



**CASSILTOUN HOUSING ASSOCIATION LIMITED**  
**REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2013**

**Registered Housing Association No. 84**

**FCA 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 2013**

### **BOARD OF MANAGEMENT**

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

### **EXECUTIVE OFFICERS**

Charlie Millar	Chief Executive
Gamal Haddou	Head of Finance
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 2010 Registered Number 84
Office of the Scottish Charity Regulator	Charities 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 2013

The Board of Management presents its report and the audited financial statements for the year ended 31 March 2013.

#### Principal Activities

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

The Association has two subsidiaries, Cassiltoun Trust and Cassiltoun Stables Nursery Limited. Cassiltoun Trust is a company established to conserve for the benefit of the public buildings of historical and architectural significance, advance knowledge about the history and role of Castlemilk; and provide facilities for education, training, employment and recreational time. The principal activity of Cassiltoun Stables Nursery is to provide a first class nursery childcare facility for 0-5 year olds set beside a local park and nature environment.

Cassiltoun Housing Association is registered with the Financial Conduct Authority (formerly 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

	2013	2012
<b>Managed Property Numbers</b>		
Tenanted Property	993	993
Shared Ownership Properties	5	5
Buchanan Lodge Hostel	40	-
<b>Total</b>	<b>1,038</b>	<b>998</b>
<b>Developing Property Numbers</b>		
Tenanted Property	-	40

#### Financial Review

The year progressed well despite the significant economic and welfare reform challenges facing the sector. Our income and costs this year were slightly better than 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 £2,045k whilst the actual results were £1,974k and the forecast at the mid year point anticipated £2,002k. The depreciation charge increased from the budget as a result of component accounting and writing off assets over a shorter period.

Turnover of £3,595k was £65k better than budgeted for as wider role monies were prudently not included during the budget process and a change in the rent debit period. Interest receivable was higher than last year due to placing a 12 month deposit at 3% and no delay with receiving our development grant.

After £950k of development spending on Buchanan Lodge cash funds for the year only decreased by £263k to £3,022k.

£315k of loans were redeemed in the year, which together with a drop in the LIBOR interest rate and cancellation of a commitment fee, resulted in a large drop in borrowing and lower interest payments than last year, from £358k to £331k.

# CASSILTOUN HOUSING ASSOCIATION LIMITED

## REPORT OF THE BOARD OF MANAGEMENT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2013

### Going Concern

The Board of Management has reviewed the results for this year and the projections for the next 5 years. The Board has a reasonable expectation that the Association has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the financial statements.

### 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	22.0%	23.2%
Overheads - Staff Costs / Turnover	25.5%	26.3%
Reactive Maintenance / Turnover	11.4%	11.5%
Interest Payable / Turnover	9.2%	10.7%
Current Ratio (current assets / current liabilities)	458.3%	486.2%
Interest Cover	4.2 times	4.1 times
Asset cover (total assets less current liabilities / creditors > 1yr)	1.5 times	1.4 times
Net Debt per Housing Unit	£8,883	£9,200

### 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 2013**

### **Our Operational Objectives 2012/13**

- Continue to deliver the KPI's set out in the Internal Management Plan and Operational Service Plan.
- To complete a full 2013 review of our Asset Management Plan 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 run the children's Stables Nursery.
- To prepare for welfare reform changes being introduced in 2013.
- To explore, for the medium term, uses for the Church building.
- To maintain our Gold Standard in Investors in People.
- To work towards achieving "Healthy Working Lives" Silver award level.
- To maximise funding to continue with the non housing regeneration in our area of operation.
- To support Cassiltoun Trust and Stables Nursery to achieve their objectives.
- To progress with the regeneration of Castlemilk Park including continuation of funding to extend the post of Community Woodlands Officer to beyond 2015.

### **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 2013**

### **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 Board 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.

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.

All Board of Management members' receive training and there are 1 to 1 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 take 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.

### **Best use of resources**

A review of the Risk Policy and Risk Register was undertaken during the year 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 fourth full year after stock transfer. In addition, the Association closely managed the risks involved with the Buchanan Lodge development project within a volatile building industry. The Association successfully achieved our set funding targets to ensure the financial viability of 2 recent developments.

# CASSILTOUN HOUSING ASSOCIATION LIMITED

## REPORT OF THE BOARD OF MANAGEMENT AND FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 MARCH 2013

During the year we took the opportunity to restructure the organisation following the Deputy Chief Executive's promotion to another association. This has allowed more resources to be made available for direct tenant contact and assistance with welfare reform and its introduction. The new structure formally commences on 1 April 2013 however staff have been adapting well into their new roles.

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 spent more than last year in this area.

The procurement of our reactive repairs, via partnership working with one main contractor, has operated within budget and been successful for the fourth year in succession. Tenant satisfaction levels have been maintained or improved. 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 3,227 repairs, the table below summarises our targets, repair type and performance.

CATEGORY	TARGET	NUMBER	COMPLETED ON TIME	% COMPLETED WITHIN TIME
Emergency	2 hours	323	323	100.0%
Urgent and Routine	3 days / 10 days	2,904	2,866	98.7%

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 0.26% (£9.1k). The Association is aware that having a strong base will help us prepare for the impact of Welfare Reform later in 2013. We have tested our business with a void assumption of 2%, which in monetary terms means we are anticipating future rental income assumptions 7 times greater than current performance.

The Association's arrears management faced a number of challenges and performance in 2012/13 was below the target.

Gross target was **2.9%**

Gross performance was **3.3%**

Realistic and challenging new targets have been set for the next financial year 2013/14 as the Association intends to ensure that welfare reform impact is minimised and tenants are supported through the changes.



# **CASSILTOUN HOUSING ASSOCIATION LIMITED**

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

### **FOR THE YEAR ENDED 31 MARCH 2013**

Following on from the previous year we believe that improved performance has been achieved against a backdrop of business growth, staffing restructure 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 Association's 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 will support 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 ensured that its properties meet the "Scottish Housing Quality Standard" in advance of the deadline of 2015. This has been independently verified and is excellent news for our tenants and for our long term financial forecasting.

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

During the year the Association completed its development at Buchanan Lodge which created a 40 bed residential home supporting elderly men with severe alcohol addiction. This project was marginally over budget due to unforeseen adverse weather delaying the programme and finding bats which are a protected species. The accommodation completed in July 2012 and residents moved in during the first week of August 2012. Feedback from the residents and visitors alike have commented upon the quality of the development and sense of space.

The Association secured a mix of funding totalling £135k to help us deliver a wide range of activities with a variety of partners. These have included: employment programmes both in the woodlands and within the housing association; a range of events in the woodlands including archaeological digs, health walks and educational programmes; Craft Cafe, the successful project for the over 55's which tackles social isolation; and our gardening project for both child and adult volunteers.

We continue to have a strong focus on our local heritage and in the autumn opened of our museum display cabinet in The Stables.

This year the Association expanded the Cassiltoun Group by creating a new social enterprise – a pre 5 year old children's nursery business. In the current economic and funding climate, the Association is looking at ways of generating new revenue. Our aims for the nursery are to generate an income to re-invest in the community and to create new jobs and training places for local people.

Setting up any new business is challenging and this venture is no different. However, we are hopeful that our new business will grow and contribute to the sustainability of the Association.

Our Community Woodland Ranger has worked extensively with all age groups from school children to pensioners offering health walks, community events, integrating ethnic minorities, bush craft, educational and historical events. The impact and improvement for local people has been fantastic as the park is now being used more frequently and people find it a nicer space to visit or walk through.

# CASSILTOUN HOUSING ASSOCIATION LIMITED

## REPORT OF THE BOARD OF MANAGEMENT AND FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 MARCH 2013

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

- Family trip to Blair Drummond Safari Park and Christmas pantomime
- 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
- Halloween lantern walk and Easter Hunt in the woodlands
- Teenager Adventure Day
- Burns Supper

Like previous years these activities have been well attended by hundreds of local people and they support community spirit. It gives people the opportunity to socialise, make new friends, meet their neighbours 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.

#### **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 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 locally this year and the Board updated the 4x4 car policy in March 2013.

#### **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.

# **CASSILTOUN HOUSING ASSOCIATION LIMITED**

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

### **FOR THE YEAR ENDED 31 MARCH 2013**

#### **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.

#### **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 Board 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.

#### **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 2013 the Association has a mix of 52% long term fixed and 48% variable rate finance.

#### **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.

During the year an amount of £456,760 has been transferred from the revenue reserves to a new designated reserve for the Past Service Deficit on the Scottish Housing Association Pension Scheme (SHAPS). These funds are held to provide the future liability. The amount transferred equals the Net Present Value of the past service deficit currently estimated to be repaid over the next 11 years.

# CASSILTOUN HOUSING ASSOCIATION LIMITED

## REPORT OF THE BOARD OF MANAGEMENT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2013

### Board of Management

The Board of Management of Cassiltoun Housing Association during the year to 31 March 2013 was as follows:

Mrs Teresa Sadler	Chair	
Mrs Anne M Stuart MBE	Vice-Chair	
Mrs Christine Miller	Secretary	(resigned 22 May 2013)
Mr George Kelly	Treasurer	
Mrs Anne Buchanan		
Ms Evelyn Ferguson		
Mrs Teresa McGowan		
Mr Adam Milligan		
Mrs Jean White		
Mrs Lorraine Young		(resigned 12 December 2012)

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

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.

### Directors

The Director of Cassiltoun Housing Association during the year to 31 March 2013 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: *Anne M Stuart MBE*

Date: *26/6/13*.....

# 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 2010 and the Determination of Accounting Requirements – April 2012. 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.

**By order of the Board of Management**

Name: *J. Sadler*

Date: *26/6/13*

# 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 2013 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: 26/6/13 .....

## 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 2013 on pages 16 to 39. 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 2013 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, Part 6 of the Housing (Scotland) Act 2010 and the Determination of Accounting Requirements - April 2012.

#### **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: 28/6/13

# CASSILTOUN HOUSING ASSOCIATION LIMITED

## INCOME AND EXPENDITURE ACCOUNT

FOR THE YEAR ENDED 31 MARCH 2013

	Notes	2013 £	2012 £
<b>Turnover</b>	2	3,594,764	3,356,270
Operating Costs	2	<u>2,466,105</u>	<u>2,461,248</u>
<b>Operating Surplus</b>		1,128,659	895,022
(Deficit) / Surplus on Sales of Fixed Assets	4	(8,625)	48,102
Interest Receivable		58,223	34,238
Other Finance Income	20	4,000	7,000
Interest Payable	7	<u>(331,051)</u>	<u>(357,710)</u>
<b>Surplus on Ordinary Activities before Taxation</b>	8	851,206	626,652
Tax on Surplus on Ordinary Activities	9	-	-
<b>Surplus for the Year</b>	15	<u><u>851,206</u></u>	<u><u>626,652</u></u>

All amounts relate to continuing activities.



**CASSILTOUN HOUSING ASSOCIATION LIMITED**  
**STATEMENT OF RECOGNISED SURPLUSES AND DEFICITS**  
**FOR THE YEAR ENDED 31 MARCH 2013**

	Note	2013 £	2012 £
<b>Surplus for the year</b>		851,206	626,652
Actuarial loss on pension scheme	<b>20</b>	<u>(82,000)</u>	<u>(67,000)</u>
Total surplus recognised since the last annual report		<u>769,206</u>	<u>559,652</u>

# CASSILTOUN HOUSING ASSOCIATION LIMITED

## BALANCE SHEET

AS AT 31 MARCH 2013

	Notes	2013		2012	
		£	£	£	£
<b>TANGIBLE FIXED ASSETS</b>					
Housing Properties – Cost less Depreciation	10(a)		40,033,663		39,426,137
Less: Social Housing Grant	10(a)	(29,862,173)		(29,501,508)	
Other Public Grants	10(a)	<u>(272,443)</u>		<u>(272,443)</u>	
			<u>(30,134,616)</u>		<u>(29,773,951)</u>
			9,899,047		9,652,186
Other Fixed Assets	10(b)		421,267		336,377
			<u>10,320,314</u>		<u>9,988,563</u>
<b>CURRENT ASSETS</b>					
Debtors	11	266,312		123,897	
Cash at Bank and in Hand		3,021,579		3,284,243	
		<u>3,287,891</u>		<u>3,408,140</u>	
<b>CREDITORS</b> – Amounts falling due within one year	12	<u>(717,361)</u>		<u>(1,017,345)</u>	
<b>NET CURRENT ASSETS</b>			<u>2,570,530</u>		<u>2,390,795</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			12,890,844		12,379,358
<b>CREDITORS</b> – Amounts falling due after more than one year	13		(8,501,569)		(8,832,308)
Pension Liability	20		(119,000)		(46,000)
<b>NET ASSETS</b>			<u>4,270,275</u>		<u>3,501,050</u>
<b>CAPITAL AND RESERVES</b>					
Share Capital	14		527		508
Designated Reserves	15		456,760		-
Revenue Reserves	15		3,812,988		3,500,542
			<u>4,270,275</u>		<u>3,501,050</u>

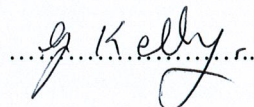
These financial statements were approved by the Board of Management and authorised for issue on ...26/6/13... and signed on their behalf by:

Chairperson  
Teresa Sadler

Treasurer  
George Kelly

Secretary  
Anne M Stuart MBE







# CASSILTOUN HOUSING ASSOCIATION LIMITED

## CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 MARCH 2013

	Notes	2013		2012	
		£	£	£	£
<b>Net Cash Inflow from Operating Activities</b>	<b>16(a)</b>		1,247,519		2,789,078
<b>Returns on Investments and Servicing of Finance</b>					
Interest Received		58,223		34,238	
Interest Paid		<u>(331,051)</u>		<u>(357,710)</u>	
			(272,828)		(323,472)
<b>Capital Expenditure and Financial Investment</b>					
Acquisition and Construction of Properties		(1,036,825)		(5,180,580)	
Purchase of Other Fixed Assets		(156,678)		(2,040)	
Grants Received		360,666		3,243,387	
Proceeds on Disposal of Properties		<u>-</u>		<u>61,141</u>	
			<u>(832,837)</u>		<u>(1,878,092)</u>
<b>Net Cash inflow before use of Liquid Resources and Financing</b>			141,854		587,514
<b>Financing</b>					
Loan Principal Repayments		(314,552)		(297,923)	
Issue of Loan to Subsidiary		(90,000)		-	
Share Capital Issued		<u>34</u>		<u>33</u>	
			<u>(404,518)</u>		<u>(297,890)</u>
<b>(Decrease) / Increase in Cash</b>			<u>(262,664)</u>		<u>289,624</u>

# CASSILTOUN HOUSING ASSOCIATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 MARCH 2013

#### 1. PRINCIPAL ACCOUNTING POLICIES

The Association is incorporated under the Industrial and Provident Societies Act 1965 and is registered by The Financial Conduct 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 Determination of Accounting Requirements – April 2012 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.

##### **(a) Going Concern**

The Board of Management has a reasonable expectation that the Association has adequate resources to continue in operational existence for the foreseeable future and continue to adopt the going concern basis of accounting in preparing the Financial Statements.

##### **(b) Group Accounts**

In relation to Cassiltoun Trust, the Housing Association has obtained exemption from The Financial Conduct Authority from producing consolidated Financial Statements as provided by Section 14 (2A) of the Friendly and Industrial and Provident Societies Act 1968. In terms of Cassiltoun Stables Nursery Limited consolidated Financial Statements are not prepared on the grounds of immateriality. 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) 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.

##### **(e) 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.

# CASSILTOUN HOUSING ASSOCIATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (Contd.)

### FOR THE YEAR ENDED 31 MARCH 2013

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

##### (f) Depreciation of Housing Properties

Housing Properties and 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

##### (g) 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%
Freehold Property	10%	Vehicles	25%
Land	Nil	Computer Equipment	20%

##### (h) 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.

##### (i) Capitalisation of Major Repairs Expenditure

The Association capitalises major repairs expenditure where these works are a replacement or restoration of a separate identifiable component or where the works result in an enhancement of economic benefits of the tangible fixed assets. Such enhancement can occur if the improvements result in an increase in rental income, a reduction in future maintenance costs or a significant extension to the life of the component.

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

##### (j) Capitalisation of Development Overheads

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

# CASSILTOUN HOUSING ASSOCIATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (Contd.)

### FOR THE YEAR ENDED 31 MARCH 2013

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

##### **(k) Impairment of Fixed Assets**

Reviews for impairment of fixed assets 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.

##### **(l) Designated Reserves**

The Housing 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 housing properties in a state of repair which at least maintains their residual values. As these components are now capitalised no further reserve is required.

A designated reserve has been set aside to cover the net present value of the Association's liability under the SHAPS pension scheme in relation to contributions towards the past service deficit.

##### **(m) 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 2013**

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

	Notes	2013			2012		
		Turnover £	Operating Costs £	Operating Surplus/(Deficit) £	Turnover £	Operating Costs £	Operating Surplus/(Deficit) £
Social Lettings	3a	3,486,591	2,175,525	1,311,066	3,244,460	2,142,342	1,102,118
Other Activities	3b	108,173	290,580	(182,407)	111,810	318,906	(207,096)
<b>TOTAL</b>		<u>3,594,764</u>	<u>2,466,105</u>	<u>1,128,659</u>	<u>3,356,270</u>	<u>2,461,248</u>	<u>895,022</u>

# CASSILTOUN HOUSING ASSOCIATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (Contd.)

### FOR THE YEAR ENDED 31 MARCH 2013

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

	General Needs Housing £	Shared Ownership £	2013 £	2012 £
<b>Social lettings</b>				
Rent receivable net of identifiable service charges	3,472,994	9,625	3,482,619	3,239,923
Service Charges Receivable	11,043	2,027	13,070	13,783
<b>Gross Income from Rents and Service Charges</b>	<b>3,484,037</b>	<b>11,652</b>	<b>3,495,689</b>	<b>3,253,706</b>
Less: Rent Losses from Voids	(9,098)	-	(9,098)	(9,246)
<b>Total Turnover from Social Letting Activities</b>	<b>3,474,939</b>	<b>11,652</b>	<b>3,486,591</b>	<b>3,244,460</b>
<b>Operating costs</b>				
Management & maintenance administration costs	1,018,330	4,582	1,022,912	940,359
Service costs	13,802	-	13,802	18,760
Planned and cyclical maintenance including major repairs	292,905	-	292,905	354,357
Reactive maintenance	407,250	1,009	408,259	387,608
Bad debts – rent and service charges	16,941	-	16,941	10,575
Depreciation of social housing	420,479	227	420,706	430,683
<b>Operating Costs for Social Letting Activities</b>	<b>2,169,707</b>	<b>5,818</b>	<b>2,175,525</b>	<b>2,142,342</b>
<b>Operating Surplus for Social Lettings</b>	<b>1,305,232</b>	<b>5,834</b>	<b>1,311,066</b>	<b>1,102,118</b>
<b>Operating Surplus for Social Lettings 2012</b>	<b>1,095,825</b>	<b>6,293</b>	<b>1,102,118</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, (2012: £ nil).



**CASSILTOUN HOUSING ASSOCIATION LIMITED**

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

**FOR THE YEAR ENDED 31 MARCH 2013**

**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>2012</i>
	£	£	£	£	£	£	£	£	£
Wider role activities undertaken to support the community, other than the provision, construction, improvement and management of housing	2,500	41,355	-	6,781	50,636	-	175,010	(124,374)	(145,669)
Care and repair of property	-	-	-	-	-	-	-	-	-
Factoring	-	-	-	42,044	42,044	5,031	48,798	(11,785)	(9,973)
Development and construction activities	1,680	-	-	-	1,680	-	13,602	(11,922)	(24,184)
Support activities	-	-	-	-	-	-	-	-	-
Care activities	-	-	-	-	-	-	-	-	-
Agency/management services for registered social landlords	-	-	-	-	-	-	-	-	-
Other agency/management services	-	-	-	13,813	13,813	-	48,139	(34,326)	(27,270)
Developments for sale to registered social landlords	-	-	-	-	-	-	-	-	-
Developments and improvements for sale to non-registered social landlords	-	-	-	-	-	-	-	-	-
<b>Total from other activities</b>	<b>4,180</b>	<b>41,355</b>	<b>-</b>	<b>62,638</b>	<b>108,173</b>	<b>5,031</b>	<b>285,549</b>	<b>(182,407)</b>	<b>(207,096)</b>
<b>2012</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>	

# CASSILTOUN HOUSING ASSOCIATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (Contd.)

### FOR THE YEAR ENDED 31 MARCH 2013

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

	<b>2013</b>	<b>2012</b>
	<b>Total</b>	<b>Total</b>
	<b>£</b>	<b>£</b>
Proceeds on sale of property and components	-	64,560
Net Book Value of assets at time of sale	<u>(8,625)</u>	<u>(16,458)</u>
	<u>(8,625)</u>	<u>48,102</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 was one members of staff whose emoluments exceeded £60,000 per year. No emoluments were paid to any member of the Board of Management during the year.

	<b>2013</b>	<b>2012</b>
	<b>£</b>	<b>£</b>
Emoluments payable to Highest Paid Director (excluding pension contributions)	<u>82,449</u>	<u>83,381</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 £16,113 (2012 - £16,019).

	<b>2013</b>	<b>2012</b>
	<b>Number</b>	<b>Number</b>
Total Emoluments		
£80,001 - £85,000	1	1
£70,001 - £75,000	1	1

The Association uses two 4x4 company vehicles to assist providing services during severe winter weather and maintaining operations. The personal taxation is reimbursed by the Association to the staff.

# CASSILTOUN HOUSING ASSOCIATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (Contd.)

### FOR THE YEAR ENDED 31 MARCH 2013

#### 6. EMPLOYEE INFORMATION

	<b>2013</b>	<b>2012</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>18.6</u>	<u>16.8</u>
Staff costs were:	£	£
Wages and Salaries	622,336	611,745
Social Security Costs	54,378	53,890
Other Pension Costs	<u>114,506</u>	<u>111,594</u>
	<u>791,220</u>	<u>777,229</u>

#### 7. INTEREST PAYABLE

	<b>2013</b>	<b>2012</b>
	<b>£</b>	<b>£</b>
On Bank Loans and Overdrafts	331,051	357,710
Interest capitalised	-	-
	<u>331,051</u>	<u>357,710</u>

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

Surplus on Ordinary Activities before Taxation  
is stated after charging:-

Depreciation - Tangible Owned Fixed Assets	456,081	476,052
Depreciation – Component Accounting Adjustment	-	1,656,704
Auditors' Remuneration - Audit Services	8,436	9,141
- Other Services	-	2,246
	<u>464,517</u>	<u>2,144,143</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 2013

#### 10. TANGIBLE FIXED ASSETS

a) Housing Properties	Housing Properties Held for Letting £	Housing Properties Under Construction £	Completed Shared Ownership Properties £	Total £
<b>Cost</b>				
At 1 <sup>st</sup> April 2012	38,593,404	3,867,302	237,669	42,698,375
Additions	86,546	950,279	-	1,036,825
Disposals	(25,267)	-	-	(25,267)
Transfer to held for letting	4,817,581	(4,817,581)	-	-
At 31 <sup>st</sup> March 2013	<u>43,472,264</u>	<u>-</u>	<u>237,669</u>	<u>43,709,933</u>
<b>Social Housing Grant</b>				
At 1 <sup>st</sup> April 2012	25,442,891	3,832,302	226,315	29,501,508
Additions	44,280	316,385	-	360,665
Disposals	-	-	-	-
Transfer to held for letting	4,148,687	(4,148,687)	-	-
At 31 <sup>st</sup> March 2013	<u>29,635,858</u>	<u>-</u>	<u>226,315</u>	<u>29,862,173</u>
<b>Other Grants</b>				
At 1 <sup>st</sup> April 2012	237,443	35,000	-	272,443
Transfer to held for letting	35,000	(35,000)	-	-
At 31 <sup>st</sup> March 2013	<u>272,443</u>	<u>-</u>	<u>-</u>	<u>272,443</u>
<b>Depreciation</b>				
At 1 <sup>st</sup> April 2012	3,267,161	-	5,077	3,272,238
Charge for year	420,479	-	227	420,706
On disposals	(16,674)	-	-	(16,674)
At 31 <sup>st</sup> March 2013	<u>3,670,966</u>	<u>-</u>	<u>5,304</u>	<u>3,676,270</u>
<b>Net Book Values</b>				
As at 31 <sup>st</sup> March 2013	<u>9,892,997</u>	<u>-</u>	<u>6,050</u>	<u>9,899,047</u>
As at 31 <sup>st</sup> March 2012	<u>9,645,909</u>	<u>-</u>	<u>6,277</u>	<u>9,652,186</u>

Additions to housing properties during the year includes capitalised administration costs of £nil, (2012 - £ nil). All housing properties are freehold.

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

Total major repair costs during the year were £92,106 (2012: £257,911) of which £75,807 (2012: £155,568) was capitalised. Of the amount capitalised £60,657 (2012: £118,458) related to replacement of components and £15,150 (2012: £37,110) related to improvements.

**CASSILTOUN HOUSING ASSOCIATION LIMITED**

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

**FOR THE YEAR ENDED 31 MARCH 2013**

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

**b) Other Tangible Assets**

	Freehold Property	Leasehold Property	I.T.	Furniture	Fixtures & Fittings	Vehicles	Total
	£	£	£	£	£	£	£
<b>Cost</b>							
At 1 <sup>st</sup> April 2012	-	353,000	135,563	34,206	122,125	39,995	684,889
Additions	131,380	-	24,585	713	-	-	156,678
Disposals	-	-	(21,944)	(600)	-	-	(22,544)
At 31 <sup>st</sup> March 2013	<u>131,380</u>	<u>353,000</u>	<u>138,204</u>	<u>34,319</u>	<u>122,125</u>	<u>39,995</u>	<u>819,023</u>
<b>Depreciation</b>							
At 1 <sup>st</sup> April 2012	-	70,600	123,382	34,098	110,434	9,998	348,512
Charge for year	36,380	14,120	9,317	143	6,797	4,999	71,756
Removed on disposal	-	-	(21,912)	(600)	-	-	(22,512)
At 31 <sup>st</sup> March 2013	<u>36,380</u>	<u>84,720</u>	<u>110,787</u>	<u>33,641</u>	<u>117,231</u>	<u>14,997</u>	<u>397,756</u>
<b>Net Book Values</b>							
At 31 <sup>st</sup> March 2013	<u>95,000</u>	<u>268,280</u>	<u>27,417</u>	<u>678</u>	<u>4,894</u>	<u>24,998</u>	<u>421,267</u>
At 31 <sup>st</sup> March 2012	<u>-</u>	<u>282,400</u>	<u>12,181</u>	<u>108</u>	<u>11,691</u>	<u>29,997</u>	<u>336,377</u>

# CASSILTOUN HOUSING ASSOCIATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (Contd.)

### FOR THE YEAR ENDED 31 MARCH 2013

#### 11. DEBTORS

	2013	2012
	£	£
- Amounts receivable within one year		
Arrears of Rent and Service Charges	116,038	64,217
Less: bad debt provision	<u>(17,033)</u>	<u>(9,282)</u>
	99,005	54,935
Prepayments	13,159	16,751
Other Debtors	<u>64,148</u>	<u>52,211</u>
	176,312	123,897
- Amounts receivable after one year		
Loan to subsidiary undertaking	<u>90,000</u>	<u>-</u>
	<u>266,312</u>	<u>123,897</u>

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

	2013	2012
	£	£
Bank Overdraft	610	-
Housing Loans (note 13)	319,084	302,897
Trade Creditors	92,209	86,440
Other Taxation and Social Security	15,009	18,014
Accruals and Deferred Income	84,178	381,012
Rent in Advance	171,726	211,262
Other Creditors	<u>34,545</u>	<u>17,720</u>
	<u>717,361</u>	<u>1,017,345</u>

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

Housing Loans	<u>8,501,569</u>	<u>8,832,308</u>
---------------	------------------	------------------

Housing Loans are secured by specific charges on the Housing Association's housing properties and are repayable at rates of interest of 1.0% to 6.4% (2012: 1.4% to 6.4%) in instalments, due as follows:-

	2013	2012
	£	£
Within one year (note 12)	319,084	302,897
Between one and two years	326,950	310,669
Between two and five years	1,032,373	982,268
In five years or more	<u>7,142,245</u>	<u>7,539,371</u>
	8,820,652	9,135,205
<b>Less:</b> Amount shown in Current Liabilities	<u>(319,084)</u>	<u>(302,897)</u>
	<u>8,501,569</u>	<u>8,832,308</u>

# CASSILTOUN HOUSING ASSOCIATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (Contd.)

### FOR THE YEAR ENDED 31 MARCH 2013

#### 14. SHARE CAPITAL

	2013	2012
	£	£
Shares of £1 each Issued and Fully Paid		
At 1 <sup>st</sup> April	508	505
Issued in year	34	33
Forfeited in year	<u>(15)</u>	<u>(30)</u>
	<u>527</u>	<u>508</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

	2013	2012
	£	£
<b>(a) Designated Reserves – Major Repairs</b>		
At 1 <sup>st</sup> April	-	1,461,016
Transfer to Revenue Reserve	<u>-</u>	<u>(1,461,016)</u>
At 31 <sup>st</sup> March	<u>-</u>	<u>-</u>
<b>– Pension Reserve</b>		
At 1 <sup>st</sup> April	-	-
Transfer from Revenue Reserve	<u>456,760</u>	<u>-</u>
At 31 <sup>st</sup> March	<u>456,760</u>	<u>-</u>

The amount transferred to the Pensions Reserve equals the net present value of the past service deficit of the SHAPS scheme payable over the next 11 years.

	2013	2012
	£	£
<b>(b) Revenue Reserves</b>		
At 1 <sup>st</sup> April	3,500,542	1,479,874
Surplus for the year	851,206	626,652
Actuarial loss recognised	(82,000)	(67,000)
Transfer (to) / from Designated Reserve	<u>(456,760)</u>	<u>1,461,016</u>
At 31 <sup>st</sup> March	<u>3,812,988</u>	<u>3,500,542</u>

# CASSILTOUN HOUSING ASSOCIATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (Contd.)

### FOR THE YEAR ENDED 31 MARCH 2013

#### 16. CASH FLOW STATEMENT

<b>(a) Reconciliation of Operating Surplus to Net Cash Flow from Operating Activities</b>	<b>2013</b>	<b>2012</b>
	£	£
Surplus for year	851,206	626,652
Net interest paid	272,828	323,472
	<u>1,124,034</u>	<u>950,124</u>
Other finance income	(4,000)	(7,000)
Defined benefit operating profit charge less contribution paid	(5,000)	(7,000)
Depreciation	492,461	2,132,756
Loss / (Gain) on sale of fixed assets	8,625	(48,102)
(Increase) / Decrease in debtors	(52,415)	5,812
(Decrease) in creditors	(316,171)	(237,482)
Share Capital forfeited	(15)	(30)
	<u>1,247,519</u>	<u>2,789,078</u>

<b>(b) Reconciliation of Net Cash Flow to Movement in Net Debt</b>	<b>2013</b>	<b>2012</b>
	£	£
(Decrease) / increase in cash in the year	(262,664)	289,624
Cash outflow from decrease in debt finance	314,552	297,923
	<u>51,888</u>	<u>587,547</u>
Change in net debt	51,888	587,547
Net debt at 1 <sup>st</sup> April 2012	(5,850,962)	(6,438,509)
	<u>(5,799,074)</u>	<u>(5,850,962)</u>

<b>(c) Analysis of Changes in Net Debt</b>	<b>At</b>	<b>Cash</b>	<b>At</b>
	<b>01.04.12</b>	<b>Flows</b>	<b>31.03.13</b>
	£	£	£
Cash at Bank and in Hand	3,284,243	(262,664)	3,021,579
Debt due within one year	(302,897)	(16,187)	(319,084)
Debt due after one year	(8,832,308)	330,739	(8,501,569)
	<u>(5,850,962)</u>	<u>51,888</u>	<u>(5,799,074)</u>



# CASSILTOUN HOUSING ASSOCIATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (Contd.)

### FOR THE YEAR ENDED 31 MARCH 2013

#### 17. HOUSING STOCK

	2013	2012
	Number	Number
The number of units of accommodation in management At the year end was:		
General Needs - New Build	208	208
- Rehabilitation	785	785
Shared Ownership	5	5
Supported	40	-
	<u>1,038</u>	<u>998</u>

#### 18. CAPITAL COMMITMENTS

	£	£
Capital expenditure that has been contracted for but has not been provided for in the Financial Statements	<u>154,000</u>	<u>1,046,601</u>

This will be financed from cash balances.

# CASSILTOUN HOUSING ASSOCIATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (Contd.)

### THE YEAR ENDED 31 MARCH 2013

#### 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 64.8%.

The September 2012 valuation has been undertaken and although this has not been formally issued, the early indication reveals a shortfall of £304 million of assets compared to liabilities. This is equivalent to a past service funding level of 56.4%.

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.

Cassiltoun Housing Association 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 2012. As of this date the estimated employer debt for the Housing Association was £3,043,961 with the past service deficit contributions payable for the year to 31 March 2014 being £49,133.

The past service deficit contribution is currently due to increase by 4.5% per annum. This equates to a net present value of £456,760, for which an equivalent amount has been transferred from revenue reserves to designated reserves in order to provide for future liability. This amount may be subject to change following the results of the next valuation.

# CASSILTOUN HOUSING ASSOCIATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (Contd.)

### THE YEAR ENDED 31 MARCH 2013

#### 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 2012 and the same benefit structure for any new entrants. During the accounting period the Housing Association effectively paid contributions at the rate of 22.1% 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 £341,319. 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 2014)</b>	<b>%</b>
Final Salary 1/60ths	24.6
Career average revalued earnings 1/60ths	22.4
Career average revalued earnings 1/70ths	19.2
Career average revalued earnings 1/80ths	16.9
Career average revalued earnings 1/120ths	11.4
Additional rate for deficit contributions	10.4

# CASSILTOUN HOUSING ASSOCIATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (Contd.)

### THE YEAR ENDED 31 MARCH 2013

#### 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 2013. The following information is based on updated information. This actuarial valuation of the scheme was carried out by independent actuaries at 31 March 2013 using the following assumptions.

Actuarial assumptions	2013	2012
Rate of increase in salaries	5.1%	4.8%
Expected return on assets	5.2%	5.8%
Discount rate	4.5%	4.8%
Inflation assumption	2.8%	2.5%

##### Post retirement mortality

In valuing the liabilities of the pension fund at 31 March 2013, 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	21.0 years (male), 23.4 years (female)
a future retiree	23.3 years (male), 25.3 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:

	2013	2012
	£	£
Present value of funded obligations	(813,000)	(612,000)
Fair value of plan assets	694,000	566,000
Net (Liability)	(119,000)	(46,000)

# CASSILTOUN HOUSING ASSOCIATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (Contd.)

### THE YEAR ENDED 31 MARCH 2013

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

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

Defined Benefit Plans	2013	2012
	£	£
Opening defined benefit obligation	612,000	465,000
Service cost	27,000	24,000
Past service (gain) / cost	-	-
Member Contributions	9,000	9,000
Interest cost	30,000	27,000
Actuarial losses	136,000	87,000
Benefits paid	(1,000)	-
Closing defined benefit obligation	813,000	612,000

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

Defined Benefit Plans	2013	2012
	£	£
Opening plan assets	566,000	472,000
Expected return on assets	34,000	34,000
Actuarial gains	54,000	20,000
Contributions by employer	32,000	31,000
Contributions by members	9,000	9,000
Benefits paid	(1,000)	-
Closing plan assets	694,000	566,000

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

	2013	2012
	£	£
Current service cost	(27,000)	(24,000)
Past service gain / (cost)	-	-
Interest on obligation	(30,000)	(27,000)
Expected return on plan assets	34,000	34,000
Total	(23,000)	(17,000)

# CASSILTOUN HOUSING ASSOCIATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (Contd.)

### THE YEAR ENDED 31 MARCH 2013

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

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

	<b>2013</b>	<b>2012</b>
	<b>£</b>	<b>£</b>
Opening cumulative STRGL	(163,000)	(96,000)
Actuarial losses	(82,000)	(67,000)
	(245,000)	(163,000)

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

	<b>2013</b>	<b>2012</b>
Equities	76%	77%
Properties	7%	7%
Bonds	14%	11%
Cash	3%	5%
	100%	100%

The history of experience gains and losses is as follows:

	<b>2013</b>	<b>2012</b>
Difference between expected and actual return on scheme assets £'000	54	20
Percentage of scheme assets	3.5%	3.5%
Experience (loss) / gain arising on scheme liability £'000	-	-
Percentage of scheme liabilities	0.0%	0.0%
Total amount of actuarial (loss) / gain £'000	(82)	(67)
Percentage of scheme liability	(10.1%)	(10.9%)

# CASSILTOUN HOUSING ASSOCIATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (Contd.)

### THE YEAR ENDED 31 MARCH 2013

#### 21. SUBSIDIARY UNDERTAKINGS

The Housing Association has two subsidiaries; Cassiltoun Stables Nursery Ltd and Cassiltoun Trust.

The Housing Association is the sole member of Cassiltoun Trust, a charitable company limited by guarantee. Three members of the Housing Association are Directors of the Trust.

During the year management fees totalling £7,920 (2012: £7,650) were charged from the Housing Association to Cassiltoun Trust. At the year end £ nil (2012: £ nil) was due to the Housing Association from the Trust.

Office space was rented during the year from Cassiltoun Trust totalling £11,456 (2012: £4,500). In 2013 the Trust made a surplus of £231 (2012: £20,592 surplus) and had reserves of £90,381 (2012: £90,150).

The Stables Nursery is a company limited by guarantee and formed in July 2012. Its sole member is Cassiltoun Housing Association. Three members of the Housing Association are Directors of the Nursery.

During the year the Housing Association made available a loan of £100,000 to Cassiltoun Stables Nursery at normal commercial rates. At the year end £90,000 of this loan was drawn down. Management fees totalling £6,000 (2012: £ n/a) were waived from the Housing Association to the Stables Nursery. At the year end £1,238 (2012: £ n/a) was due to the Housing Association from the Nursery for loan interest, which is included in other debtors, the loan of £90,000 (2012: £ n/a) being included in debtors due after one year.

In 2013 the Stables Nursery made a deficit of £82,653 (2012: £ n/a) and had reserves of £(82,653) (2012: £ n/a).

#### 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 (h)) 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 2013 was £104,771 (2012: £104,771).

There is also a contingent liability in relation to the Scottish Housing Association Pension Scheme and this has been fully detailed in Note 19.

