

**CLOCH HOUSING ASSOCIATION LIMITED**

**Report and Financial Statements**

**For the year ended 31 March 2012**

**Registration information**

Financial Services Authority

Industrial and Provident Societies 1965  
Registered number SP1893RS

The Scottish Housing Regulator

Housing (Scotland) Act 2010  
Registered number HEP91

Scottish Charity Number

SCO 13996

**CLOCH HOUSING ASSOCIATION LIMITED**

**Report and Financial Statements**

**For the year ended 31 March 2012**

<b>Contents</b>	<b>Page</b>
Members, Executives and Advisers	1
Report of the Management Committee	2-4
Report of the Auditors	5-6
Auditor's Report on Corporate Governance Matters	7
Income and Expenditure Account	8
Statement of Recognised Gains and Losses	8
Balance Sheet	9
Cash Flow Statement	10-12
Notes to the Financial Statements	13-29

**Members, Executives and Advisers****Committee of Management**

Isobel Carson	Chair
Harriet Scott	Treasurer
Monica Sheekey	Secretary
Barry Small	Vice-Chair
Catherine Maynard	(Resigned October 2011)
Catherine Scott	(Resigned February 2012)
Charles Brown	(Resigned September 2011)
Jane Cheshire	
Michael Clarke	(Appointed May 2011)
Brenda Higgins	(Appointed May 2011)
Tess McNeil	(Appointed September 2011 - Resigned June 2012)
Patricia Gallagher	Co-optee (Appointed September 2011)
Ruth Henderson	Co-optee (Appointed September 2011)
Frank McEntee	(Resigned August 2011)
Ann McGinty	(Resigned May 2011)
Hugh Murdoch	(Resigned August 2011)

**Registered Office**

19 Bogle Street  
Greenock  
PA15 1ER

**Auditors**

Scott-Moncrieff  
Chartered Accountants  
Registered Auditor  
25 Bothwell Street  
Glasgow  
G2 6NL

**Bankers**

Clydesdale Bank plc  
100 West Blackhall St.  
Greenock  
PA15 1XR

**Solicitors**

Patten & Prentice  
2 Ardgowan Square  
Greenock  
PA16 8PP

Harper MacLeod  
The Ca'd'oro Building  
45 Gordon Street  
Glasgow  
G1 3PE

T.C. Young  
7 West George Street  
Glasgow  
G2 1BA

**Executive Officers**

Paul Rydquist	Interim Director (Appointed October 2011)
Charles Turner	Interim Director (March 2011 to October 2011)
Yvonne Browne	Financial Services Manager
Andy Thomson	Interim Housing Services Manager
John Deasy	Housing Services Manager (Resigned October 2011)
Elaine McShane	Business Development Manager

**Report of the Management Committee  
For the year ended 31 March 2012**

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

**Principal activities**

The principal activity of the Association is the provision of rented accommodation.

**Review of business and future activities**

During the year the Management Committee carried out an options appraisal exercise, to agree the future strategic direction of the association. A proposal to enter into a Constitutional Partnership with our neighboring association Oak Tree, emerged as being the best way forward for Cloch. Cloch and Oak Tree have a history of successful partnership working to build on; will generate improved efficiencies, and greater financial strength; and as a larger housing association group (owning and managing over 3000 rented houses, and providing services to 700+ home owners) will have more "clout" in our local area, to improve neighborhoods and local quality of life. Both associations have good reputations in the local community, and high levels of satisfaction with their services, which can be further improved by working together. Furthermore, Cloch will benefit from the support that Oak Tree can offer, given that their organisational strengths are complementary to our own.

Both associations' Management Committees resolved to proceed to enter into the partnership in January 2012, and the formal legal partnership is expected to be in place midway through the 2012/13 financial year.

Our major regeneration and development scheme at Maukinhill is now nearing completion. With 53 new homes completed and let during the year, a further 40 are due for completion in early 2012/13. This project has transformed the area and tenants are very happy with the quality of their new homes. There are several more areas where we would like to repeat this winning formula, with the support of Inverclyde Council, but given the reductions in the levels of grant available to support such development projects, introduced by the Scottish Government in the wake of the UK Government's austerity measures, it is not financially viable for Cloch to undertake this work at the present time. We will continue to explore innovative ways to enable new homes to be developed in partnership with others, but have made no provisions for any further developments in our medium-term financial plans.

As in previous years Cloch remains committed to playing a wider role in the communities where we operate. Together with other locally based associations, we were successful in attracting just under £900K in grant funding from various sources (including our own resources) to enable us to work with partners such as the Mungo Foundation in delivering the Inverclyde Tenancy Support Service, and Action for Children who provided much-needed support to young unemployed people embarking on training programmes and apprenticeships linked to our new build development programme.

We continued to manage the Inverclyde Care and Repair project which successfully secured some £908K in disabled improvement, lead replacement and central heating grants.

During the year the Inverclyde Common Housing Register was launched, with major input from Cloch. Following extensive consultation on the terms of a new allocations policy, and with the support of the local authority, a new policy for the whole of Inverclyde was agreed by Cloch, Oak Tree and River Clyde Homes. Based on choice-based lettings principles, the new policy was implemented in the latter months of 2011 by Cloch and Oak Tree, with the formation of a joint housing list, and all housing applications are now dealt with via this process.

Despite a year of significant change and some upheaval, Cloch's performance in key operational areas remained at an excellent level. Despite the move to choice-based lettings in the latter part of the year, average relet times for the year were a little over 6 days, which ranks amongst the top 10% of associations in Scotland, and void losses were consequentially very low at 0.15%. Non-technical rent arrears were held at a very competitive 1.74%. We achieved our emergency repairs response target time of four hours in over 98% of cases.

**Report of the Management Committee  
For the year ended 31 March 2012**

During March 2012 Cloch's committee approved an updated version of its 30-year financial projections. These demonstrated Cloch's ongoing financial health and viability, despite making some more prudent assumptions about our financial future. These projections were reviewed and endorsed by the Scottish Housing Regulator and our key lenders, and provide a strong starting point for Cloch in its forthcoming partnership role.

**Component accounting**

In accordance with the Statement of Recommended Practice (SORP) – Accounting by registered social housing providers, 2010, the Association has implemented component accounting for the first time this year. As this is a change in accounting policy the impact of component accounting has resulted in a restatement of the prior year figures via a prior year adjustment which is detailed at note 22. The introduction of component accounting ensures that all major components of the Association's housing stock are identified and depreciated over their estimated economic life. The cost of any subsequent replacement of a major component will be capitalised in the balance sheet with the item replaced being disposed of from the balance sheet. This enables the financial statements to better reflect the use of the component over its life cycle.

**The committee of management and executive officers**

The committee of management and executive officers of the Association are listed on page 1.

Each member of the committee of management holds one fully paid share of £1 in the Association. The executive officers of the Association hold no interest in the Association's share capital and although not having the legal status of directors they act as executives within the authority delegated by the committee.

**Internal Financial Controls**

During financial year 2011/12 there has been considerable focus on the financial management of the Association. The Association is satisfied, at the date of signing the financial statements, that there is appropriate planning, monitoring and control of the Association's financial and business affairs and that the financial control system in place is satisfactory and appropriate to the size and complexity of the organisation.

The Committee acknowledges that it is responsible for the Association's system of internal financial control, and has reviewed its effectiveness from information provided by management staff.

Any system can only provide reasonable and not absolute assurance against material mis-statement or loss.

The financial control system within the Association includes a combination of regular review of financial results compared with an agreed budget and authorisation of all expenditure by senior staff and Committee. In addition a programme of internal audit reviews examines the operations of controls across all areas of activity on a cyclical basis.

**Report of the Management Committee  
For the year ended 31 March 2012**

**Statement of Committee's Responsibilities**

Housing association legislation requires the committee to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Association and of the income and expenditure of the Association for the year ended on that date. In preparing those financial statements the committee are required to:-

- Select suitable accounting policies and then apply them consistently;
- Make judgements 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 a going concern basis unless it is inappropriate to presume that the association will continue in business.

The committee is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the association.

The committee is also responsible for safeguarding the assets of the Association and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

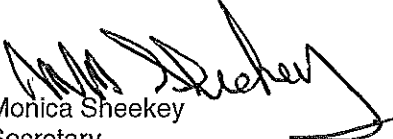
**Related Party Transactions**

Some members of the Management Committee are tenants. Their tenancies are on the Association's normal tenancy terms and they cannot use their positions to their advantage.

**Auditors**

A resolution to appoint Alexander Sloan, Chartered Accountants as auditors will be proposed at the annual general meeting.

**By order of the committee**



Monica Sheekey  
Secretary

Dated: 18 September 2012

**Report of the Auditors to the Members of Cloch Housing Association Limited  
For the year ended 31 March 2012**

We have audited the financial statements of Cloch Housing Association Limited for the year ended 31 March 2012 which comprise the income and expenditure account, statement of total recognised gains and losses, balance sheet, cash flow statement and related notes. The financial reporting framework that has been applied is applicable law, United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) and the Statement of Recommended Practice - Accounting by Registered Social Housing Providers issued in 2010.

This report is made solely to the Association's members as a body, in accordance with Section 9 of the Friendly and Industrial and Provident Societies Act 1968. Our audit work has been undertaken so that we might state to the Association's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Association and the Association's members as a body, for our audit work, for this report, or for the opinions we have formed.

**Respective responsibilities of the Committee and auditors**

As explained more fully in the Committee's Responsibilities statement set out on page 4, the committee members 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**

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

**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 surplus for the year ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice and the Statement of Recommended Practice – Accounting by Registered Social Housing Providers issued in 2010;

**Report of the Auditors to the Members of Cloch Housing Association Limited  
For the year ended 31 March 2012**

- 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 Registered Social Landlords Accounting Requirements (Scotland) Order 2007.

In our opinion the information given in the Report of the Management Committee for the financial year for which the financial statements are prepared is consistent with the financial statements.

**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 require 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; or
- we have not received all the information and explanations we need for our audit.

We agree with the opinion of the Committee of Management 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 in 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 immaterial nature of the subsidiary's transactions in the year.

*Scott-Moncrieff*

Scott-Moncrieff  
Chartered Accountants  
Statutory Auditor  
25 Bothwell Street  
Glasgow G2 6NL

Dated: 18 September 2012



**Report of the Auditors to the Management Committee of Cloch Housing Association Limited  
on Corporate Governance Matters  
For the year ended 31 March 2012**

In addition to our audit of the Financial Statements, we have reviewed your Statement on page 3 concerning the Association's compliance with the paragraphs of the Internal Financial Control section within the SFHA's publication "Raising Standards in Housing". The objective of our review is to draw attention to non-compliance with those paragraphs of the Code, if not otherwise disclosed.

**Basis of Opinion**

We carried out our review having regard to Bulletin 2009/4 issued by the Auditing Practices Board. The Bulletin does not require us to perform the additional work necessary to, and we do not, express any opinion on the effectiveness of either the Association's system of internal financial control or its corporate governance procedures.

**Opinion**

In our opinion, your statement on internal financial control on page 3 has provided the disclosures required by the Internal Financial Control section within the SFHA's publication "Raising Standards in Housing" and is not inconsistent with the information which came to our attention as a result of our audit work on the Financial Statements.



Scott-Moncrieff  
Statutory Accountants  
Registered Auditor  
25 Bothwell Street  
Glasgow G2 6NL

Dated: 18 September 2012

**Income and Expenditure Account**  
**For the year ended 31 March 2012**

	Note	2012 £	Restated 2011 £
<b>Turnover</b>	2	5,409,069	5,040,305
Operating costs	2	3,740,864	3,307,773
<b>Operating surplus</b>	2	1,668,205	1,732,532
Gain on disposal of fixed assets		713	17,781
Interest receivable and other income	5	9,373	6,509
Interest payable and similar charges	6	(339,645)	(388,377)
<b>Surplus on ordinary activities</b>		<u>1,338,646</u>	<u>1,368,445</u>

**Statement of Total Recognised Gains and Losses**  
**For the year ended 31 March 2012**

	2012 £	2011 £
Surplus for the Financial Year	1,338,646	1,368,445
Prior year adjustment as explained in note 22	1,422,292	-
<b>Total gains and losses recognised since last financial statements</b>	<u>2,760,938</u>	<u>1,368,445</u>

The results for the year relate wholly to continuing activities.

The notes on pages 13 to 29 form part of these financial statements

Balance Sheet  
As at 31 March 2012

		2012 £	Restated 2011 £
<b>Tangible fixed assets</b>	<b>Note</b>		
Housing properties -- cost less depreciation	9a	102,044,716	95,948,109
Less: SHG and other grants	9a	(76,861,542)	(75,462,083)
		<u>25,183,174</u>	<u>20,486,026</u>
Office Premises	9b	974,911	703,161
Other fixed assets	9b	18,942	20,815
		<u>26,177,027</u>	<u>21,210,002</u>
<b>Fixed Asset Investments</b>			
Shared Equity Debtor		940,060	940,060
Shared Equity Creditor		(930,134)	(930,134)
		<u>9,926</u>	<u>9,926</u>
<b>Current assets</b>			
Debtors	10	407,362	470,342
Cash at bank and in hand		2,441,171	1,747,202
		<u>2,848,533</u>	<u>2,217,544</u>
<b>Creditors: amounts falling due within one year</b>	11	(2,825,075)	(2,764,660)
<b>Net current assets/(liabilities)</b>		<u>23,458</u>	<u>(547,116)</u>
<b>Total assets less current liabilities</b>		<u>26,210,411</u>	<u>20,672,812</u>
<b>Creditors: amounts falling due after more than one year</b>	12	(20,352,903)	(16,153,956)
<b>Net assets</b>		<u>5,857,508</u>	<u>4,518,856</u>
<b>Capital and reserves</b>			
Share capital	13	95	89
Designated reserves	7	5,357,413	1,064,250
Revenue reserve	8	500,000	3,454,517
		<u>5,857,508</u>	<u>4,518,856</u>

The financial statements on pages 8 to 29 were authorised for issue by the Committee of Management on 18 September 2012 and were signed on its behalf by:

Isobel Carson

Chair

Barry Small

Vice-Chair

Monica Sheekey

Secretary

Harriet Scott

Treasurer

The notes on pages 13 to 29 form part of these financial statements.

**Cash Flow Statement**  
**For the year ended 31 March 2012**

	Notes	2012 £	Restated 2011 £
Net cash inflow from operating activities	1	2,250,588	1,651,797
Returns on investments and servicing of finance	2	(330,272)	(381,868)
Capital expenditure	2	(5,503,148)	(3,590,201)
		<u>(3,582,832)</u>	<u>(2,320,272)</u>
Financing	2	4,276,801	2,573,144
Increase in cash	4	<u>693,969</u>	<u>252,872</u>

Notes to the Cash Flow Statement  
For the year ended 31 March 2012

1) Reconciliation of Surplus for year to Net Cash Inflow from Operating Activities

	2012 £	Restated 2011 £
Operating surplus	1,668,205	1,732,532
Depreciation	699,646	495,541
(Increase) in debtors	(99,830)	(304,591)
(Decrease) in creditors	(17,428)	(271,685)
Share Capital Written Off	(5)	-
	<u>2,250,588</u>	<u>1,651,797</u>

2) Gross Cash Flows

Returns on investments and servicing of finance

Interest received	9,373	6,509
Interest paid	(339,645)	(388,377)
	<u>(330,272)</u>	<u>(381,868)</u>

Capital expenditure

Purchase and development of housing properties	(7,025,607)	(9,873,032)
Sale of fixed assets	270,166	143,283
HAG and other grants received	1,805,596	6,569,524
HAG repaid and abated	(243,326)	(68,080)
Payments to acquire other tangible fixed assets	(309,977)	(361,896)
	<u>(5,503,148)</u>	<u>(3,590,201)</u>

Financing

Issue of share capital	11	(95)
Loans borrowed	4,894,493	2,573,239
Loans repaid	(617,703)	-
	<u>4,276,801</u>	<u>2,573,144</u>

3) Analysis of changes in net debt	At 1 April 2011 £	Cash Flow £	Other Changes £	At 31 March 2012 £
Cash in hand, at bank	1,747,202	693,969	-	2,441,171
Overdrafts	-	-	-	-
	<u>1,747,202</u>	<u>693,969</u>	<u>-</u>	<u>2,441,171</u>
Debt due within 1 year	(853,582)	(77,843)	-	(931,425)
Debt due after 1 year	(16,153,956)	(4,198,947)	-	(20,352,903)
	<u>(15,260,336)</u>	<u>(3,582,821)</u>	<u>-</u>	<u>(18,843,157)</u>

Notes to the Cash Flow Statement  
For the year ended 31 March 2012

4) Reconciliation of net cash flow to movement in net debt (Note 3)	2012 £	2011 £
Increase for the year	693,969	252,872
Loans borrowed	(4,894,493)	(2,573,145)
Loans repaid	617,703	-
Change in net debt	(3,582,821)	(2,320,273)
Net debt at 1 April 2011	(15,260,336)	(12,940,063)
Net debt at 31 March 2012	(18,843,157)	(15,260,336)

Notes to the financial statements  
For the year ended 31 March 2012

1. Accounting policies

(a) Introduction and accounting basis

The principal accounting policies of the Association are set out in paragraphs (b) to (k) below.

These financial statements are prepared in accordance with applicable accounting standards and statements of recommended practice, and comply with the requirements of the Registered Social Landlords Accounting Requirements (Scotland) Order 2007 and the Statement of Recommended Practice (SORP) Accounting for Housing Providers 2010.

(b) Going Concern

The Committee of Management anticipate that a surplus will be generated in the year to 31 March 2013. The Association has a healthy cash and net current asset position and thus the Committee of Management are satisfied that there are sufficient resources in place to continue operations in the foreseeable future. Thus the Committee of Management continue to adopt the going concern basis of accounting in preparing the annual financial statements.

(c) Turnover

Turnover represents rental and service charge income, factoring service income, and fees or revenue grants receivable from local authorities and from The Scottish Government. Also included is any income from first tranche shared ownership disposals.

(d) Loans

Mortgage loans are advanced by Private Lenders or The Scottish Government under the terms of individual mortgage deeds in respect of each property or housing scheme. Advances are available only in respect of those developments which have been given approval by The Scottish Government. Mortgage loans in the balance sheet include amounts due but not received.

(e) Social housing grant (SHG)

Social Housing Grant, at amounts approved by The Scottish Government, is paid directly to the Association as required to meet its liabilities during the development process.

SHG is repayable under certain circumstances primarily following sale of property, but will normally be restricted to net proceeds of sale.

SHG received as a contribution towards the capital cost of housing development is deducted from the cost of those developments. SHG received as a contribution towards revenue expenditure is included in turnover.

**Notes to the financial statements**  
**For the year ended 31 March 2012**

**1. Accounting policies (continued)**

**(f) Fixed assets - Housing properties**

Housing properties are stated at cost, less social housing grants (SHG) and other public grants and less accumulated depreciation. The development cost of housing properties includes:-

1. Cost of acquiring land and buildings
2. Development expenditure including administration costs
3. Interest charged on the mortgage loans raised to finance the scheme

These costs are either termed "qualifying costs" by The Scottish Government for approved social housing grant schemes and are considered for mortgage loans by the relevant lending authorities or 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 accounts for the year, provided that the dates of issue or valuation are prior to the year-end.

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

Interest is capitalised from first draw down of private finance according to the funding arrangements agreed by The Scottish Government. This will normally occur after SHG has been claimed up to the agreed limit.

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.

**(g) Depreciation**

**1. Housing properties**

Housing properties are stated at cost, less grants received and less accumulated depreciation. Housing properties are depreciated by major component over the useful economic life identified for each component.

The following rates have been used:-

Building Structure/Roof -	2% on cost
Kitchens -	6.67% on cost
Bathrooms -	5% on cost
Windows / Central Heating-	3.33% on cost
Boilers -	6.67% on cost
Rewiring -	3.33% on cost
Lifts -	5% on cost
Heritable Office Property -	2% on cost
Computer Equipment -	33% on cost
Office Furniture & Equipment -	20% on cost

**2. Other fixed assets**

Depreciation is charged on other fixed assets so as to write off the asset cost less any recoverable value over its anticipated useful life.

A full year's depreciation is charged on year of purchase. No charge is made in the year of disposal.



**Notes to the financial statements  
For the year ended 31 March 2012**

**1. Accounting policies (continued)**

**(h) Designated Reserves (Note 7)**

**(i) Cyclical maintenance**

The reserve is based on the Association's liability to maintain the properties in accordance with a planned programme of works, provided it will not be met from revenue in the year in which it is incurred.

**(ii) Major repairs**

The reserve is based on the Association's requirement to maintain housing properties in a state of repair which at least maintains their residual value in prices prevailing at the time of acquisition and construction. The reserve represents amounts set aside in respect of future costs and will be transferred to General Reserves as appropriate.

**(i) Apportionment of management expenses**

Direct employee, administration and operating costs have been apportioned to the relevant sections of the income and expenditure account on the basis of costs of staff directly attributable to the operations dealt with in the financial statements.

**(j) Pensions (Note 19)**

The Association contributes to a defined benefit scheme, the cost of which is written off to the income and expenditure account on an accruals basis. The assets of the scheme are held separately from those of the Association in an independently administered fund.

**(k) Financial Commitments**

Assets held under finance leases where substantially all the risks and rewards of ownership of the asset have passed to the association, and hire purchase contracts are capitalised in the balance sheet and are depreciated in the income and expenditure account over the period of their useful lives.

Rentals paid under operating leases are charged to income on a straight line basis over the lease term.

**CLOCH HOUSING ASSOCIATION LIMITED**

16

Notes to the financial statements  
For the year ended 31 March 2012

**2. Particulars of Turnover, Operating Costs and Operating Surplus/ (Deficit)**

	2012		Restated 2011	
	Turnover	Operating Costs	Operating Costs	Operating Surplus/ (Deficit)
	£	£	£	£
<b>Income and Expenditure From lettings</b>				
Social Lettings	4,985,667	(3,294,028)	(2,895,553)	1,767,824
Other activities	423,402	(446,836)	(412,220)	(35,292)
	<u>5,409,069</u>	<u>(3,740,864)</u>	<u>(3,307,773)</u>	<u>1,732,532</u>

# **CLOCH HOUSING ASSOCIATION LIMITED**

Notes to the financial statements  
For the year ended 31 March 2012

17

## **3. Particulars of turnover, operating costs and operating surplus/ (deficit) from social letting activities**

	General Needs Housing £	Supported Housing £	Shared Ownership £	2012 Total £	Restated 2011 Total £
<b>Income from rent and service charges</b>					
Rent receivable net of service charges	4,626,179	113,368	39,502	4,779,049	4,181,692
Service Charges	52,494	181,384	-	233,878	523,246
<b>Gross income from rents and service charges</b>	<b>4,678,673</b>	<b>294,752</b>	<b>39,502</b>	<b>5,012,927</b>	<b>4,704,938</b>
<b>Less voids</b>	<b>(27,260)</b>	<b>-</b>	<b>-</b>	<b>(27,260)</b>	<b>(41,561)</b>
<b>Net income from rents and service charges</b>	<b>4,651,413</b>	<b>294,752</b>	<b>39,502</b>	<b>4,985,667</b>	<b>4,663,377</b>
Grants from the Scottish Ministers	-	-	-	-	-
Other revenue grants	-	-	-	-	-
<b>Total turnover from social letting activities</b>	<b>4,651,413</b>	<b>294,752</b>	<b>39,502</b>	<b>4,985,667</b>	<b>4,663,377</b>
<b>Expenditure</b>					
Management and maintenance administration costs	1,532,316	37,548	13,084	1,582,948	1,304,599
Service charges	83,892	177,270	-	261,162	39,940
Planned cyclical maintenance including major repairs	253,458	48,188	-	301,646	572,082
Reactive maintenance costs	426,504	9,287	-	435,791	519,231
Bad Debts	40,112	-	-	40,112	-
Depreciation of social housing	656,286	16,083	-	672,369	459,701
<b>Operating costs for social letting activities</b>	<b>2,992,568</b>	<b>288,376</b>	<b>13,084</b>	<b>3,294,028</b>	<b>2,895,553</b>
<b>Operating Surplus on letting activities, 2012</b>	<b>1,658,845</b>	<b>6,376</b>	<b>26,418</b>	<b>1,691,639</b>	<b>1,767,824</b>
<b>Operating Surplus/ (Deficit) on letting activities, 2011</b>	<b>1,482,290</b>	<b>288,619</b>	<b>(3,085)</b>		
<b>Restated</b>					

**CLOCH HOUSING ASSOCIATION LIMITED**

18

Notes to the financial statements for the year ended 31 March 2012

**4. Particulars of turnover, operating costs and operating surplus/(deficit) from other activities**

	Grants from Scottish Ministers £	Other revenue grants £	Supporting people income £	Other income £	Total Turnover		Other operating costs £	Operating Surplus / (deficit) £	
					2012	2011		2012	2011
Wider role activities	94,097	-	-	26,557	120,654	61,942	153,623	(32,969)	(4,669)
Care and repair of property	-	256,900	-	-	256,900	256,907	238,870	18,030	-
Factoring	-	-	-	22,114	22,114	21,236	18,119	3,995	-
Development and construction of property activities	-	-	-	-	-	-	-	-	(67,466)
Support activities	-	-	23,734	-	23,734	35,803	36,224	(12,490)	35,803
Care activities	-	-	-	-	-	-	-	-	-
Agency/management services for RSLs	-	-	-	-	-	-	-	-	-
Other agency / management services	-	-	-	-	-	-	-	-	-
Development and improvements for sale to non RSLs	-	-	-	-	-	-	-	-	-
Other activities	-	-	-	-	-	1,040	-	-	1,040
<b>Total from other Activities, 2012</b>	<b>94,097</b>	<b>256,900</b>	<b>23,734</b>	<b>48,671</b>	<b>423,402</b>	<b>376,928</b>	<b>446,836</b>	<b>(23,434)</b>	
<b>Total from other activities, 2011</b>	<b>61,942</b>	<b>256,907</b>	<b>35,803</b>	<b>22,276</b>	<b>376,928</b>	<b>376,928</b>	<b>412,220</b>	<b>(35,292)</b>	
#	Undertaken to support the community, other than the provision, construction, improvement and management of housing								

Notes to the financial statements  
For the year ended 31 March 2012

<b>5. Interest Receivable and Other Income</b>	<b>2012</b>	<b>2011</b>
	<b>£</b>	<b>£</b>
Interest receivable on deposits	9,373	6,509
	<u>          </u>	<u>          </u>
<b>6. Interest payable and similar charges</b>		
On loans from The Scottish Government	2,359	13,702
On private loans	337,286	374,675
	<u>          </u>	<u>          </u>
	339,645	388,377
	<u>          </u>	<u>          </u>
<b>7. Designated Reserves</b>		
	<b>Opening Balance £</b>	<b>Transfer £</b>
Cyclical maintenance	709,250	-
Major repairs	355,000	4,293,163
	<u>          </u>	<u>          </u>
	1,064,250	4,293,163
	<u>          </u>	<u>          </u>
		<b>Closing Balance £</b>
		709,250
		4,648,163
		<u>          </u>
		5,357,413
		<u>          </u>
<b>8. Revenue Reserves</b>	<b>2012</b>	<b>2011</b>
	<b>£</b>	<b>£</b>
At 1 April 2011	3,454,517	991,679
Prior year restatement	-	858,643
	<u>          </u>	<u>          </u>
	3,454,517	1,850,322
Surplus for the year	1,338,646	1,368,445
	<u>          </u>	<u>          </u>
	4,793,163	3,218,767
Transfer from /(to) designated reserves	(4,293,163)	235,750
	<u>          </u>	<u>          </u>
At 31 March 2012	500,000	3,454,517
	<u>          </u>	<u>          </u>

Notes to the financial statements  
For the year ended 31 March 2012

## 9a. Tangible Fixed Assets

Cost	Properties Held for Letting £	Properties Under Development £	Total £
At 1 <sup>st</sup> April 2011	94,136,070	3,302,734	97,438,804
Prior year restatement	664,433	-	664,433
<b>Restated opening balance</b>	<b>94,800,503</b>	<b>3,302,734</b>	<b>98,103,237</b>
Additions during year	645,112	6,380,495	7,025,607
Transfers	4,913,000	(4,913,000)	-
Disposals	(273,123)	-	(273,123)
At end of year	100,085,492	4,770,229	104,855,721
<b>Depreciation</b>			
At 1 <sup>st</sup> April 2011	2,145,677	-	2,145,677
Prior year restatement	9,452	-	9,452
<b>Restated opening balance</b>	<b>2,155,129</b>	<b>-</b>	<b>2,155,129</b>
Charge for year	659,546	-	659,546
On disposals	(3,670)	-	(3,670)
	2,811,005	-	2,811,005
<b>SHG and Other Grants</b>			
At 1 <sup>st</sup> April 2011 - Restated	72,926,659	3,302,734	76,229,393
Prior year restatement	(767,310)	-	(767,310)
<b>Restated opening balance</b>	<b>72,159,349</b>	<b>3,302,734</b>	<b>75,462,083</b>
Additions during year	303,870	1,338,915	1,642,785
Transfers	2,765,000	(2,765,000)	-
Disposals	(243,326)	-	(243,326)
	74,984,893	1,876,649	76,861,542
<b>Net Book Value</b>			
At 31 <sup>st</sup> March 2012	22,289,594	2,893,580	25,183,174
<b>Net Book Value</b>			
At 31 <sup>st</sup> March 2011 - Restated	20,486,026	-	20,486,026

Development administration costs capitalised during the year amounted to £119,848 (2011: £322,486) for which Social Housing Grants amounting to £Nil (2011: £102,589) were received. The brought forward balances as at 1<sup>st</sup> April 2011 have been restated following a prior year adjustment as detailed in note 22

**CLOCH HOUSING ASSOCIATION LIMITED**

Notes to the financial statements  
For the year ended 31 March 2012

21

**9b. Tangible Fixed Assets**

Cost	Office £	Furniture Supported Accommodation £	Computer Equipment £	Furniture Fittings & Equipment £	Sheltered Housing F & F £	Total £
At 1 <sup>st</sup> April 2011	752,841	118,457	145,729	54,058	12,517	1,083,602
Additions during year	292,664	-	11,044	4,319	1,950	309,977
Transfers	-	-	-	-	-	-
Disposals	-	-	-	-	-	-
At end of year	1,045,505	118,457	156,773	58,377	14,467	1,393,579
<b>Depreciation</b>						
At 1 <sup>st</sup> April 2011	49,680	118,457	128,026	53,006	10,457	359,626
Charge for year	20,914	-	15,720	1,235	2,231	40,100
On disposals	-	-	-	-	-	-
	70,594	118,457	143,746	54,241	12,688	399,726
<b>Net Book Value</b>						
At 31 <sup>st</sup> March 2012	974,911	-	13,027	4,136	1,779	993,853
<b>Net Book Value</b>						
At 31 <sup>st</sup> March 2011	703,161	-	17,703	1,052	2,060	723,976

2

Notes to the financial statements  
For the year ended 31 March 2012

<b>10. Debtors: amounts falling due within one year</b>	<b>2012</b>	<b>2011</b>
	<b>£</b>	<b>£</b>
Amounts falling due within one year:		
Rental arrears	128,119	95,556
Social Housing Grant receivable	75,083	237,894
Other debtors and prepayments	204,160	136,892
	<u>407,362</u>	<u>470,342</u>
<b>11. Creditors: amounts falling due within one year</b>		
Loans	931,425	853,582
Other taxes and social security costs	24,950	26,768
Other creditors	1,868,700	1,884,310
	<u>2,825,075</u>	<u>2,764,660</u>
<b>12. Creditors: amounts falling due after more than one year</b>		
Loans:		
Due between one and two years	933,390	855,507
Due between two and five years	2,775,934	2,562,939
Due in five years or more	16,643,579	12,735,510
	<u>20,352,903</u>	<u>16,153,956</u>

Loans are secured by specific charges on the Association's properties and are repayable at varying rates of interest in instalments.

<b>13. Share Capital</b>	<b>2012</b>	<b>2011</b>
	<b>£</b>	<b>£</b>
At beginning of year	89	184
Shares of £1 each fully paid and issued during the year	11	3
Shares forfeited in year	(5)	(98)
At end of year	<u>95</u>	<u>89</u>



**Notes to the financial statements**  
**For the year ended 31 March 2012**

**14. 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. 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>
Aggregate emoluments payable to directors (excluding pensions and benefits in kind)	69,057	138,148

Emoluments of chief executive (excluding pension contributions)

	Interim Chief Executive (March – October)	Interim Chief Executive (October Present)		
	£43,580	£55,200	98,780	66,670

Between March and October 2011, Charles Turner was appointed as Interim Chief Executive. From October 2011, Paul Rydquist took over this role. Neither of the Chief Executives received any pension contributions in the year.

	<b>2012</b>	<b>2011</b>
	<b>£</b>	<b>£</b>
Emoluments payable to highest paid director (excluding pension contributions)	69,057	66,670

Included within emoluments for the highest paid director is compensation for loss of office, amounting to £30,000 (2011: £50,000)

Notes to the financial statements  
For the year ended 31 March 2012

<b>15. Employee Information</b>	<b>2012</b>	<b>2011</b>
	<b>£</b>	<b>£</b>
The average monthly number of full time equivalent persons employed during the year was	<u>45</u>	<u>46</u>
	<b>2012</b>	<b>2011</b>
	<b>£</b>	<b>£</b>
Staff costs (including Directors' Emoluments):		
Wages and salaries	1,054,318	1,077,799
Compensation for loss of office	30,000	50,000
Social security costs	84,510	88,904
Pension costs (note 19)	152,080	113,670
	<u>1,320,908</u>	<u>1,330,373</u>
<b>16. Operating Surplus</b>	<b>2012</b>	<b>Restated 2011</b>
	<b>£</b>	<b>£</b>
Operating surplus is stated after charging:		
Depreciation	699,646	495,541
Auditors' remuneration		
- In their capacity as auditors	<u>11,640</u>	<u>13,998</u>
<b>17. Capital Commitments</b>	<b>2012</b>	<b>2011</b>
	<b>£</b>	<b>£</b>
Capital expenditure –		
Contracted for but not provided in the financial statements	2,028,974	1,621,000
Approved but not contracted for	-	-
	<u>2,028,974</u>	<u>1,621,000</u>

The amount contracted for at 31 March 2012 will be funded from grants approved by The Scottish Government, financed from private loans or met from the Association's reserves.

Notes to the financial statements  
For the year ended 31 March 2012

### 18. Revenue Commitments

The association has commitments under operating leases for the next year for leases expiring as follows:

	2012		2011	
	Land & buildings £	Other leases £	Land & buildings £	Other leases £
Within one year	-	-	-	-
Between two and five years	-	10,340	-	3,596
Over five years	-	-	-	-
	<u>-</u>	<u>10,340</u>	<u>-</u>	<u>3,596</u>

### 19. Pensions

Cloch Housing Association Limited participates in the Scottish Housing Associations' Pension Scheme, (the "Scheme"). The scheme is a multi-employer defined benefit scheme. The scheme is funded and is contracted out of the State Pension scheme.

It is not possible in the normal course of events to identify the share of underlying assets and liabilities belonging to an individual participating employer as the Scheme as 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 3 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 as at 30 September 2009 by a professionally qualified Actuary using the Projected Unit Credit method. The market value of the Scheme's assets at the valuation date was £295 million. The valuation revealed a shortfall of assets compared with the value of liabilities of £160 million equivalent to a past service funding level of 64.8%.

The Scheme Actuary has prepared an Actuarial Report that provides an approximate update on the funding position of the Scheme as at 30 September 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.

**Notes to the financial statements**  
**For the year ended 31 March 2012**

**19. Pensions (cont'd)**

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 employers 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-cut market. The amounts of debt can therefore be volatile over time.

Cloch Housing Association Limited has been notified by The Pensions Trust of the estimated employer debt on withdrawal from the Scheme based on the financial position of the Scheme as at 30 September 2011. As of this date the estimated employer debt for Cloch Housing Association Limited was £5,270,079

The Scheme offers live benefit structures to employers, namely:

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

An employer can elect to operate different benefit structures for their active members (as at the first day of April in any given year) and their new entrants. An employer can only operate one open benefit structure at any one time. An open benefit structure is one which new entrants are able to join. The Association has elected to operate the Final salary with 1/60th accrual rate benefit option for active members and new entrants from 1 April 2012.

During the accounting period the Association paid contributions at the rate of 9.6% of pensionable salaries. Member contributions were 9.6%.

As at the balance sheet date there were 26 active members (2011: 26) of the Scheme employed by Cloch Housing Association. The Association continues to offer membership of the Scheme to its employees.

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

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

<b>2009 Valuation Assumptions</b>	<b>% p.a.</b>
Investment return pre retirement	7.4
Investment return post retirement – non pensioners	4.6
Investment return post retirement – pensioners	4.8
Rate of salary increases	4.5
<b>Rate of pension increases</b>	
Pension accrued pre 6 April 2005 in excess of GMP	2.9
Pension accrued post 5 April 2005	
(for leavers before 1 October 1993 pension increases are 5.0%)	2.2
Rate of price inflation	3.0

Notes to the financial statements  
For the year ended 31 March 2012

19. Pensions (cont'd)

**Mortality Tables**

Non-pensioners	SAPS (S1PA) All Pensioners Year of Birth Long Cohort with 1% p.a. minimum improvement
Pensioners	SAPS (S1PA) All Pensioners Year of Birth Long Cohort with 1% p.a. minimum improvement

**Contribution Rates for Future Service (payable from 1 April 2011)**

	%
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

20. Housing Stock

The number of units of accommodation in management was as follows:-

	Units in management	
	2012	2011
General needs		
– Available for Letting	1,286	1,244
– Under Development	40	53
Supported	62	64
Shared Ownership	20	20
	<u>1,408</u>	<u>1,381</u>

21. Legislative Provisions

The Association is incorporated under the Industrial and Provident Societies Act 1965 – 2002.

22. Prior Year Adjustment

In accordance with the Statement of Recommended Practice (SORP) – Accounting by registered social housing providers, 2010, the Association has implemented component accounting for the first time this year. As this is a change in accounting policy the impact of component accounting has resulted in a restatement of the prior year figures via a prior year adjustment.

The principle of component accounting is to treat major components of an asset as if each component is a separate asset in its own right and depreciate the components over their individual useful economic lives. It follows therefore, that when a component is replaced, the old component is written off, in order to avoid double counting, with the new component capitalised and then amortised over its expected useful life.

Notes to the financial statements  
For the year ended 31 March 2012

22. Prior Year Adjustment (cont'd)

During the year the Association changed its accounting policy in relation to housing properties and depreciation in order to incorporate component accounting. Major repairs that relate to identified components are capitalised and depreciated over their estimated useful economic life.

As a result of the change in accounting policy a prior year adjustment has been required under Financial Reporting Standard 3 – Reporting Financial Performance and Financial Reporting Standard 18 – Accounting Policies as follows

The effect of this change in accounting policy on the 2011 financial statements is shown below. The 2011 opening reserves have increased by £858,643 of which £12,789 relates to increased depreciation, £403,305 relates to decrease in major repairs and £468,127 relates to a write off of Social Housing and Other Public Grants.

The change in accounting policy has also increased the 2010/11 surplus by £563,649 due to the capitalisation of previously expensed repairs of £261,128, a write off of Social Housing and Other Public Grants of £299,183 and a decrease in depreciation of £3,337.

	£
Increase in 2011 opening reserves	858,643
Increase in 2010/11 surplus	563,649
	<hr/>
Increase in income and Expenditure reserve	1,422,292
	<hr/> <hr/>

The overall effect of these adjustments has been to increase the net book value of housing properties and increase revenue reserves brought forward at 1st April 2011 by £1,422,292. Revenue reserves have increased from £2,032,225 to £3,454,517 and the net book value of housing properties has increased from £19,063,734 to £20,486,026.