</u>	<u>456,366</u>

**CASSILTOUN HOUSING ASSOCIATION LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS (Contd.)**

**FOR THE YEAR ENDED 31 MARCH 2012**

**3. PARTICULARS OF TURNOVER, OPERATING COSTS AND OPERATING SURPLUS FROM SOCIAL LETTINGS**

	<b>General Needs Housing £</b>	<b>Shared Ownership £</b>	<b>2012 £</b>	<b>2011 £</b>
<b>Social lettings</b>				
Rent receivable net of identifiable service charges	3,230,623	9,300	3,239,923	3,127,094
Service Charges Receivable	11,861	1,922	13,783	19,221
<b>Gross Income from Rents and Service Charges</b>	<b>3,242,484</b>	<b>11,222</b>	<b>3,253,706</b>	<b>3,146,315</b>
Less: Rent Losses from Voids	(9,246)	-	(9,246)	(10,161)
<b>Total Turnover from Social Letting Activities</b>	<b>3,233,238</b>	<b>11,222</b>	<b>3,244,460</b>	<b>3,136,154</b>
<b>Operating costs</b>				
Management & maintenance administration costs	935,657	4,702	940,359	893,035
Service costs	18,760	-	18,760	11,994
Planned and cyclical maintenance including major repairs	354,357	-	354,357	1,007,079
Reactive maintenance	387,608	-	387,608	416,961
Bad debts – rent and service charges	10,575	-	10,575	5,110
Depreciation of social housing	430,456	227	430,683	216,282
<b>Operating Costs for Social Letting Activities</b>	<b>2,137,413</b>	<b>4,929</b>	<b>2,142,342</b>	<b>2,550,461</b>
<b>Operating Surplus for Social Lettings</b>	<b>1,095,825</b>	<b>6,293</b>	<b>1,102,118</b>	<b>585,693</b>
<b>Operating Surplus for Social Lettings 2011</b>	<b>579,547</b>	<b>6,146</b>	<b>585,693</b>	

There is no other accommodation except for general needs and shared ownership housing.

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

**CASSILTOUN HOUSING ASSOCIATION LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS (Contd.)**

**FOR THE YEAR ENDED 31 MARCH 2012**

**3b – Particulars of turnover, operating costs and operating surplus or deficit from other activities**

	<i>Grants from Scottish Ministers</i>	<i>Other revenue grants</i>	<i>Supporting people income</i>	<i>Other income</i>	<i>Total Turnover</i>	<i>Operating costs – bad debts</i>	<i>Other operating costs</i>	<i>Operating surplus / (deficit)</i>	<i>2011</i>
	£	£	£	£	£	£	£	£	£
Wider role activities undertaken to support the community, other than the provision, construction, improvement and management of housing	25,000	21,246	-	-	46,246	-	191,915	(145,669)	(75,734)
Care and repair of property	-	-	-	-	-	-	-	-	-
Factoring	-	-	-	38,790	38,790	3,859	44,904	(9,973)	(3,008)
Development and construction activities	2,500	6,000	-	-	8,500	-	32,684	(24,184)	-
Support activities	-	-	-	-	-	-	-	-	-
Care activities	-	-	-	-	-	-	-	-	(25,182)
Agency/management services for registered social landlords	-	-	-	-	-	-	-	-	-
Other agency/management services	-	-	-	18,274	18,274	-	45,544	(27,270)	(25,403)
Developments for sale to registered social landlords	-	-	-	-	-	-	-	-	-
Developments and improvements for sale to non-registered social landlords	-	-	-	-	-	-	-	-	-
<b>Total from other activities</b>	<b>27,500</b>	<b>27,246</b>	<b>-</b>	<b>57,064</b>	<b>111,810</b>	<b>3,859</b>	<b>315,047</b>	<b>(207,096)</b>	<b>(129,327)</b>

**2011**

**81,323      8,487      -      51,916      141,726      -      271,053      (129,327)**

**CASSILTOUN HOUSING ASSOCIATION LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS (Contd.)**  
**FOR THE YEAR ENDED 31 MARCH 2012**

**4. SURPLUS ON SALE OF FIXED ASSETS**

	<b>2012</b>	<b>2011</b>
	<b>Total</b>	<b>Total</b>
	<b>£</b>	<b>£</b>
Proceeds on sale of property	64,560	19,892
Costs of sale	<u>(16,458)</u>	<u>(9,989)</u>
	<u>48,102</u>	<u>9,903</u>

**5. DIRECTORS' EMOLUMENTS**

The Directors are defined as the members of the Board of Management, the Chief Executive and any other person reporting directly to the Chief Executive or the Board of Management whose total emoluments exceed £60,000 per year. There were two members of staff whose emoluments exceed £60,000 per year. No emoluments were paid to any member of the Board of Management during the year.

	<b>2012</b>	<b>2011</b>
	<b>£</b>	<b>£</b>
Emoluments payable to Highest Paid Director (excluding pension contributions)	<u>83,381</u>	<u>71,001</u>
Total expenses reimbursed insofar as not chargeable to UK Income Tax	<u>-</u>	<u>-</u>

The Housing Association's pension contributions for the Chief Executive in the year amounted to £16,019 (2011 - £10,795).

	<b>2012</b>	<b>2011</b>
	<b>Number</b>	<b>Number</b>
Total Emoluments		
£80,001 - £85,000	1	-
£70,001 - £75,000	1	1
£60,000 - £65,000	-	1

The Association acquired 4x4 company vehicles to assist providing services during severe winter weather and maintaining operations. The personal taxation is reimbursed by the Association and results in an increase from 2011.

**CASSILTOUN HOUSING ASSOCIATION LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS (Contd.)**  
**FOR THE YEAR ENDED 31 MARCH 2012**

**6. EMPLOYEE INFORMATION**

	<b>2012</b>	<b>2011</b>
	<b>Number</b>	<b>Number</b>
The average full time equivalent number of persons employed by the Association were as follows;		
Administration and maintenance	<u>16.8</u>	<u>16.4</u>
Staff costs were:	<b>£</b>	<b>£</b>
Wages and Salaries	611,745	603,306
Social Security Costs	53,890	44,875
Other Pension Costs	<u>111,594</u>	<u>83,616</u>
	<u>777,229</u>	<u>731,797</u>

**7. INTEREST PAYABLE**

	<b>2012</b>	<b>2011</b>
	<b>£</b>	<b>£</b>
On Bank Loans and Overdrafts	357,710	366,146
Interest capitalised	-	-
	<u>357,710</u>	<u>366,146</u>

**8. SURPLUS ON ORDINARY ACTIVITIES BEFORE TAXATION**

	<b>2012</b>	<b>2011</b>
	<b>£</b>	<b>£</b>
Surplus on Ordinary Activities before Taxation is stated after charging:-		
Depreciation - Tangible Owned Fixed Assets	476,052	259,339
Depreciation - Component Accounting Adjustment	1,656,704	-
Auditors' Remuneration - Audit Services	9,141	7,931
- Other Services	2,246	-
	<u>2,144,143</u>	<u>267,270</u>

**9. TAX ON SURPLUS ON ORDINARY ACTIVITIES**

The Association was granted charitable status with effect from 18 May 2004 and no tax now arises on its charitable activities.

**CASSILTOUN HOUSING ASSOCIATION LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS (Contd.)**  
**FOR THE YEAR ENDED 31 MARCH 2012**

**10. TANGIBLE FIXED ASSETS**

a) <b>Housing Properties</b>	<b>Housing Properties Held for Letting £</b>	<b>Housing Properties Under Construction £</b>	<b>Completed Shared Ownership Properties £</b>	<b>Total £</b>
<b>Cost</b>				
At 1 <sup>st</sup> April 2011	36,325,895	1,097,521	237,669	37,661,085
Component accounting adjustment	1,557,746	-	-	1,557,746
Additions	155,568	3,467,266	-	3,622,834
Disposals	(143,290)	-	-	(143,290)
Transfer to held for letting	697,485	(697,485)	-	-
At 31 <sup>st</sup> March 2012	<u>38,593,404</u>	<u>3,867,302</u>	<u>237,669</u>	<u>42,698,375</u>
<b>Social Housing Grant</b>				
At 1 <sup>st</sup> April 2011	25,285,670	1,097,521	226,315	26,609,506
Component accounting adjustment	(98,817)	-	-	(98,817)
Additions	25,998	2,964,821	-	2,990,819
Disposals	-	-	-	-
Transfer to held for letting	230,040	(230,040)	-	-
At 31 <sup>st</sup> March 2012	<u>25,442,891</u>	<u>3,832,302</u>	<u>226,315</u>	<u>29,501,508</u>
<b>Other Grants</b>				
At 1 <sup>st</sup> April 2011	237,443	-	-	237,443
Additions	-	35,000	-	35,000
Disposals	-	-	-	-
At 31 <sup>st</sup> March 2012	<u>237,443</u>	<u>35,000</u>	<u>-</u>	<u>272,443</u>
<b>Depreciation</b>				
At 1 <sup>st</sup> April 2011	1,310,252	-	4,850	1,315,102
Component accounting adjustment	1,656,704	-	-	1,656,704
Charge for year	430,456	-	227	430,683
On disposals	(130,251)	-	-	(130,251)
At 31 <sup>st</sup> March 2012	<u>3,267,161</u>	<u>-</u>	<u>5,077</u>	<u>3,272,238</u>
<b>Net Book Values</b>				
As at 31 <sup>st</sup> March 2012	<u>9,645,909</u>	<u>-</u>	<u>6,277</u>	<u>9,652,186</u>
As at 31 <sup>st</sup> March 2011	<u>9,492,530</u>	<u>-</u>	<u>6,504</u>	<u>9,499,034</u>

Additions to housing properties during the year includes capitalised administration costs of £nil, (2011 - £nil). All housing properties are freehold.

The Association would not be able to sell its properties without the repayment of Social Housing Grant.

**CASSILTOUN HOUSING ASSOCIATION LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS (Contd.)**

**FOR THE YEAR ENDED 31 MARCH 2012**

**10. TANGIBLE FIXED ASSETS (Contd.)**

**b) Other Tangible Assets**

	Leasehold Property £	I.T. £	Furniture £	Fixtures & Fittings £	Vehicles £	Total £
<b>Cost</b>						
At 1 <sup>st</sup> April 2011	353,000	133,523	34,206	130,897	39,995	691,621
Additions	-	2,040	-	-	-	2,040
Disposals	-	-	-	(8,772)	-	(8,772)
At 31 <sup>st</sup> March 2012	<u>353,000</u>	<u>135,563</u>	<u>34,206</u>	<u>122,125</u>	<u>39,995</u>	<u>684,889</u>
<b>Depreciation</b>						
At 1 <sup>st</sup> April 2011	56,480	110,287	32,730	107,419	4,999	311,915
Charge for year	14,120	13,095	1,368	11,787	4,999	45,369
Removed on disposal	-	-	-	(8,772)	-	(8,772)
At 31 <sup>st</sup> March 2012	<u>70,600</u>	<u>123,382</u>	<u>34,098</u>	<u>110,434</u>	<u>9,998</u>	<u>348,512</u>
<b>Net Book Values</b>						
At 31 <sup>st</sup> March 2012	<u>282,400</u>	<u>12,181</u>	<u>108</u>	<u>11,691</u>	<u>29,997</u>	<u>336,377</u>
At 31 <sup>st</sup> March 2011	<u>296,520</u>	<u>23,236</u>	<u>1,476</u>	<u>23,478</u>	<u>34,996</u>	<u>379,706</u>

**CASSILTOUN HOUSING ASSOCIATION LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS (Contd.)**  
**FOR THE YEAR ENDED 31 MARCH 2012**

**11. DEBTORS - Amounts receivable within one year**

	<b>2012</b>	<b>2011</b>
	<b>£</b>	<b>£</b>
Arrears of Rent and Service Charges	64,217	54,989
Less: bad debt provision	<u>(9,282)</u>	<u>(12,000)</u>
	54,935	42,989
Prepayments	16,751	17,087
Other Debtors	52,211	62,179
Social Housing Grant receivable	<u>-</u>	<u>7,454</u>
	<u>123,897</u>	<u>129,709</u>

**12. CREDITORS - Amounts falling due within one year:-**

	<b>2012</b>	<b>2011</b>
	<b>£</b>	<b>£</b>
Housing Loans	302,897	297,296
Trade Creditors	86,440	60,705
Other Taxation and Social Security	18,014	16,395
Accruals and Deferred Income	381,012	234,277
Rent in Advance	211,262	213,931
Other Creditors	<u>17,720</u>	<u>110,237</u>
	<u>1,017,345</u>	<u>932,841</u>

**13. CREDITORS - Amounts falling due after more than one year:-**

	<b>2012</b>	<b>2011</b>
	<b>£</b>	<b>£</b>
Housing Loans	<u>8,832,308</u>	<u>9,135,832</u>

Housing Loans are secured by specific charges on the Housing Association's housing properties and are repayable at rates of interest of 1.4% to 6.4% (2011: 1.2% to 6.4%) in instalments, due as follows:-

	<b>2012</b>	<b>2011</b>
	<b>£</b>	<b>£</b>
Within one year	302,897	297,296
Between one and two years	310,669	304,490
Between two and five years	982,268	959,249
In five years or more	<u>7,539,371</u>	<u>7,872,093</u>
	9,135,205	9,433,128
<b>Less: Amount shown in Current Liabilities</b>	<u>(302,897)</u>	<u>(297,296)</u>
	<u>8,832,308</u>	<u>9,135,832</u>



**CASSILTOUN HOUSING ASSOCIATION LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS (Contd.)**  
**FOR THE YEAR ENDED 31 MARCH 2012**

**14. SHARE CAPITAL**

	<b>2012</b>	<b>2011</b>
	<b>£</b>	<b>£</b>
Shares of £1 each Issued and Fully Paid		
At 1 <sup>st</sup> April	505	486
Issued in year	33	35
Forfeited in year	<u>(30)</u>	<u>(16)</u>
	<u>508</u>	<u>505</u>

Each member of the Housing Association holds one share of £1 in the Housing 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 Housing Association. Each member has a right to vote at members' meetings.

**15. RESERVES**

	<b>2012</b>	<b>2011</b>
	<b>£</b>	<b>£</b>
<b>(a) Designated Reserves</b>		
At 1 <sup>st</sup> April	1,461,016	1,929,932
Transfer to Revenue	<u>(1,461,016)</u>	<u>(468,916)</u>
At 31 <sup>st</sup> March	<u>-</u>	<u>1,461,016</u>
<b>(b) Revenue Reserves</b>		
At 1 <sup>st</sup> April	1,479,874	806,347
Surplus for the year	626,652	123,611
Actuarial (loss) / gain recognised	(67,000)	81,000
Transfer from Designated Reserves	<u>1,461,016</u>	<u>468,916</u>
At 31 <sup>st</sup> March	<u>3,500,542</u>	<u>1,479,874</u>

**CASSILTOUN HOUSING ASSOCIATION LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS (Contd.)**  
**FOR THE YEAR ENDED 31 MARCH 2012**

**16. CASH FLOW STATEMENT**

<b>(a) Reconciliation of Operating Surplus to Net Cash Flow from Operating Activities</b>	<b>2012</b>	<b>2011</b>
	£	£
Surplus for year	626,652	123,611
Net interest paid	323,472	344,658
	<u>950,124</u>	<u>468,269</u>
Other finance income	(7,000)	(2,000)
Defined benefit operating profit charge less contribution paid	(7,000)	(45,000)
Depreciation	2,132,756	259,339
(Gain) on sale of fixed assets	(48,102)	(9,903)
Decrease in debtors	5,812	59,692
(Decrease) / Increase in creditors	(237,482)	275,620
Share Capital forfeited	(30)	(16)
	<u>2,789,078</u>	<u>1,006,001</u>

<b>(b) Reconciliation of Net Cash Flow to Movement in Net Debt</b>	<b>2012</b>	<b>2011</b>
	£	£
Increase in cash in the year	289,624	137,277
Cash outflow from decrease in debt finance	297,923	813,032
	<u>587,547</u>	<u>950,309</u>
Change in net debt	587,547	950,309
Net debt at 1 <sup>st</sup> April 2011	(6,438,509)	(7,388,818)
	<u>(5,850,962)</u>	<u>(6,438,509)</u>
Net debt at 31 <sup>st</sup> March 2012	(5,850,962)	(6,438,509)

<b>(c) Analysis of Changes in Net Debt</b>	<b>At</b>	<b>Cash</b>	<b>At</b>
	<b>01.04.11</b>	<b>Flows</b>	<b>31.03.12</b>
	£	£	£
Cash at Bank and in Hand	2,994,619	289,624	3,284,243
Debt due within one year	(297,296)	(5,601)	(302,897)
Debt due after one year	(9,135,832)	303,524	(8,832,308)
	<u>(6,438,509)</u>	<u>587,547</u>	<u>(5,850,962)</u>
Total	(6,438,509)	587,547	(5,850,962)

**CASSILTOUN HOUSING ASSOCIATION LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS (Contd.)**  
**FOR THE YEAR ENDED 31 MARCH 2012**

**17. HOUSING STOCK**

	<b>2012</b>	<b>2011</b>
	<b>Number</b>	<b>Number</b>
The number of units of accommodation in management at the year end was:		
General Needs - new build	208	208
- rehabilitation	785	781
Shared Ownership	5	5
Supported	-	-
	<u>998</u>	<u>994</u>

**18. CAPITAL COMMITMENTS**

	<b>2012</b>	<b>2011</b>
	<b>£</b>	<b>£</b>
Capital expenditure that has been contracted for but has not been provided for in the Financial Statements	<u>1,046,601</u>	<u>4,540,242</u>

This will be financed from a loan facility and available cash balances.

**CASSILTOUN HOUSING ASSOCIATION LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS (Contd.)**  
**THE YEAR ENDED 31 MARCH 2012**

**19. RETIREMENT BENEFIT OBLIGATIONS**

**General**

Cassiltoun Housing Association Limited participates in the Scottish Housing Association Pension Scheme (the "Scheme") which 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 67.4%.

The Scheme Actuary has prepared an Actuarial Report that provides an approximate update on the funding position of the Scheme as at 30 September 2011. 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 £341 million and indicated an increase in the shortfall of assets compared to liabilities to approximately £207 million, equivalent to a past service funding level of 62.2%.

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.

Cassiltoun Housing Association has been notified by The Pensions Trust of the estimated employer debt on withdrawal from the SFHA Scheme based on the financial position of the Scheme as at 30 September 2011. As of this date the estimated employer debt for the Housing Association was £2,933,045.

Cassiltoun Housing Association has been notified by the Pension Trust for the Scottish Housing Association Pensions Scheme (SHAPS) that past service deficit contributions payable for the year to 31 March 2013 is £47,017.

**CASSILTOUN HOUSING ASSOCIATION LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS (Contd.)**

**THE YEAR ENDED 31 MARCH 2012**

**19. RETIREMENT BENEFIT OBLIGATION (cont'd)**  
**General**

The Scottish Housing Association Scheme is a multi-employer defined benefit 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.

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 given time. An open benefit structure is one which new entrants are able to join.

Cassiltoun Housing Association has elected to continue to operate the final salary with a 1/60th accrual rate benefit structure for active members as at 1 April 2010 and the same benefit structure for any new entrants. During the accounting period the Housing Association effectively paid contributions at the rate of 21.9% of pensionable salaries. Member contributions were 9.4%.

As at the balance sheet date there were 10 active members of the Scheme employed by the Association. The annual pensionable payroll in respect of these members was £375,663. Cassiltoun Housing Association continues to offer membership of the Scheme to its employees.

The key valuation assumptions used to determine the assets and liabilities of the SFHA 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
– pensioners	4.8
Rate of salary increases	4.5
<b>Rate of pension increases</b>	
- pension accrued pre 6 April 2005	2.9
-pension accrued from 6 April 2005	2.2
(for leavers before 1 October 1993 pension increases are 5.0%)	
Rate of price inflation	3.0
<b>Mortality Tables</b>	
Non-pensioners and pensioners	SAPS (S1PA) All Pensioners Year of Birth Long Cohort with 1% p.a. minimum improvement
<b>Contribution Rates for Future Service (from 1 April 2011)</b>	<b>%</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

**CASSILTOUN HOUSING ASSOCIATION LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS (Contd.)**

**THE YEAR ENDED 31 MARCH 2012**

**20. Defined Benefit Obligation**

The Association is a member of the Local Government Pension Scheme (LGPS). The disclosure for the LGPS is as follows:

**Local Pension Disclosure**

The last full Actuarial valuation was carried out as at 31 March 2012. The following information is based on updated information. This actuarial valuation of the scheme was carried out by independent actuaries at 31 March 2012 using the following assumptions.

Actuarial assumptions	2012	2011
Rate of increase in salaries	4.8%	5.1%
Expected return on assets	5.8%	6.9%
Discount rate	4.8%	5.5%
Inflation assumption	2.5%	2.8%

**Post retirement mortality**

In valuing the liabilities of the pension fund at 31 March 2012, mortality assumptions have been made as indicated below. The assumptions relating to longevity underlying the pension liabilities at the balance sheet date are based on standard mortality tables and include an allowance for future improvements in longevity.

The assumptions are equivalent to expecting a 65-year old to live for a further number of years as follows:

current pensioner	20.6 years (male), 23.9 years (female)
a future retiree	22.6 years (male), 26.0 years (female).

The assumptions used by the actuary are chosen from a range of possible actuarial assumptions which, due to the timescale covered, may not necessarily be borne out in practice.

The amounts recognised in the balance sheet are as follows:

	2012	2011
	£	£
Present value of funded obligations	(612,000)	(465,000)
Fair value of plan assets	566,000	472,000
Net (Liability) / Asset	(46,000)	7,000

**CASSILTOUN HOUSING ASSOCIATION LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS (Contd.)**  
**THE YEAR ENDED 31 MARCH 2012**

**20. Defined Benefit Obligation (cont'd)**

Changes in the present value of the defined benefit obligation are as follows:

Defined Benefit Plans	<b>2012</b>	<b>2011</b>
	<b>£</b>	<b>£</b>
Opening defined benefit obligation	465,000	522,000
Service cost	24,000	29,000
Past service gain	-	(45,000)
Member Contributions	9,000	9,000
Interest cost	27,000	28,000
Actuarial losses / (gains)	87,000	(78,000)
Benefits paid	-	-
Closing defined benefit obligation	612,000	465,000

Changes in the fair value of plan assets are as follows:

Defined Benefit Plans	<b>2012</b>	<b>2011</b>
	<b>£</b>	<b>£</b>
Opening plan assets	472,000	401,000
Expected return on assets	34,000	30,000
Actuarial gains	20,000	3,000
Contributions by employer	31,000	29,000
Contributions by members	9,000	9,000
Benefits paid	-	-
Closing plan assets	566,000	472,000

The amounts recognised in profit and loss account are as follows:

	<b>2012</b>	<b>2011</b>
	<b>£</b>	<b>£</b>
Current service cost	(24,000)	(29,000)
Past service gain	-	45,000
Interest on obligation	(27,000)	(28,000)
Expected return on plan assets	34,000	30,000
Total	(17,000)	18,000

**CASSILTOUN HOUSING ASSOCIATION LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS (Contd.)**

**THE YEAR ENDED 31 MARCH 2012**

**20. Defined Benefit Obligation (cont'd)**

Changes in the amounts recognised in the statement of total recognised gains and (losses) are as follows:

	<b>2012</b>	<b>2011</b>
	<b>£</b>	<b>£</b>
Opening cumulative STRGL	(96,000)	(177,000)
Actuarial (losses) / gains	(67,000)	81,000
	(163,000)	(96,000)

The major categories of plan assets as a percentage of total as a percentage of total plan assets are as follows:

	<b>2012</b>	<b>2011</b>
Equities	77%	77%
Properties	7%	6%
Bonds	11%	13%
Cash	5%	4%
	100%	100%

The history of experience gains and losses is as follows:

	<b>2012</b>	<b>2011</b>
Difference between expected and actual return on scheme assets £'000	20	3
Percentage of scheme assets	3.5%	0.6%
Experience (loss) / gain arising on scheme liability £'000	-	-
Percentage of scheme liabilities	0.0%	0.0%
Total amount of actuarial (loss) / gain £'000	(67)	81
Percentage of scheme liability	(10.9%)	17.4%



**CASSILTOUN HOUSING ASSOCIATION LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS (Contd.)**  
**THE YEAR ENDED 31 MARCH 2012**

**21. SUBSIDIARY UNDERTAKINGS**

The Housing Association is the sole member of Cassiltoun Trust, a charitable company limited by guarantee. The main objective of the Trust is to renovate and maintain Castlemilk Stables building. Three members of the Association are Directors of the Trust.

During the year management fees totalling £7,650 (2011 - £7,650) were charged from the Housing Association to Cassiltoun Trust. At the year end £nil (2011 - £nil) was due to the Housing Association from the Trust.

Office space was rented during the year from Cassiltoun Trust totalling £4,500 (2011 - £2,250).

In 2012 the Trust made a surplus of £8,433 (2011 - £9,287 surplus) and had reserves of £77,991 (2011 - £69,558).

**22. RELATED PARTY TRANSACTIONS**

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

**23. CONTINGENT LIABILITIES**

Housing Association Grant allocated to components (as detailed in Note 1 (f)) 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 £104,771 (2011 - £nil).

