

Cloch Housing Association Limited

Report and Financial Statements

For the year ended 31st March 2013

Registered Housing Association No. HEP91

FCA Reference No. SP1893RS

Scottish Charity No. SCO13996

# CLOCH HOUSING ASSOCIATION LIMITED

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## **CLOCH HOUSING ASSOCIATION LIMITED**

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### **MANAGEMENT COMMITTEE, EXECUTIVES AND ADVISERS YEAR ENDED 31st MARCH 2013**

#### **MANAGEMENT COMMITTEE**

Monica Sheekey	Chair
Jane Cheshire	Secretary
Jackie McKelvie	
Brenda Higgins	
Michael Clarke	
Patricia Gallagher	
Ruth Henderson	
Margaret McKay	
Peter Galbraith	
Kelly Ferns	Co-Optee
Danny McMillan	Co-Optee
Julieanne Scarlett	Co-Optee
Harriett Scott	Resigned 22/01/13
Isabel Carson	Resigned 27/02/13
Barry Small	Resigned 30/10/12
Tess McNeil	Resigned 25/06/12

#### **EXECUTIVE OFFICERS**

Paul McVey	General Manager
Andrew Thomson	Housing Manager
Elaine McShane	Business Development Manager

#### **REGISTERED OFFICE**

19 Bogle Street  
Greenock  
PA15 1ER

#### **AUDITORS**

Alexander Sloan  
Chartered Accountants  
38 Cadogan Street  
Glasgow  
G2 7HF

#### **BANKERS**

Clydesdale Bank PLC  
100 West Blackhall Street  
Greenock  
PA15 1XR

#### **SOLICITORS**

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

## **CLOCH HOUSING ASSOCIATION LIMITED**

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### **REPORT OF THE MANAGEMENT COMMITTEE FOR THE YEAR ENDED 31ST MARCH 2013**

The Management Committee presents its report and the Financial Statements for the year ended 31st March 2013.

#### **Legal Status**

The Association is a registered non-profit making organisation under the Industrial and Provident Societies Act 1965 No.SP1893RS. The Association is constituted under its Rule Book. The Association is a registered Scottish Charity with the charity number SCO13996.

#### **Principal Activities**

The principal activities of the Association are the provision and management of affordable rented accommodation.

#### **Review of Business and Future Developments**

Our work in the last year has cemented our partnership with Oak Tree Housing Association through the establishment of our group structure. Although remaining as independent Housing Associations in their own right, this brings together two of the most successful organisations in Inverclyde and creates a large Housing Association Group for the Inverclyde area.

In addition our progress with an in-depth governance and financial review has resulted in key improvements both to the dynamics within the Management Committee and an increased confidence in the financial stability of the organisation. Our regular liaison with the Scottish Housing Regulator has confirmed their satisfaction with the direction of travel for Cloch Housing Association and we are confident that this will re-establish the Association as a low-engagement organisation moving forward.

An integral part of the governance review was a review of the staffing structure and this was concluded with the appointment of the General Manager in January 2013. The organisation is now firmly focused on continuous improvement and meeting the challenges faced with the onset of welfare reform and the economic climate.

The future landscape for the housing sector is a difficult one in the current economic climate and with the impact of welfare benefit changes affecting the most vulnerable households in our communities. The Association will continue to support people affected by this legislation and help them in any way possible, whether it is through rehousing or providing assistance, advice or referrals to the appropriate agencies who provide a tailored response.

Along with Oak Tree, Larkfield and Link HA's we have established a Common Housing Register operating out of a One-Stop Shop. Applicants are supported by benefits advisors, tenancy sustainability staff and staff from the Inverclyde Housing Team. The service is temporarily located at Oak Tree's offices in Greenock. It is intended that this service will be expanded with the identification of new premises a priority over the coming months.

The reduction in grant funding has made development a more risky proposal for landlords and for the first time in a long time there is no development programme moving forward for Cloch Housing Association. That is not to say that we will not consider activity in the future but for the time being, our focus must be on consolidating our current position and working both independently and within the new Group structure to implement improvements across all of our service areas.

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**REPORT OF THE MANAGEMENT COMMITTEE  
FOR THE YEAR ENDED 31ST MARCH 2013**

**Management Committee and Executive Officers**

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

Each member of the Management Committee holds one fully paid share of £1 in the Association. The Executive Officers hold no interest in the Association's share capital and, although not having the legal status of Directors, they act as Executives within the authority delegated by the Management Committee.

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

**Statement of Management Committee's Responsibilities**

The Industrial and Provident Societies Acts 1965 to 2002 require the Management 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 surplus or deficit of the Association for that period. In preparing those Financial Statements, the Management Committee 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 Management Committee is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Association and to enable them to ensure that the Financial Statements comply with the Industrial and Provident Societies Act 1965 to 2002, the Housing (Scotland) Act 2010 and the Determination of Accounting Requirements 2012. They are also responsible for safeguarding the assets of the Association and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities. It is also responsible for ensuring the Association's suppliers are paid promptly.

The Management Committee must in determining how amounts are presented within items in the income and expenditure account and balance sheet, have regard to the substance of the reported transaction or arrangement, in accordance with generally accepted accounting practices.

In so far as the Management Committee are aware:

- There is no relevant audit information (information needed by the Housing Association's auditors in connection with preparing their report) of which the Association's auditors are unaware, and
- The Management Committee have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the Housing Association's auditors are aware of that information.

## CLOCH HOUSING ASSOCIATION LIMITED

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### REPORT OF THE MANAGEMENT COMMITTEE FOR THE YEAR ENDED 31ST MARCH 2013

#### Statement on Internal Financial Control

The Management Committee 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 Management Committee's responsibility to establish and maintain systems of Internal Financial Control. Such systems can only provide reasonable and not absolute assurance against material financial mis-statement or loss. Key elements of the Association's systems include ensuring that:

- formal policies and procedures are in place, including the ongoing documentation of key systems and rules relating to the delegation of authority, which allow the monitoring of controls and restrict the unauthorised use of Association's assets;
- experienced and suitably qualified staff take responsibility for important business functions and annual appraisal procedures have been established to maintain standards of performance;
- forecasts and budgets are prepared which allow the management team and the Management Committee to monitor key business risks, financial objectives and the progress being made towards achieving the financial plans set for the year and for the medium term;
- 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 Management Committee;
- the Management Committee 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.

#### Auditors

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

By order of the Management Committee



Secretary

03 September 2013

CLOCH HOUSING ASSOCIATION LIMITED

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REPORT BY THE AUDITORS TO THE MANAGEMENT COMMITTEE OF  
CLOCH HOUSING ASSOCIATION LIMITED  
ON CORPORATE GOVERNANCE MATTERS

In addition to our audit of the Financial Statements, we have reviewed your statement on Page 4 concerning the Association's compliance with the information required by the section on Internal Financial Control within SFHA's publication "Raising Standards in Housing".

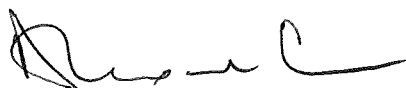
**Basis of Opinion**

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

**Opinion**

In our opinion the Statement on Internal Financial Control on Page 4 has provided the disclosures required by the section on Internal Financial Control within SFHA's publication "Raising Standards in Housing" and is consistent with the information which came to our attention as a result of our audit work on the Financial Statements.

Through enquiry of certain members of the Management Committee and Officers of the Association, and examination of relevant documents, we have satisfied ourselves that the Management Committee's Statement on Internal Financial Control appropriately reflects the Association's compliance with the information required by the section on Internal Financial Control within SFHA's "Raising Standards in Housing".



**ALEXANDER SLOAN**  
Chartered Accountants

GLASGOW  
03 September 2013

## **INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF CLOCH HOUSING ASSOCIATION LIMITED**

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We have audited the financial statements of Cloch Housing Association Limited for the year ended 31st March 2013 which comprise an income and expenditure account, balance sheet, cash flow statement and related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the Association's members, as a body, in accordance with 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 auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Association and the Association's members as a body, for our audit work, for this report, or for the opinions we have formed.

### **Respective Responsibilities of Management Committee and Auditors**

As explained more fully in the Statement of Management Committee's Responsibilities, the Association's Management Committee are responsible for the preparation of the Financial Statements that give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

### **Scope of the audit on the Financial Statements**

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

### **Opinion on the financial statements**

In our opinion the Financial Statements:

- give a true and fair view of the state of the Association's affairs as at 31st March 2013 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been properly prepared in accordance with the Industrial and Provident Societies Acts 1965 to 2002, the Housing (Scotland) Act 2010 and the Determination of Accounting Requirements 2012.

In our opinion the exemption granted by the Financial Services Authority from the requirement to prepare Group Accounts is applicable as the amounts involved are not material.



**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF  
CLOCH HOUSING ASSOCIATION LIMITED**

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

We are required to report to you if, in our opinion:

- the information given in the Management Committee's Report is inconsistent with the financial statements.
- proper books of account have not been kept by the Association in accordance with the requirements of the legislation.
- a satisfactory system of control over transactions has not been maintained by the Association in accordance with the requirements of the legislation.
- the Income and Expenditure Account to which our report relates, and the Balance Sheet are not in agreement with the books of the Association.
- we have not received all the information and explanations necessary for the purposes of our audit.

We have nothing to report in respect of these matters.



**ALEXANDER SLOAN**  
Chartered Accountants  
Statutory Auditors  
GLASGOW  
03 September 2013

# CLOCH HOUSING ASSOCIATION LIMITED

## INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED 31st MARCH 2013

	Notes	2013 £	Restated 2012 £
TURNOVER	2.	5,961,710	5,409,069
Operating Costs	2.	<u>(4,215,427)</u>	<u>(3,800,701)</u>
OPERATING SURPLUS	9.	1,746,283	1,608,368
Gain On Sale Of Housing Stock	7.	-	713
Exceptional Item	23.	(377,729)	-
Interest Receivable and Other Income		10,018	9,373
Interest Payable and Similar Charges	8.	<u>(671,044)</u>	<u>(339,645)</u>
		<u>(1,038,755)</u>	<u>(329,559)</u>
SURPLUS FOR THE YEAR		<u>707,528</u>	<u>1,278,809</u>

All amounts relate to continuing activities. Historical cost surpluses and deficits are identical to those shown in the accounts.

## STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

	2013 £	2012 £
Surplus for the financial year	707,528	1,278,809
Prior year adjustment	<u>(437,352)</u>	<u>1,422,292</u>
Total gains recognised since last annual report	<u>270,176</u>	<u>2,701,101</u>

# CLOCH HOUSING ASSOCIATION LIMITED

## BALANCE SHEET AS AT 31st MARCH 2013

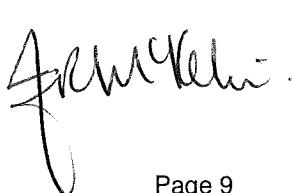
	Notes	£	2013 £	£	Restated 2012 £
<b>TANGIBLE FIXED ASSETS</b>					
Housing Properties - Depreciated Cost	11.(a)		102,180,385		101,617,288
Less: SHG and Other Grants	11.(a)		(76,596,978)		(76,861,542)
			<u>25,583,407</u>		<u>24,755,746</u>
Office Premises	11.(b)		1,007,522		974,911
Other fixed assets	11.(b)		16,636		18,942
			<u>26,607,565</u>		<u>25,749,599</u>
<b>FIXED ASSET INVESTMENTS</b>					
Investment in subsidiaries	22.		2		2
Shared Equity Cost	22.	989,435		940,060	
Shared Equity Grant	22.	(989,435)		(940,060)	
			<u>-</u>	<u>-</u>	<u>-</u>
<b>CURRENT ASSETS</b>					
Debtors	14.	389,776		407,362	
Investments	25.	483,947		480,096	
Cash at bank and in hand		1,795,583		1,961,075	
		<u>2,669,306</u>		<u>2,848,533</u>	
<b>CREDITORS: Amounts falling due within one year</b>	15.	(3,684,565)		(2,825,075)	
<b>(NET CURRENT LIABILITIES)</b>			<u>(1,015,259)</u>		<u>23,458</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			<u>25,592,308</u>		<u>25,773,059</u>
<b>CREDITORS: Amounts falling due after more than one year</b>	16.		(19,464,632)		(20,352,903)
<b>NET ASSETS</b>			<u>6,127,676</u>		<u>5,420,156</u>
<b>CAPITAL AND RESERVES</b>					
Share Capital	18.		87		95
Designated Reserves	19.(a)		5,888,056		5,357,413
Revenue Reserves	19.(b)		239,533		62,648
			<u>6,127,676</u>		<u>5,420,156</u>

The Financial Statements were approved by the Management Committee and signed on their behalf on 03 September 2013.

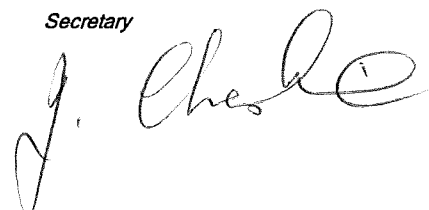
Chairperson



Committee Member



Secretary



CLOCH HOUSING ASSOCIATION LIMITED

CASH FLOW STATEMENT FOR THE YEAR ENDED

31st MARCH 2013

	Notes	£	2013 £	Restated 2012 £
Net Cash Inflow from Operating Activities	17.		2,520,941	2,250,588
Returns on Investment and Servicing of Finance				
Interest Received		10,018	9,373	
Interest Paid		(705,870)	(339,645)	
Net Cash Outflow from Investment and Servicing of Finance			(695,852)	(330,272)
Capital Expenditure and Financial Investment				
Acquisition and Construction of Properties		(1,621,050)	(7,025,607)	
Purchase of Other Fixed Assets		(67,422)	(309,977)	
HAG and other grants received		41,507	1,805,596	
Social Housing Grant Repaid		-	(243,326)	
Proceeds on Disposal of Other Fixed Assets		-	270,166	
Net Cash Outflow from Capital Expenditure and Financial Investment			(1,646,965)	(5,503,148)
Net Cash Inflow / (Outflow) before use of Liquid Resources and Financing			178,124	(3,582,832)
Management of Liquid Resources				
Change in short term deposits with banks			(3,851)	(480,096)
Financing				
Loan Advances Received		13,804,665	4,894,493	
Loan Redemption Payments		(13,440,189)	-	
Loan Principal Repayments		(708,099)	(617,703)	
Share Capital Issued		7	11	
Net Cash (Outflow) / Inflow from Financing			(343,616)	4,276,801
(Decrease) / Increase in Cash	17.		(165,492)	213,873

# CLOCH HOUSING ASSOCIATION LIMITED

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## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2013

### NOTES TO THE FINANCIAL STATEMENTS

#### 1 PRINCIPAL ACCOUNTING POLICIES

##### **Basis Of Accounting**

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

##### **Turnover**

Turnover represents rental and service charge income receivable, fees receivable and revenue grants receivable.

##### **Retirement Benefits**

The Association participates in the Scottish Housing Association Defined Benefits Pension Scheme and retirement benefits to employees of the Association are funded by the contributions from all participating employers and employees in the Scheme. Payments are made in accordance with periodic calculations by consulting Actuaries and are based on pension costs applicable across the various participating Associations taken as a whole.

##### **Valuation Of Housing Properties**

Housing Properties are stated at cost, less social housing and other public grants and less accumulated depreciation. Housing under construction and Land are not depreciated. The Association depreciates housing properties by major component on a straight line basis over the estimated useful economic lives of each identified component. All components are categorised as Housing Properties within note 11. Impairment reviews are carried out if events or circumstances indicate that the carrying value of the components listed below is higher than the recoverable amount.

<i>Component</i>	<i>Useful Economic Life</i>
Roof	50 years
Kitchens	15 years
Bathrooms	20 years
Windows	30 years
Central Heating	30 years
Boilers	15 years
Rewiring	30 years
Lifts	20 years

# CLOCH HOUSING ASSOCIATION LIMITED

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## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2013

### NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

##### **Depreciation And Impairment Of Other Fixed Assets**

Other Fixed Assets are stated at cost less accumulated depreciation. Depreciation is charged on a straight line basis over the expected economic useful lives of the assets at the following annual rates:-

Office Premises	50 years
Furniture and Fittings	5 years
Computer Equipment	3 years

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

##### **Social Housing Grant And Other Grants In Advance/Arrears**

Where developments have been financed wholly or partly by Social Housing Grant or other capital grant, the cost of those developments has been reduced by the amount of the grant receivable. The amount of the grants receivable is shown separately on the Balance Sheet.

Social Housing Grant attributed to individual components is written off to the Income and Expenditure Account when these components are replaced.

Social Housing Grant received in respect of revenue expenditure is credited to the Income and Expenditure Account in the same period as the expenditure to which it relates.

Although Social Housing Grant is treated as a grant for accounting purposes, it may nevertheless become repayable in certain circumstances, such as the disposal of certain assets. The amount repayable would be restricted to the net proceeds of sale.

##### **Sales Of Housing Properties**

First tranche Shared Ownership disposals are credited to turnover on completion. The cost of construction of these sales is taken to operating cost. In accordance with the Statement of Recommended Practice, disposals of subsequent tranches are treated as fixed asset disposals with the gain or loss on disposal shown in the Income and Expenditure Account.

Disposals of housing property under the Right to Buy scheme are treated as a fixed asset disposal and any gain and loss on disposal accounted for in the Income and Expenditure Account.

Disposals under shared equity schemes are accounted for in the Income and Expenditure Account. The remaining equity in the property is treated as a fixed asset investment, which is matched with the grant received.

# CLOCH HOUSING ASSOCIATION LIMITED

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## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2013

### NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

##### **Leases/Leased Assets**

Costs in respect of operating leases are charged to the Income and Expenditure Account on a straight line basis over the lease term. Assets held under finance leases and hire purchase contracts are capitalised in the Balance Sheet and are depreciated over their useful lives.

##### **Works to Existing Properties**

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

##### **Capitalisation Of Development Overheads**

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

##### **Development Interest**

Interest incurred on financing a development is capitalised up to the date of practical completion of the scheme.

##### **Designated Reserves**

The Association has designated part of its reserves to meet its long term obligations.

The Cyclical Maintenance 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.

The Major Repairs 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.

##### **Property Development Cost**

The proportion of the development cost of shared ownership properties expected to be disposed of as a first tranche sale is held in current assets until it is disposed of. The remaining part of the development cost is treated as a fixed asset. Surpluses made on the disposal of first tranche sales are taken to the Income and Expenditure Account in accordance with the Statement of Recommended Practice.

Property developments that are intended for resale are included in current assets until disposal.

# CLOCH HOUSING ASSOCIATION LIMITED

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2013

### NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

		2013			2012 restated		
	Notes	Turnover	Operating Costs	Operating Surplus / (Deficit)	Turnover	Operating Costs	Operating Surplus / (Deficit)
		£	£	£	£	£	£
Social Lettings	3.	5,531,641	3,763,156	1,768,485	4,985,667	3,353,865	1,631,802
Other Activities	4.	430,069	452,271	(22,202)	423,402	446,836	(23,434)
<b>Total</b>		<b>5,961,710</b>	<b>4,215,427</b>	<b>1,746,283</b>	<b>5,409,069</b>	<b>3,800,701</b>	<b>1,608,368</b>

#### 3. PARTICULARS OF INCOME & EXPENDITURE FROM SOCIAL LETTINGS

	General Needs Housing	Supported Housing	Shared ownership	2013 Total	Restated 2012 Total
	£	£	£	£	£
<b>Income from Lettings</b>					
Rent Receivable Net of Identifiable Service Charges	5,114,526	116,776	40,190	5,271,492	4,779,049
Service Charges Receivable	54,649	184,878	-	239,527	233,878
<b>Gross Rents Receivable</b>	<b>5,169,175</b>	<b>301,654</b>	<b>40,190</b>	<b>5,511,019</b>	<b>5,012,927</b>
<b>Less: Rent losses from voids</b>	<b>25,119</b>	<b>1,923</b>	<b>-</b>	<b>27,042</b>	<b>27,260</b>
<b>Net Rents Receivable</b>	<b>5,144,056</b>	<b>299,731</b>	<b>40,190</b>	<b>5,483,977</b>	<b>4,985,667</b>
Revenue Grants from Scottish Ministers	47,664	-	-	47,664	-
<b>Total Income From Social Letting</b>	<b>5,191,720</b>	<b>299,731</b>	<b>40,190</b>	<b>5,531,641</b>	<b>4,985,667</b>
<b>Expenditure on Social Letting Activities</b>					
Service Costs	171,785	78,739	-	250,524	261,162
Management and maintenance administration costs	1,507,121	43,262	14,889	1,565,272	1,582,948
Reactive Maintenance	451,190	29,647	-	480,837	435,791
Bad Debts - Rents and Service Charges	46,497	-	-	46,497	40,112
Planned and Cyclical Maintenance, including Major Repairs	592,542	38,508	-	631,050	301,646
Depreciation of Social Housing*	761,823	27,153	-	788,976	732,206
<b>Operating Costs of Social Letting</b>	<b>3,530,958</b>	<b>217,309</b>	<b>14,889</b>	<b>3,763,156</b>	<b>3,353,865</b>
<b>Operating Surplus on Social Letting Activities</b>	<b>1,660,762</b>	<b>82,422</b>	<b>25,301</b>	<b>1,768,485</b>	<b>1,631,802</b>
<b>2012</b>	<b>1,658,845</b>	<b>6,376</b>	<b>26,418</b>		

\*Includes loss on replacement of components of £15,596.



# CLOCH HOUSING ASSOCIATION LIMITED

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2013

### NOTES TO THE FINANCIAL STATEMENTS (Continued)

#### 4. PARTICULARS OF TURNOVER, OPERATING COSTS AND OPERATING SURPLUS OR DEFICIT FROM OTHER ACTIVITIES

	Grants From Scottish Ministers £	Other Revenue Grants £	Supporting People Income £	Other Income £	Total Turnover £	Operating Costs Bad Debts £	Operating Costs Other £	Operating Surplus /(Deficit) 2013 £	Operating Surplus /(Deficit) 2012 £
Wider Role Activities	33,479	-	-	-	33,479	-	47,861	(14,382)	(32,969)
Care and Repair Service	-	-	-	246,000	246,000	-	246,499	(499)	18,030
Factoring	-	-	-	24,780	24,780	4,835	883	19,062	3,995
Support Activities	-	-	23,734	-	23,734	-	25,329	(1,595)	(12,490)
Stage 3	44,487	-	-	-	44,487	-	43,569	918	-
Shared Equity Sale	-	-	-	39,238	39,238	-	39,238	-	-
Common Housing Register	-	-	-	18,351	18,351	-	44,057	(25,706)	-
<b>Total From Other Activities</b>	<b>77,966</b>	<b>-</b>	<b>23,734</b>	<b>328,369</b>	<b>430,069</b>	<b>4,835</b>	<b>447,436</b>	<b>(22,202)</b>	<b>(23,434)</b>
<b>2012</b>	<b>94,097</b>	<b>256,900</b>	<b>23,734</b>	<b>48,671</b>	<b>423,402</b>	<b>-</b>	<b>446,836</b>	<b>(23,434)</b>	

# CLOCH HOUSING ASSOCIATION LIMITED

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2013

### NOTES TO THE FINANCIAL STATEMENTS (Continued)

#### 5. OFFICERS' EMOLUMENTS

The Officers are defined in s74 of the Industrial and Provident Societies Act 1965 as the members of the Management Committee, managers or servants of the Association.

2013	2012
£	£

No Officer of the Association received emoluments greater than £60,000 in 2013.

Aggregate Emoluments payable to Officers with Emoluments greater than £60,000 (excluding Pension Contributions)	-	69,057
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Compensation payable to Officers for loss of Office	-	30,000
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The number of Officers, including the highest paid Officer, who received emoluments (excluding pension contributions) over £60,000 was in the following ranges:-

	Number	Number
£60,001 to £70,000	-	1

During 2013 and 2012, the Association has appointed an interim Chief Executive. Between March - October 2011, Charles Turner filled the role. From October 2011 - January 2013 the role was undertaken by Paul Rydquist. Paul McVey joined in January 2013 as General Manager.

Emoluments payable to Chief Executive (excluding pension contributions)	142,335	98,870
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#### 6. EMPLOYEE INFORMATION

	2013	2012
	No.	No.
The average monthly number of full time equivalent persons employed during the year was	32	37
The average total number of Employees employed during the year was	39	45
Staff Costs were:	£	£
Wages and Salaries	1,005,286	1,054,318
Compensation for loss of office	-	30,000
Social Security Costs	79,775	84,510
Other Pension Costs	151,875	152,080
Temporary, Agency and Seconded Staff	241,201	-
	1,478,137	1,320,908

# CLOCH HOUSING ASSOCIATION LIMITED

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2013

### NOTES TO THE FINANCIAL STATEMENTS (Continued)

7. GAIN ON SALE OF HOUSING STOCK		
	2013	2012
	£	£
Sales Proceeds	-	273,836
Cost of Sales	-	273,123
Gain On Sale Of Housing Stock	-	713

8. INTEREST PAYABLE		
	2013	2012
	£	£
On Bank Loans & Overdrafts	640,421	339,645
On Other Loans	65,449	-
	705,870	339,645
Less: Interest Capitalised	34,826	-
	671,044	339,645

Interest capitalised was incurred at varying rates of interest.

9. SURPLUS ON ORDINARY ACTIVITIES BEFORE TAXATION		
	2013	2012
	£	£
Surplus on Ordinary Activities before Taxation is stated after charging:-		
Depreciation - Tangible Owned Fixed Assets	810,497	699,646
Auditors' Remuneration - Audit Services	15,030	11,640
- Other Services	5,262	-

10. TAX ON SURPLUS ON ORDINARY ACTIVITIES	
The Association is a Registered Scottish Charity and is not liable to United Kingdom Corporation Tax on its charitable activities.	

# CLOCH HOUSING ASSOCIATION LIMITED

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2013

### NOTES TO THE FINANCIAL STATEMENTS (Continued)

#### 11. TANGIBLE FIXED ASSETS

a) Housing Properties	Housing Properties Held for Letting £	Housing Properties In course of Construction £	Total £
<b>COST</b>			
As at 1st April 2012	100,085,492	4,770,229	104,855,721
Additions	254,347	1,401,529	1,655,876
Disposals	(220,929)	-	(220,929)
Shared Equity Disposal*	(108,585)	-	(108,585)
Schemes Completed	6,171,758	(6,171,758)	-
As at 31st March 2013	106,182,083	-	106,182,083
<b>DEPRECIATION</b>			
As at 1st April 2012 - restated	3,238,433	-	3,238,433
Charge for Year	773,380	-	773,380
Disposals	(10,115)	-	(10,115)
As at 31st March 2013	4,001,698	-	4,001,698
<b>SHG and Other Grants</b>			
As at 1st April 2012	74,984,893	1,876,649	76,861,542
Disposals	(195,217)	-	(195,217)
Shared Equity Disposal	(69,347)	-	(69,347)
Schemes Completed	1,876,649	(1,876,649)	-
As at 31st March 2013	76,596,978	-	76,596,978
<b>NET BOOK VALUE</b>			
As at 31st March 2013	25,583,407	-	25,583,407
As at 31st March 2012	21,862,166	2,893,580	24,755,746

Additions to housing properties includes capitalised development administration costs of £0 (2012 - £119,848) and capitalised major repair costs to existing properties of £205,935 (2012 £221,978)

All land and housing properties are freehold.

\*During the year one of the Association's held for letting properties was designated as shared equity and sold.

# CLOCH HOUSING ASSOCIATION LIMITED

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2013

### NOTES TO THE FINANCIAL STATEMENTS (Continued)

#### 11. TANGIBLE FIXED ASSETS (Continued)

b) Other Tangible Assets	Sheltered Housing F & F £	Furniture - Supported Accommodation £	Office Premises £	Furniture & Equipment £	Computer Equipment £	Total £
<b>COST</b>						
As at 1st April 2012	14,467	118,457	1,045,505	58,377	156,773	1,393,579
Additions	749	-	54,617	-	12,056	67,422
Eliminated on Disposals	-	-	-	-	-	-
As at 31st March 2013	15,216	118,457	1,100,122	58,377	168,829	1,461,001
<b>GRANTS RECEIVED</b>						
As at 1st April 2012	-	-	-	-	-	-
Received in year	-	-	-	-	-	-
Repaid on Disposal	-	-	-	-	-	-
As at 31st March 2013	-	-	-	-	-	-
<b>AGGREGATE DEPRECIATION</b>						
As at 1st April 2012	12,688	118,457	70,594	54,241	143,746	399,726
Charge for year	728	-	22,006	1,137	13,246	37,117
Eliminated on disposal	-	-	-	-	-	-
As at 31st March 2013	13,416	118,457	92,600	55,378	156,992	436,843
<b>NET BOOK VALUE</b>						
As at 31st March 2013	1,800	-	1,007,522	2,999	11,837	1,024,158
As at 31st March 2012	1,779	-	974,911	4,136	13,027	993,853

#### 12. CAPITAL COMMITMENTS

	2013 £	2012 £
Capital Expenditure that has been contracted for but has not been provided for in the Financial Statements	-	2,028,974

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

#### 13. COMMITMENTS UNDER OPERATING LEASES

At the year end, the annual commitments under operating leases were as follows:-	2013 £	2012 £
<b>Other</b>		
Expiring within one year	4,310	-
Expiring between two and five years	13,201	16,090

# CLOCH HOUSING ASSOCIATION LIMITED

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2013

### NOTES TO THE FINANCIAL STATEMENTS (Continued)

#### 14. DEBTORS

	2013	2012
	£	£
Arrears of Rent & Service Charges	176,272	128,119
Less: Provision for Doubtful Debts	(88,843)	-
	<u>87,429</u>	<u>128,119</u>
Social Housing Grant Receivable	33,576	75,083
Other Debtors	268,771	204,160
	<u>389,776</u>	<u>407,362</u>

#### 15. CREDITORS: Amounts falling due within one year

	2013	2012
	£	£
Housing Loans	1,476,070	931,425
Trade Creditors	292,405	-
Rent in Advance	234,853	-
Other Taxation and Social Security	19,695	24,950
Other Creditors	1,437,806	1,868,700
Accruals and Deferred Income	223,736	-
	<u>3,684,565</u>	<u>2,825,075</u>

At the balance sheet date there were pension contributions outstanding of £52,635 (2012 £18,082)

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

	2013	2012
	£	£
Housing Loans	<u>19,464,632</u>	<u>20,352,903</u>

Housing Loans are secured by specific charges on the Association's housing properties and are repayable at varying rates of interest in instalments, due as follows:-

Within one year	1,476,070	931,425
Between one and two years	1,528,262	933,390
Between two and five years	4,918,804	2,775,934
In five years or more	13,017,566	16,643,579
	<u>20,940,702</u>	<u>21,284,328</u>
Less: Amount shown in Current Liabilities	1,476,070	931,425
	<u>19,464,632</u>	<u>20,352,903</u>

# CLOCH HOUSING ASSOCIATION LIMITED

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2013

### NOTES TO THE FINANCIAL STATEMENTS (Continued)

#### 17 CASH FLOW STATEMENT

	2013	Restated 2012
	£	£
<i>Reconciliation of operating surplus to net cash inflow from operating activities</i>		
Operating Surplus	1,746,283	1,608,368
Exceptional items	(377,729)	-
Depreciation	826,093	759,483
Change in Provisions for liabilities and charges	-	-
Change in properties developed for resale	39,238	-
Change in Debtors	(23,921)	(99,830)
Change in Creditors	310,992	(17,428)
Gain on sale of fixed assets	-	-
Share Capital Written Off	(15)	(5)
Net Cash Inflow from Operating Activities	<u>2,520,941</u>	<u>2,250,588</u>

	2013	Restated 2012
	£	£
<i>Reconciliation of net cash flow to movement in net debt</i>		
(Decrease) / Increase in Cash	(165,492)	213,873
Cash flow from management of liquid resources	3,851	480,096
Cash flow from change in debt	<u>343,626</u>	<u>(4,276,790)</u>
Movement in net debt during year	181,985	(3,582,821)
Net debt at 1st April 2012	(18,843,157)	(15,260,336)
Net debt at 31st March 2013	<u>(18,661,172)</u>	<u>(18,843,157)</u>

	Restated At 01.04.12	Cash Flows	Other Changes	At 31.03.13
	£	£	£	£
Cash at bank and in hand	1,961,075	(165,492)		1,795,583
Liquid Resources	1,961,075	(165,492)		1,795,583
Debt: Due within one year	480,096	3,851		483,947
Due after more than one year	(931,425)	343,626	(888,271)	(1,476,070)
	<u>(20,352,903)</u>	<u>-</u>	<u>888,271</u>	<u>(19,464,632)</u>
Net Debt	<u>(18,843,157)</u>	<u>181,985</u>	<u>-</u>	<u>(18,661,172)</u>

## CLOCH HOUSING ASSOCIATION LIMITED

### FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2013

#### NOTES TO THE FINANCIAL STATEMENTS (Continued)

#### 18. SHARE CAPITAL

Shares of £1 each Issued and Fully Paid	£
At 1st April 2012	95
Issued in year	7
Cancelled in year	(15)
At 31st March 2013	<u>87</u>

Each member of the Association holds one share of £1 in the Association. These shares carry no rights to dividend or distributions on a winding up. When a shareholder ceases to be a member, that person's share is cancelled and the amount paid thereon becomes the property of the Association. Each member has a right to vote at members' meetings.

#### 19. RESERVES

(a) Designated Reserves	Cyclical Maintenance £	Major Repairs £	Total £
At 1st April 2012	709,250	4,648,163	5,357,413
Transfer to / (from) Revenue Reserves	130,250	400,393	530,643
At 31st March 2013	<u>839,500</u>	<u>5,048,556</u>	<u>5,888,056</u>

(b) Revenue Reserves	Total £
At 1st April 2012 - restated	62,648
Surplus for the year	707,528
Transfer (to) / from Designated Reserves	(530,643)
At 31st March 2013	<u>239,533</u>

#### 20. HOUSING STOCK

The number of units of accommodation in management at the year end was:-	2013 No.	2012 No.
General Needs - Available for Letting	1,325	1,286
- Under Development	-	40
Shared Ownership	20	20
Supported Housing	62	62
	<u>1,407</u>	<u>1,408</u>



## CLOCH HOUSING ASSOCIATION LIMITED

### FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2013

#### NOTES TO THE FINANCIAL STATEMENTS (Continued)

#### 21. RELATED PARTY TRANSACTIONS

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

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

2 members are tenants of the Association

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

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

#### 22. FIXED ASSET INVESTMENT

	2013 £	2012 £
<b>Shared Equity Properties</b>		
Development Cost of Shared Equity Property	989,435	940,060
<b>Less: Grants Receivable</b>	<u>989,435</u>	<u>940,060</u>
	-	-
	<u>-</u>	<u>-</u>
<b>Investments in Subsidiaries</b>		
As at 31st March 2013 & 31st March 2012	<u>2</u>	<u>2</u>

In the opinion of the Management Committee the aggregate value of the assets of the subsidiary is not less than the aggregate of the amounts at which those assets are stated in the Association's balance sheet.

The Association has a 100% owned subsidiary Cloch Property Services Ltd. The relationship between the Association and its subsidiary is set out in an independence agreement between both parties.

The company was incorporated on 29 September 2009 and for the year to 31st March 2013 filed dormant accounts.

## CLOCH HOUSING ASSOCIATION LIMITED

### FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2013

#### NOTES TO THE FINANCIAL STATEMENTS (Continued)

##### 23. EXCEPTIONAL ITEM

During the course of the year, Cloch Housing Association incurred legal and professional fees of £377,729 relating to internal reviews and the Constitutional Partnership.

##### 24. CONTROLLING PARTY

The Association's parent undertaking at the balance sheet date was Oak Tree Housing Association Ltd, a non-charitable registered social landlord registered under the Industrial and Provident Societies Act. Oak Tree Housing Association Ltd exercises dominant control through its ability to control the majority of the membership of Committee of Management. Cloch Housing Association Ltd continues to have primary responsibility for all aspects of its business operations.

The Association has taken advantage of the exemption from disclosing related party transactions, available to 100% subsidiaries, within FRS 8.

##### 25. CURRENT ASSET INVESTMENTS

	2013	Restated 2012
	£	£
Short Term Deposits	483,947	480,096

##### 26. PRIOR YEAR RESTATEMENT

When preparing the year end financial statements, the Association reviewed the allocation of bank balances. It was identified that an account allocated to Cash & Bank balances in 2012, was in fact a term deposit account. The accounts have now been restated to show the term deposit account as Current Asset Investment.

In addition there was a number of items within Housing Properties that had no depreciation calculated on them in prior year. It was identified that a number of components had not been depreciated in prior year, along with Maukinhill Phase 3.

Similarly there was a £9,924 balance on fixed asset investment which was left in error in prior year.

A prior year adjustment has been incorporated into the accounts to correct these misallocations.

	Reported in 2012	Restated 2012	Value of restatement
Current asset investments	480,096	-	480,096
Bank and cash	2,441,171	1,961,075	(480,096)
Accumulated Depreciation on Properties	2,811,005	3,238,433	(427,428)
Fixed Asset Investment - shared equity grant	930,134	940,060	(9,926)
Investment in Subsidiary	-	2	2
This restatement has resulted in a change to the prior year surplus of:			(437,352)

## CLOCH HOUSING ASSOCIATION LIMITED

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### FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2013

#### NOTES TO THE FINANCIAL STATEMENTS (Continued)

#### **27. RETIREMENT BENEFIT OBLIGATIONS**

##### **General**

Cloch Housing Association Limited participates in the Scottish Housing Association Pension Scheme (the scheme).

The Scheme is a multi-employer defined benefit scheme. The Scheme is funded and is contracted out of the state scheme.

The Scheme offers five benefit structures to employers, namely:

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

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.

Cloch Housing Association Limited has elected to operate the final salary with a 1/60th accrual rate benefit structure for active members as at 31st March 2008 and the final salary with a 1/60th accrual rate benefit structure for new entrants from 1st April 2008.

The Trustee commissions an actuarial valuation of the Scheme every three years. The main purpose of the valuation is to determine the financial position of the Scheme in order to determine the level of future contributions required, so that the Scheme can meet its pension obligations as they fall due.

The actuarial valuation assesses whether the Scheme's assets at the valuation date are likely to be sufficient to pay the pension benefits accrued by members as at the valuation date. Asset values are calculated by reference to market values. Accrued pension benefits are valued by discounting expected future benefit payments using a discount rate calculated by reference to the expected future investment returns.

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

As at the balance sheet date there were 23 active members of the Scheme employed by Cloth Housing Association Limited. The annual pensionable payroll in respect of these members was £533,111. Cloth Housing Association Limited continues to offer membership of the Scheme to its employees.

It is not possible in the normal course of events to identify the share of underlying assets and liabilities belonging to individual participating employers as the scheme is a multi-employer arrangement where the assets are co-mingled for investment purposes, benefits are paid from the total scheme assets, and the contribution rate for all employers is set by reference to the overall financial position of the scheme rather than by reference to individual employer experience. Accordingly, due to the nature of the Scheme, the accounting charge for the period under FRS17 represents the employer contribution payable.

## CLOCH HOUSING ASSOCIATION LIMITED

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### FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2013

#### NOTES TO THE FINANCIAL STATEMENTS (Continued)

#### 27. RETIREMENT BENEFIT OBLIGATIONS (Continued)

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

##### Financial Assumptions

The key financial assumptions underlying the valuation as at 30th September 2012 were as follows:

	% p.a.
- Investment return pre-retirement	5.3
- Investment return post-retirement - non pensioners	3.4
- Investment return post-retirement - pensioners	3.4
- Rate of Salary increases	4.1
- Rate of pension increases:	
pension accrued pre 6 April 2005 in excess of GMP	2.6
pension accrued from 6 April 2005	2
(for leavers before 1 October 1993 pension increases are 5.0%)	
- Rate of price inflation	3.0

The valuation was carried out using the SAPS (S1PA) All pensioners Year of Birth Long Cohort with 1% p.a. minimum improvement for non-pensioners and pensioners.

## CLOCH HOUSING ASSOCIATION LIMITED

### FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2013

#### NOTES TO THE FINANCIAL STATEMENTS (Continued)

#### 27. RETIREMENT BENEFIT OBLIGATIONS (Continued)

##### Valuation Results

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

<i>Benefit Structure</i>	<i>Long-term joint contribution rate (% of pensionable salaries)</i>
Final salary - 60ths	24.6
Career average 60ths	22.4
Career average 70ths	19.2
Career average 80ths	16.9
Career average 120ths	11.4

If an actuarial valuation reveals a shortfall of assets compared to liabilities the Trustee must prepare a recovery plan setting out the steps to be taken to make up the shortfall.

The trustees have recently supplied Cloch Housing Association with an updated contribution figure to the past service deficit. From 1 April 2014 Cloch Housing Association will be required to pay £183,115 per annum as a contribution to the past service deficit. This will represent an increase of 99% in Cloch Housing Association's contribution to the past service deficit. The deficit contribution will increase each April by 3%

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

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

The leaving employer's share of the buy-out debt is the proportion of the Scheme's liability attributable to employment with the leaving employer compared to the total amount of the Scheme's liabilities (relating to employment with all the currently participating employers). The leaving employer's debt therefore includes a share of any "orphan" liabilities in respect of previously participating employers. The amount of the debt therefore depends on many factors including total Scheme liabilities, Scheme investment performance, the liabilities in respect of current and former employees of the employer, financial conditions at the time of the cessation event and the insurance buy-out market. The amounts of debt can therefore be volatile over time.