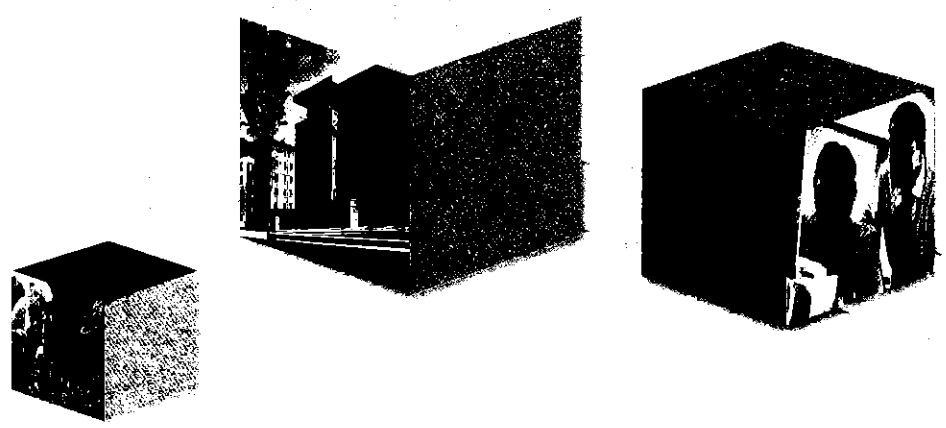




annual report 2009-2010



Leaders in Building Communities where People Choose to Live

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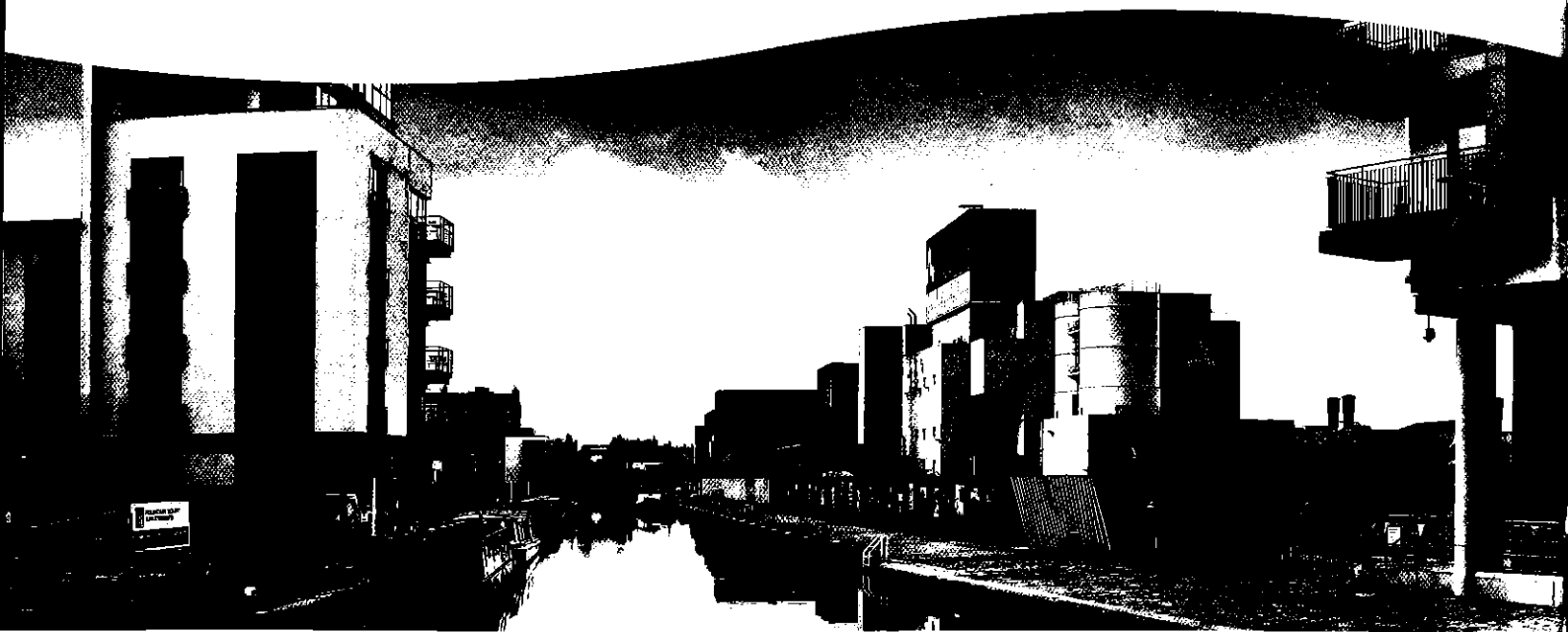


> Tait Wynd, Edinburgh

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# Statement by the Chair



> Lochrin Basin, Edinburgh



> Yvonne Summers, Chair DCHA

We have seen significant growth and success and that does not come without hard work and expertise.

**This has been my first year as the Chair of Dunedin Canmore Housing Association and has proved to be an extremely challenging one. With the country coming through a recession and the private house building industry almost at a standstill we have had both challenges and opportunities. We have seen the demand for our services in the affordable housing sector accelerate. The support given to our current tenants has increased, the demand for new supply has increased and the breadth of people in housing need has changed.**

At the same time that this is happening we have continued to invest in our housing stock to improve the standards of accommodation we can offer to tenants. The Scottish Housing Quality Standard as set by the Scottish Government we see as a minimum standard that we should work to. The work we are doing will be of benefit to tenants for many years to come. Taking a long term view, we will maintain the quality and affordability of the accommodation that we provide.

# Statement by the Chair

Year on year we have improved performance, hit the targets that have been set and been flexible in these uncertain times.

However, the additional work we are doing at the present time comes at a price and the Board have worked hard to balance the rent levels we set with the services we deliver. There have been some hard decisions and I commend the Board for their support and responsibility when it has been required.

I would also like to thank my predecessor Delia Lomax. The knowledge and expertise that Delia brought to the Board was evident in the way that the Board has contributed to the success of Dunedin Canmore over the past year.

I would also like to pay tribute to David Priest who has now retired from the Board. David brought a tremendous amount of business expertise to the Group and was a real asset around the Board room table. I wish him well in his retirement.



> Lochrin Basin, Edinburgh

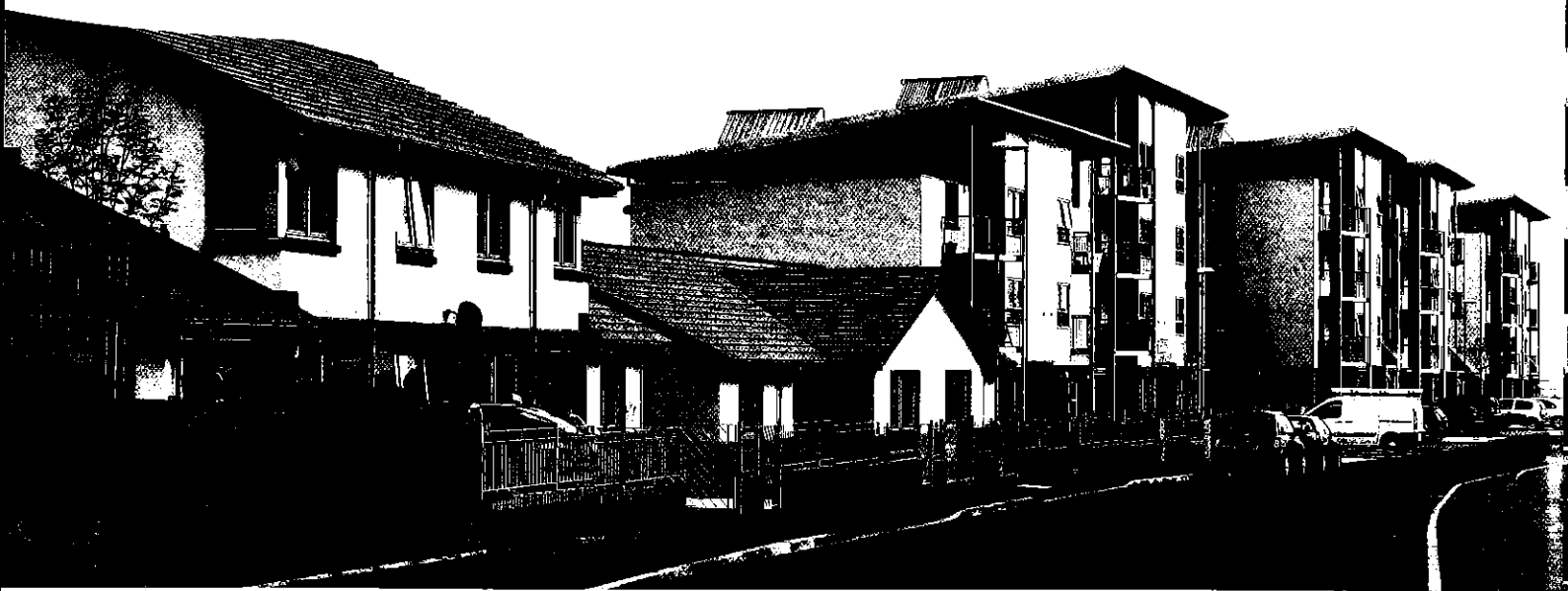
We must now look to the future. The end of March 2010 marked the end of the first five years of Dunedin Canmore. We have seen significant growth and success and that does not come without hard work and expertise. The contribution that the staff team has made must be recognised. Year on year we have improved performance, hit the targets that have been set and been flexible in these uncertain times. I am confident that the staff working for the Group can continue to help us grow and keep on delivering the quality of services to the communities that we work in.

Our Business Plan for the next five years takes into account the experience and success of the past with a range of challenging targets set to continue meeting the needs of those in housing need.

**Yvonne Summers** Chair  
24 June 2010

Handwritten signature of Yvonne Summers.

# Statement by the Chief Executive



> Fleming Place (site of the old Eastern General Hospital)



> Ewan Fraser, Chief Executive

**The Dunedin Canmore Group has secured major opportunities that have arisen during the course of the last year. Some of these will take the next two years to come to fruition but it does secure the future growth of the organisation and has provided significant economic benefits to the Edinburgh and Lothian areas.**

These opportunities have come for both Dunedin Canmore Housing Association and Malcolm Homes. This is important as the demand for the services from our Group is broadening out every year. To be able to increase the range of products and the choice of services we provide does add strength to our organisation.

The growth we have gone through to satisfy the demands for a range of affordable housing products also brings a number of challenges. Firstly there is the financial challenge in these uncertain times. We are very aware of this and are concentrating on Business Planning and careful selection of partners to work with. We have been extremely well supported by all of the Local Authorities we work with as well as the Scottish Government and our banks. The lessons learnt will be used as we continue to move our business forward during 2010.

# Statement by the Chief Executive

Dunedin Canmore is an enterprising Group that does try to embrace new and entrepreneurial ideas. It prides itself as a Social Enterprise.



> Milton Road, Edinburgh

The second thing we must do is to retain the high standards of management that we have demonstrated to date. The ongoing support and training of a committed and successful staff team is the only way to progress in challenging times. Their expertise in all areas of the Group makes the difference between success and failure. The Group will continue to invest in staff, its most valuable asset.

Dunedin Canmore is an enterprising Group that does try to embrace new and entrepreneurial ideas. It prides itself as a Social Enterprise. This area of activity we would like to see as an area of growth. We will concentrate on training and job creation. This area also gains support from the Scottish Government and has been at the heart of past success in building our current successful staff team and workforce.



> North Pilrig Heights, Edinburgh

We will also keep customer services as a high priority and a culture of continuous improvement to ensure that we can deliver best value.

Malcolm Homes, delivering mid market rents, commercial property management services and professional advice services, is taking an increasing role within the Group as the housing environment changes. This offers us more opportunity to remain as a leading housing organisation delivering excellent services to tenants, customers and communities.

By building on the experience we have, remaining aware of the challenging financial circumstances and being selective in the opportunities we take up in the future, then Dunedin Canmore Group can go from strength to strength.

**Ewan Fraser** Chief Executive  
24 June 2010

# The Boards and their Committees

The group has a governance framework, which encourages all members to bring their independent judgement to matters of strategy, performance, resources, and standards of conduct.

## How appointments are made

Board members of Dunedin Canmore Housing Association are elected at the annual general meeting from the general membership of the Association and retire by rotation every three years. Between annual general meetings, board members may be co-opted to fill a casual vacancy but must then be elected to the Board at the next annual general meeting. Any general member of the Association is entitled to stand for membership of the Board.

Dunedin Canmore Housing Association may appoint members to the Malcolm Homes Board. Non Dunedin Canmore Housing Association members sit on the subsidiary board to protect its independence.

The Dunedin Canmore Housing Association Board comprises a maximum of 15 members.

There is a formal schedule of matters reserved specifically to the boards, which ensures that all major strategy, investment and policy decisions are taken by them. The group has a governance framework, which encourages all members to bring their independent judgement to matters of strategy, performance, resources, and standards of conduct.



> Board Away Day, March 2010

## Experience and training

The board members bring a wide range of talents and experience to the group. Board members have the appropriate balance of skills and experience to run the business and are provided with additional training as and when this is required.

## Formal sub committees and working groups

The group has one formal sub committee, the Group Audit Committee. Other working groups covering all aspects of the group's work are convened as and when required and recommendations are made. The appropriate governing board takes the final decision.

## Board changes

During the year Delia Lomax retired. The Board wishes Delia every success for the future and thanks her for her contribution over the past eleven years, the last three as Chair. Yvonne Summers was elected Chair following Delia's retirement. Yvonne has served on the Board for over three years and is a civil servant. Her specialisms include governance and regulation having previously worked with Communities Scotland in its regulation and inspection division.

Having served for fifteen years on the Board, two of which were as Chairman, David Priest also retired from the Board. The Board wishes to record its thanks to David and wishes him well for the future.

# The Boards and their Committees

## Board attendance

The main board met twelve times during the year. Member attendance at board meetings was as follows:

<b>Board Members</b>	<b>Note</b>	<b>Dunedin Canmore</b>	<b>Malcolm Homes</b>	<b>Group Audit Committee</b>
Richard Austin		10/12		
Jane Ballantine	3	9/12	7/10	
Alan Brown			9/10	
Kenneth Dunbar	5		4/10	
Alexander Ferguson		12/12	8/10	
John Fletcher	4	11/12	10/10	3/4
Claire Ironside		11/12		
Fanchea Kelly		7/12		
Susan Laing			6/10	
Andrew Leslie		12/12	9/10	4/4
Delia Lomax	1	10/12		1/1
David MacLaren		11/12		4/4
Kenneth Miller	3,6	7/12	5/10	3/4
Thomas Mitchell		8/12		3/3
Peter Nussey			10/10	
John Phillips			6/10	
David Priest	7	6/7	5/6	1/1
Robert Reid		7/12		
Yvonne Summers	2	12/12		1/3
James Walker			6/10	

(1) Chair Dunedin Canmore to 17 September 2009

(2) Chair Dunedin Canmore from 24 September 2009

(3) Vice Chair Dunedin Canmore

(4) Chairman Malcolm Homes

(5) Vice Chairman Malcolm Homes

(6) Chairman Group Audit Committee

(7) Leave of absence five meetings

The Chairs of Dunedin Canmore and Malcolm Homes attend the Group Audit Committee meetings. They do not form part of the Committee or the quorum of the meeting.



# The Boards and their Committees



> Brandfield Street

## Group Audit Committee

The Group Audit Committee is responsible for helping the boards to discharge their responsibilities for accounting policies, financial reporting, internal control, compliance and risk management. The Group Audit Committee also reviews the independence of the external auditor and the relationship between audit and non-audit work performed by them.

The Group Audit Committee may include independent members from the board of Malcolm Homes. It met four times during the year.



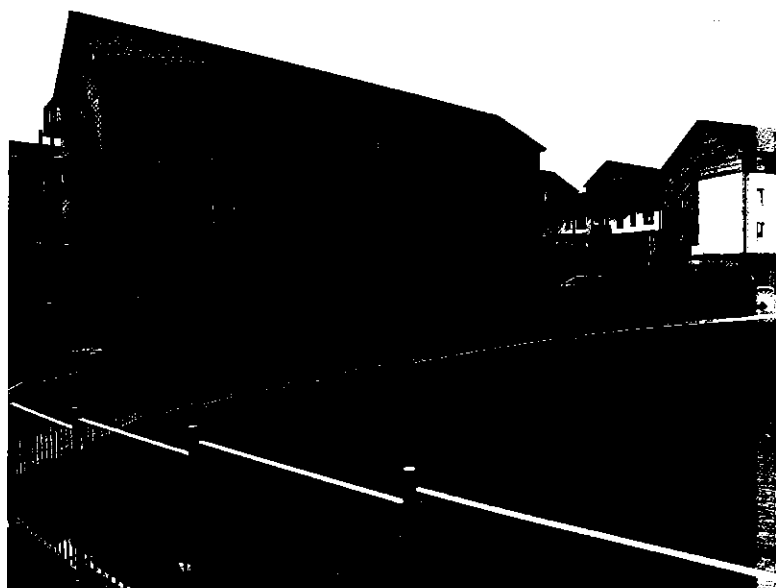
> Firrhill, Oxfgangs

The Group Audit Committee reviews the annual financial statements paying particular attention to:

- critical accounting policies and practices and any changes in them
- decisions requiring a major element of judgement
- the extent to which the financial statements are affected by any unusual transactions in the year and how they are disclosed
- the clarity of disclosures
- significant adjustments resulting from the audit
- the going concern assumption
- compliance with accounting standards
- compliance with legal requirements
- reviewing the group's statements on internal control systems prior to endorsement by the boards

# The Boards and their Committees

Control throughout the group is maintained through policies and procedures, as well as Standing Orders and Financial Regulations.



> Firrhill Neuk, Otago

## Internal control

A programme of work is decided upon by the Group Audit Committee at the start of each year. Reports are presented to the Group Audit Committee on a regular basis. Follow up reports are presented to the Group Audit Committee if required and major findings presented to the boards when appropriate.

Financial audits are undertaken by Findlay & Co, a qualified audit firm. Other audits are carried out by self assessment methods such as peer review or by internal management.

Financial control throughout the group is maintained through policies and procedures, as well as Standing Orders and Financial Regulations. There is regular reporting of information to the boards. A system of internal reporting of key performance indicators is being developed some of which are to be found on page 49 of this report.

The group does not tolerate fraud. Controls are designed to reduce the likelihood and impact of fraud.

An annual report of internal control assurance is produced for the Group Audit Committee to review the effectiveness of the risk management and control process.

There is a continual process to identify and manage significant risks faced by the group which has been in place throughout the year.

# Report of the Board of Management



> DCG Home Repairs, Bilston, Loanhead

The Board of Management presents its report and the audited financial statements of the group for the year ended 31 March 2010.

## Principal activities

The principal activity of the group is the provision, in Scotland, of high quality rented accommodation at affordable rents.

## Business overview

The group is based in Edinburgh and owns and manages in the region of 4,000 houses. It also has a development programme of over 1,000 homes in Edinburgh, Fife and the Lothians over the next two years.

Dunedin Canmore Housing Association works in an ever-changing and more challenging social housing environment. This is supplemented by its wholly owned subsidiary company Malcolm Homes Limited, which provides mid-market and market rent housing. It is also involved in the commercial aspects of the group's business.

## Vision

**At Dunedin Canmore the Vision is to be Leaders in Building Communities where People Choose to Live.**

## Mission

We will position ourselves to enable us to give opportunities and choice by way of affordable homes and the support needed to allow people to thrive in their own communities. We will:

- Use the combined strength of the group to increase the range of services available to local communities
- Set a structure for the group that will enable it to work in partnership with other service providers
- Encourage joint working with a network of like-minded registered social landlords and support agencies to offer best value
- Use the wide range of activities in the group to attract new employees into the housing sector by offering attractive terms and conditions, including learning and development opportunities
- Use the strength of the group to maximise the economic benefits to group members and our customers
- Set standards of good practice throughout the group to allow strategic partners and funders to appreciate the value we can bring in our field of expertise

# Report of the Board of Management

We will position ourselves to enable us to give opportunities and choice by way of affordable homes and the support needed to allow people to thrive in their own communities.



## Core values

At Dunedin Canmore we share a core set of values in order to set and achieve the highest standards. These are:

- Customer focus and professionalism
- Service delivery and continuous quality improvement
- Openness and honesty
- Entrepreneurship and sustainment
- Valuing people, creating success



## Core competencies

At Dunedin Canmore we are committed to developing people. A key part of this is to ensure that there are sound management practices and consistent principles of performance across the company. We want the business to be a place where ongoing learning and improvement happen as a matter of course. In order to achieve this Dunedin Canmore has a set of core competencies giving everyone the opportunity to reach their full potential. They are:

- Customer Service
- Communication
- Teamwork
- Adaptation to Change
- Leadership
- Business Focus
- Developing Capability
- Strategic Thinking
- Role Model
- Driving Direction

# Report of the Board of Management



## Staff

The staff structure has been set up to support every aspect of the business in depth. By maintaining the skills, knowledge and experience of board members and staff the Group is well placed to add value to the provision of first class services in its areas of operation. Training continues to be the main focus to enhance the skills of our staff.

Applications by disabled persons are given full and fair consideration for all vacancies in accordance with their particular aptitudes and abilities, as are applications from others irrespective of sex, marital status, age, religious belief, colour, race or ethnic origin. All staff are employed by Malcolm Homes, the Association's subsidiary, which provides agency services to the Association and others.

## Staff involvement

The group keeps its staff informed of matters affecting them and the financial and economic factors affecting the group and its tenants. This is achieved through regular newsletters to tenants and staff and by staff briefings after Board, Directors and Managers meetings. The group has also formed a Consultative Employee Group which provides a forum to exchange views and to provide involvement in communication and consultation between the management of the Dunedin Canmore Group and its employees.

The Board was pleased that the Group was recognised with the Silver Healthy Working Lives award to add to the Investors in People award we achieved last year. Our congratulations go to the staff for organising this.

## Training

Our training programme is well under way. We have spent time to devise a clearer training strategy to support the needs of the staff. The Dunedin Canmore Group has joined forces with the Edinburgh Institute of Leadership and Management Practice at Edinburgh Napier University Business School to deliver a leadership pathway program for staff. It consists of a four part learning model designed to help individuals to achieve their goals, balanced with their work priorities.

## Disability symbol

The Dunedin Canmore Group was assessed in June 2009 on its current practices regarding disability in the work place and has passed with a special note on how well we proactively support, recruit and retain those with disabilities. The symbol indicates that we have agreed to work positively with disabled people and to help them stay in work. It is a nationally recognised award across the United Kingdom.

# Report of the Board of Management

The Dunedin Canmore Group is working in an environment that encourages joint working. This partnership approach is beneficial to providing support, regenerating communities and working with the private sector.



## Senior staff changes

Fiona Stringfellow our Director of Support Services, left us at the end of December having worked for Dunedin Canmore and its predecessors for 25 years. Fiona accepted a new position, as Chief Executive of Blue Triangle Housing Association in Glasgow. We wish her well in her new job.

## Partnering

Dunedin Canmore Housing Association is regulated by the Scottish Housing Regulator. As a recipient of housing association grants (HAG) it is essential that the guidance laid down by the regulator is followed. In providing affordable housing the Association follows local and national housing strategies. Positive relationships with central and local government are of critical importance to the success of the Group.

The Dunedin Canmore Group is working in an environment that encourages joint working. This partnership approach is beneficial to providing support, regenerating communities and working with the private sector.

## Loan funding

We secured funding in the year through new loans for our future expansion. We recently agreed to accept the offer of a £10m loan from the Housing Finance Corporation and negotiations on the exact terms of this agreement are being discussed. A £20m loan from a syndicate of Royal Bank of Scotland and Lloyds Banking Group has been agreed. The Royal Bank of Scotland and Lloyds Banking Group are established funders of the Group along with Dunfermline Building Society and their support over the past four years has been crucial to our expansion. The Housing Finance Corporation distributes European Development funds for urban regeneration and was able to identify future projects that met their criteria.

We are in the process of securing sufficient HAG funding and new loans for the next three years to support the production of almost 800 new properties in Edinburgh and the Lothians.

The Board is aware of the risks facing the Group in the coming years and has considered alternate development and funding strategies in order to satisfy itself that loan covenants can be met.

Through our initiatives we show real leadership in the housing sector. We have the largest HAG allocation in Scotland and the private finance to back this up. This shows that the City of Edinburgh Council and the Scottish Government are prepared to invest in us.

# Report of the Board of Management

The group's housing properties are financed principally by a combination of housing association grant, bank borrowings and our own cash.

## Finance

The group's housing properties are financed principally by a combination of housing association grant, bank borrowings and our own cash. Bank borrowing facilities comprise a mixture of fixed rate loans and short term floating rate loans.

### Treasury policy and liquidity risk

The group's treasury policy has, as its principal objective, the maintenance of flexible bank facilities in order to cover anticipated borrowing requirements. A cash forecasting system enables the group to plan and assess its future treasury needs. Short-term cash surpluses are managed to produce the most effective return. There are no financial instruments, derivatives or commodity contracts used.

### Interest rate risk

The group's attitude to interest rate risk is informed by the existing and forecast conditions prevailing at the time that each new interest bearing instrument is entered into. This will determine, amongst other things, the term and whether a fixed or floating interest rate is most appropriate. The group is able to make arrangements to convert floating rates to fixed rates.

## Capital structure / funding

To meet the costs of the substantial developments planned by the Group over the next few years we will receive significant support from central and local government in the form of housing association grants. Our developments in Edinburgh have been allocated the majority of such funding over the life of these projects. In addition housing association grant is supporting our "normal" development programme. This is a key component of our ability to meet our obligations.

The rest of the funding (approximately a third of the total) is derived from commercial loans from banks and building societies through a syndicate headed by the Royal Bank of Scotland and supported by Lloyds Banking Group and Dunfermline Building Society.

### Treasury management

Treasury management is a key finance function. It ensures that we have a proper cash flow through the group. This includes monitoring that cash is received timeously and that suppliers are paid in accordance with their trading terms. It also maintains a watching brief so that where cash is held, it is invested safely but economically to ensure the best return for the group.

We have put in place a regime whereby sufficient cash is held to meet only our immediate obligations. The rapid access to development funding through the loan agreement ensures that we can satisfy our contractual obligations without incurring unnecessary interest costs.

# Report of the Board of Management

## Financial performance

### Income and expenditure account

	2006	2007	2008	2009	2010
	£ 000's	£ 000's	£ 000's	£ 000's	£ 000's
Group Turnover	11,697	13,034	14,847	17,460	<b>21,545</b>
Operating Surplus	2,614	2,685	2,822	3,539	<b>4,625</b>
Interest Costs	2,423	2,896	3,061	3,595	<b>4,070</b>
Pre Tax (Deficit)/Surplus	721	475	182	(322)	<b>578</b>
Operating Margin	22.3%	20.6%	19.0%	20.3%	<b>21.5%</b>
Interest Cover	1.3	1.2	1.1	0.9	<b>1.1</b>

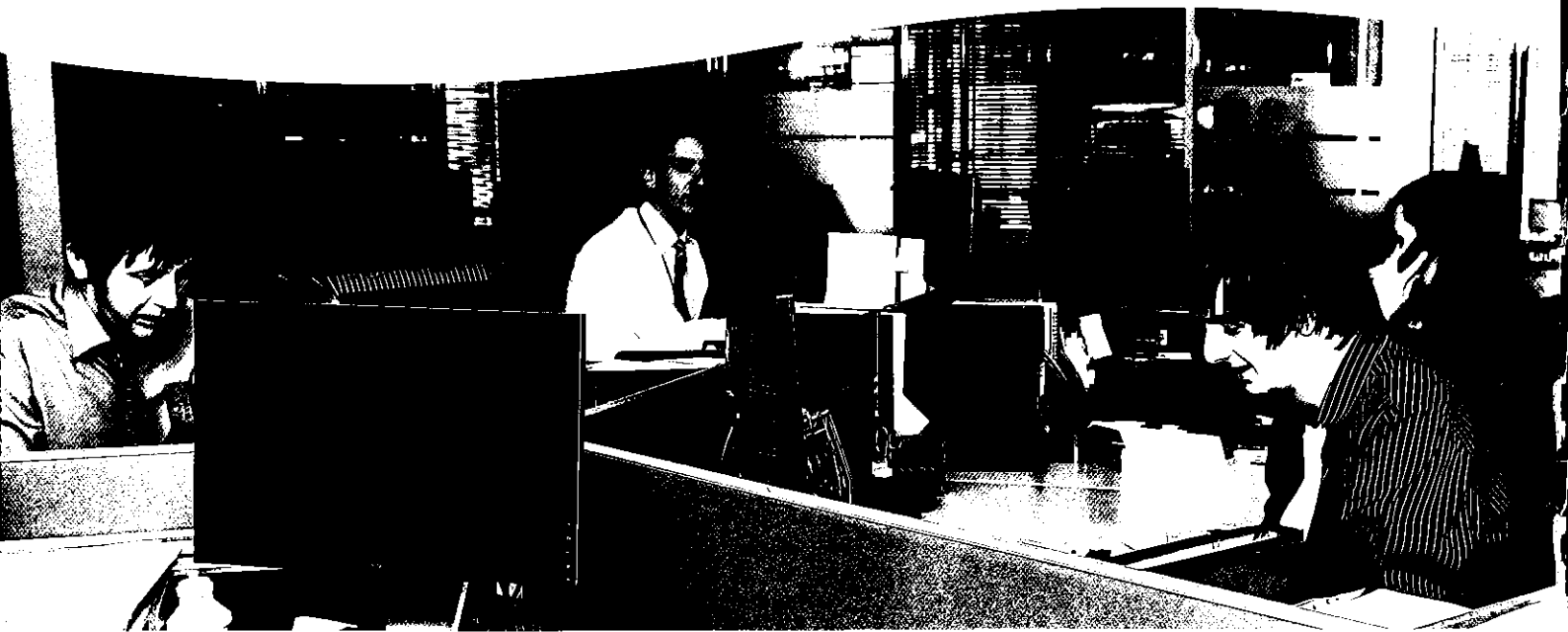
The entire total operating surplus arose in east central Scotland. Interest is written off as it is incurred. Over 96% of our turnover is spent on services directly related to our tenants.

### Balance sheet

	2006	2007	2008	2009	2010
	£ 000's	£ 000's	£ 000's	£ 000's	£ 000's
Housing Stock	179,481	207,697	223,529	245,250	<b>290,761</b>
Borrowings	44,690	49,854	66,064	80,792	<b>103,778</b>
Total Financial Indebtedness to Net Worth	34.0%	39.5%	47.5%	47.5%	<b>51.2%</b>



# Report of the Board of Management



## Housing department

The Housing Services Department is responsible for all aspects of service delivery to tenants.

### Area teams

On 1 April 2009 the Association established area teams consisting of groups of Housing Officers and Surveyors under an Area Manager as well as workshop staff operating within distinct geographic areas. This has improved communication and service delivery for tenants. A number of other initiatives have further improved their operation, providing local solutions to local problems.

### Mobile working

Over the last year the Association and in particular the Housing Services department has made major inroads into the use of Personal Digital Assistants (PDA's) or mobile working solutions. Staff within Housing Services now have PDA's which enable them to access their diaries, the internet, take photographs and contact the office whilst out visiting tenants. A number of survey systems, rent account, tenant information modules have also been included on these PDA's enabling front-line staff to access up to date information when visiting schemes or tenants. These initiatives have enabled Housing

Officers and Surveyors to make better use of their time and provide a more responsive service to customers.

### Service standards

Along with representatives of the Tenants Forum, the Association has developed a suite of service standards covering everything from customer service and equal opportunities to how the Association deals with void properties, tenant consultation and medical adaptations. These standards provide both staff and tenants with information on the level of service that they should expect from Dunedin Canmore, its staff and contractors. It is intended that these service standards will form the basis of future policy development, management performance and improvement plans. These standards have been developed in conjunction with tenants. They have had a major say in determining how the standards are delivered and what are included within them.

# Report of the Board of Management

...service standards will form the basis of future policy development, management performance and improvement plans.



## Planned works

Although we have major plans to invest heavily in our stock in coming years there is already a heavy workload from the planning surveyors and our workshop. During the year we have:

- Replaced 167 kitchens
- Upgraded 117 bathrooms
- Replaced and upgraded windows in 115 flats
- Installed secondary glazing in 62 flats at Rosemount Buildings
- Undertaken 124 TV aerial upgrades – ready for the digital switch over
- Upgraded the lift at 138 Lauriston Place
- Upgraded three warden call systems in sheltered housing schemes – Royston Mains Close, Cathay Court and Fraser Court
- Installed new instant showers at 8 properties in Rowan Street, Blackburn
- Insulated and provided improved home insulation in 53 stairs, and
- Installed solar heating panels at Torphichen, West Lothian, in an attempt to reduce tenants heating and hot water bills

In all we spent £2.6 million this year on improving our housing stock.

Teams also visited Blackburn, Bathgate, Armadale, Uphall and Torphichen carrying out a number of challenges to identify changes and improvements to benefit our tenants and the communities in which they live. Staff who normally sit behind desks in Bilston and New Mart Road had a chance to talk to tenants face to face and visit areas they normally only see as addresses on our computer system.

## Planned maintenance

During the year approval was given for the adoption of a Planned Maintenance and Asset Management Strategy. This means that in the next five years, in order to ensure that Dunedin Canmore meets the Scottish Housing Quality Standards, we are committed to improving the quality and standard of our properties. By 2015, attention will have to be given to all our homes ensuring they meet a minimum requirement, including:

- Modernised kitchens
- Suitable bathrooms
- Gas central heating
- Double glazing

# Report of the Board of Management



> Residents Association, Brandfield Street

There is also an increasing expectation that extra efforts will be made to ensure there is improved home insulation. There will be major and programmed works occurring each and every year for the next five years. The Association is preparing for an increased workload and the issues which may result from tenants' homes being markedly improved. It may be that in some cases in order to minimise disruption we temporarily rehouse tenants from their existing flat or house in order to comprehensively improve the properties. The Association is also giving consideration to our future ownership of particular types of properties where the expenditure required in improvements exceeds the benefits to tenants.

## Hostel services

Residents at Dunedin Harbour Hostel for the homeless located in Leith, Edinburgh were congratulated for their achievements in the re-design of the communal TV room. As part of a Scotland wide interior design programme called Fab Pad, residents were given the opportunity to re-vamp the TV room and learn essential skills to assist them to positively progress their lives. It was transformed from a bare, unused room to a bright and homely lounge where residents and staff alike can relax.

A number of free health workshops took place over the year for Edinburgh's homeless community at the Hostel to promote health within homelessness. Dunedin Harbour Hostel, Lothian NHS and partner agencies teamed up to provide the free access to health workshops. It is clear that there is a requirement for this service and the NHS team have now decided to come on a regular basis.

## Business development

The group owns and manages a range of properties:

- Social rented properties
- Shared ownership
- Mid rent
- Market rent
- Homestake

# Report of the Board of Management

Dunedin Canmore currently has approximately 660 housing units under construction across Edinburgh and the Lothians.

## Development programme

Our Development Programme for the year consisted of £24m HAG funding and £23m private finance. Dunedin Canmore currently has approximately 660 housing units under construction across Edinburgh and the Lothians. By the end of 2009/10 we have taken handover of around 300 completed units this financial year and currently anticipate over 200 in 2010/11.

As well as the ongoing regeneration work in Edinburgh the Group has also expanded its work into East and West Lothian. The official opening of 17 new affordable homes for sale and rent at Parkside, Wallyford, East Lothian took place during the year. The Group purchased the 17 completed homes from Westwater Homes Limited. Dunedin Canmore received £1.2 million from the Scottish Government's HAG programme to support the cost of acquiring these homes and added an additional £1.1 million in private finance and sales bringing total investment in the project to approximately £2.3 million.

We also had the opportunity to buy a number of houses in Morrison Crescent, Edinburgh which we had previously managed for an investment company. We have now secured the management of these properties for the long term.



> Enjoying the roof garden, Brandfield Street

## Royal opening

Her Royal Highness the Princess Royal opened a development that came about through a unique partnership between us, a commercial developer and the City of Edinburgh Council. Jack Martin House, a new development of 20 flats for the elderly in Brandfield Street in Edinburgh, is owned by the Merchant Company Endowments Trust. The building is now leased to Dunedin Canmore for social renting.

## Factoring

New Horizons Property Services has strengthened its relationship with AMA Homes and was appointed Managing Agent at their prestigious Springside development at Fountainbridge. Along with the steady expansion of our mixed-tenure factoring portfolio, New Horizons Property Services has targeted privately funded new build developments as a key area for growth and is delighted to be in partnership with one of the most renowned and respected developers in the country. New Horizons Property Services currently factors AMA Printhouse at Canonmills and has also secured appointment at AMA Caer Amon in Cramond.

# Report of the Board of Management



> Tait Wynd, Edinburgh

## Social enterprise

The Dunedin Canmore Group has enjoyed another successful year exhibiting under the banner of 'Social Enterprise' at the annual Social Enterprise Trade Fair at the Corn Exchange. The Group managed to secure two stands to represent the collection of Social Enterprise services that we are providing namely, New Horizons Property Services, Energy Performance Certificates and Malcolm Professional Services.

## Financial inclusion

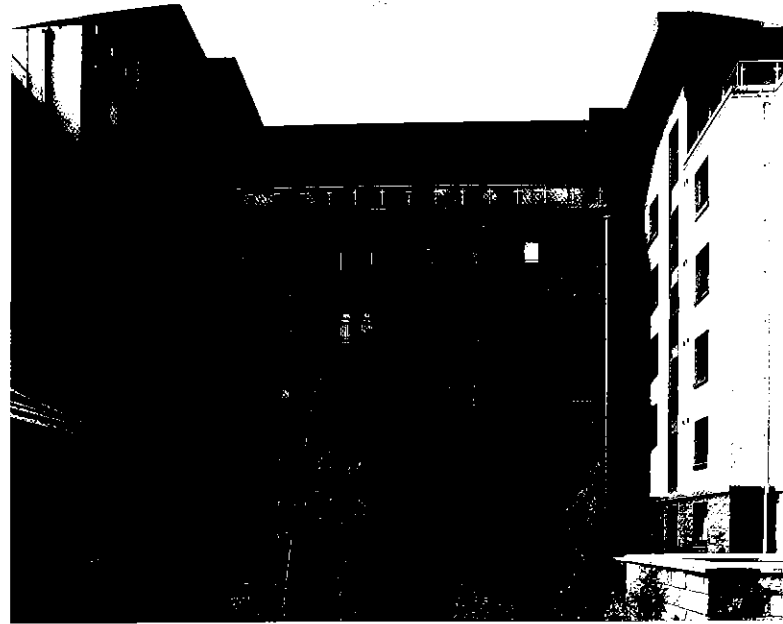
A free finance handbook providing information and advice on topics ranging from budgeting, benefits and bank accounts to savvy spending and employment advice was made available to over 5,000 tenants by the Dunedin Canmore Group. The user friendly finance handbook was developed by the Group and Prospect Community Housing as part of an extensive financial inclusion strategy aimed at poorer communities to help remove barriers to employment. It is primarily used by Welfare Rights and Money Advice Officers as a tool to prevent vulnerable people from getting into financial difficulties. The handbook received crucial funding from the Scottish Government's wider role fund for distribution to housing association tenants.

## Slateford Green

Following the distribution of hundreds of copies of the Slateford Green Youth Café DVD to prospective funders, we received an influx of interest from MP's and Members of the Scottish Parliament. One letter in particular was received from the First Minister congratulating us on the success of the Youth Café and wishing us every success for the future.

# Report of the Board of Management

The Dunedin Canmore Group and Edinburgh City Council teamed up to launch a financial aid service in Edinburgh.



> Slateford Gait, Edinburgh

## Health promotion

The Dunedin Canmore Group, in collaboration with The Centre for Health and Wellbeing (WHY), held two successful events in the local community to promote the importance of health care. The two events which took place in May and June 2009 provided an opportunity for local residents to receive a complimentary health check as well as advice on maintaining a healthy lifestyle. The Centre for Health and Wellbeing was on hand to offer residents blood sugar, cholesterol and blood pressure checks and afterwards there was the opportunity to enjoy a relaxing head and neck massage or a spot of foot reflexology from members of the health team.



## Financial inclusion workshops

The Dunedin Canmore Group and Edinburgh City Council teamed up to launch a financial aid service in Edinburgh. The successful launch saw 15 different agencies attending including Job Centre Plus, FourSquare and Cyrenians. The workshops provide people with financial advice and access to money advice support services. At each workshop a money advice worker and a literacy advice worker were on hand to help people with issues such as budgeting, debit and credit advice, filling out forms and other financial queries. We secured the funding for 12 workshops over two years from the Scottish Government's wider role fund. These courses benefit anyone struggling with money or anyone who would like to learn more about money skills. The launch was a great opportunity for agencies such as a Job Centre Plus to refer prospective people onto the workshops.

# Report of the Board of Management

## Sustainability

Dunedin Canmore utilise a number of tools on Sustainability and we make these available to our staff on our intranet. The Toolkit is an information hub for anything regarding sustainability, from the government policies that drive the various initiatives to the detailed analysis of the renewable technologies. It was commissioned last year by the Business Development Department but is available for use to all staff who are interested in the matter. The Toolkit has been written to deal with Environmental Sustainability, but we are planning to expand it to include Social and Economic Sustainability so that it will be even more relevant to all the staff in the Dunedin Canmore group.

## Malcolm Homes (Wolfson) Limited

Malcolm Homes Limited was involved in a joint venture agreement with a commercial developer to develop a site at Milton Road, Edinburgh. On 21 May 2009 Malcolm Homes Limited had been advised that its joint venture partner, Applecross Properties Limited, was put into administration. Malcolm Homes Limited continued to build the rented housing on this site. The joint venture company ceased development of the site at Milton Road, Edinburgh and Malcolm Homes (Wolfson) Limited was placed in Administration on 2 December 2009. The Board considered it prudent to fully provide for the loan to the joint venture company in the accounts to 31 March 2009. The Board is satisfied that no further financial obligations or contingent liabilities fall to be provided or disclosed in connection with this development.

The rented accommodation on this site was completed by Malcolm Homes Limited and the twelve units are now fully occupied.



> Dunedin Canmore staff presenting cheque to Radio Forth's Cash for Kids

# Report of the Board of Management

## Statement of the Board's responsibilities

Housing association legislation requires the Board of Management to prepare financial statements for each financial year, which give a true and fair view of the state of affairs of the Association and the Group at the balance sheet date, and of the income and expenditure of the Association and the Group for the year ended on that date.

In preparing those financial statements the Board of Management is 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, and
- Prepare the financial statements on a going concern basis unless it is inappropriate to presume that the Association will continue in business

The Board is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Association and the Group and to enable it to ensure that the financial statements comply with the Industrial and Provident Societies Acts 1965 to 2002, the Housing (Scotland) Act 2001 and the Registered Social Landlords Accounting Requirements (Scotland) Order 2007.

The Board also has general responsibility for taking reasonable steps to safeguard the assets of the Association and the Group to prevent and detect fraud and other irregularities.

No material uncertainties that cast significant doubt about the ability of the Association and its subsidiary to continue as going concerns have been identified by the Board.

## Charitable donations

As well as donating £2,150 (2009: £4,432) to various charities this year the staff have raised a total of £6,732 for Cash for Kids, their nominated charity this year. This included a cheque for £2,000 donated by Saint Gobain (Graham Partners) who in conjunction with the workshop organised a charity golf day. A very big thank you for all your support.

## Auditor

A resolution to re-appoint Chiene + Tait as auditor of the Association will be proposed at the annual general meeting.

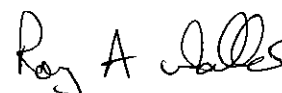
Our thanks go to all our staff, our partners and funders for their support and help over the last year.

**Yvonne Summers**

Chair  
24 June 2010

**Roy Walker**

Group Secretary





# Board Statement on Internal Financial Controls



> Hyvots Loan, Edinburgh

The Board of Management acknowledges that it has ultimate responsibility for ensuring that the Association has in place a system of internal financial control that is appropriate to the business environment in which it operates. These controls are designed to give reasonable assurance with respect to:

- The reliability of the financial information used within the Association or for publication
- The maintenance of proper accounting records
- The safeguarding of assets against unauthorised use or disposal

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

- Formal policies and procedures are in place, including the documentation of key systems and rules relating to the delegation of authorities, which allow the monitoring of controls and restrict the unauthorised use of the Association's assets
- Experienced and suitably qualified and trained staff take responsibility for important business functions and have been provided with comprehensive guidance on the standards to be applied throughout the Association. Annual appraisal procedures have been established to review standards of performance

# Board Statement on Internal Financial Controls

It is the Board of Management's responsibility to establish and maintain systems of internal financial control.



- Forecasts and budgets are prepared which allow the Board of Management to monitor the financial objectives and key business risks and progress towards financial plans set for the year and the medium term. Quarterly management accounts are prepared comparing actual results against budget, and are presented to the Board of Management to provide pertinent reliable and up-to-date financial information. Significant variances from budget are investigated as appropriate
- All significant new initiatives, major commitments and investment projects and their financial implications are assessed and are subject to formal authorisation procedures through the Board of Management
- The Board of Management reviews reports from the external auditors, internal auditors and from management, to provide reasonable assurance that control procedures are in place and are being followed. The Board also receives progress reports on areas where the internal and external auditors have commented and ensures that action is taken where it considers it appropriate

Acting on behalf of the Board of Management, the Group Audit Committee has reviewed the effectiveness of the system of internal financial control in existence in the Association for the year ended 31 March 2010 and until 15 June 2010. No weaknesses were found in internal financial controls, which resulted in material losses, contingencies, or uncertainties, which require disclosure in the financial statements, or in the auditor's report on the financial statements.

**Yvonne Summers**  
Chair  
24 June 2010

**Roy Walker**  
Group Secretary

# Report of the Independent Auditor to the Members of Dunedin Canmore Housing Association Limited

This report is issued in respect of an audit carried out under Section 9 of the Friendly and Industrial and Provident Societies Act 1968 and Section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005.

**We have audited the consolidated financial statements of Dunedin Canmore Housing Association Limited for the year ended 31 March 2010 set out on pages 28 to 48. These financial statements have been prepared under the accounting policies set out therein.**

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, and to the charity's trustees as a body, in accordance with Section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005 and Regulation 10 of the Charities Accounts (Scotland) Regulations 2006. 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, the Association's members as a body and its trustees as a body, for our audit work, for this report, or for the opinions we have formed.

## **Respective responsibilities of the Board of Management and auditors**

The Board's Responsibilities for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of the Board's Responsibilities on page 23.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Industrial and Provident Societies Acts 1965 to 2002, the Housing (Scotland) Act 2001, the Charities and Trustee Investment (Scotland) Act 2005 and Regulation 14 of the Charities Accounts (Scotland) Regulations 2006, and The Registered Social Landlords Accounting Requirements (Scotland) Order 2007. We also report to you if, in our opinion, a satisfactory system of control over transactions has not been maintained, if the Boards' Report is not consistent with the financial statements, if the Association has not kept proper accounting records, if the financial statements are not in agreement with the accounting records, or if we have not received all the information and explanations we require for our audit.

We read other information contained in the Annual Report of the Board, and consider whether it is consistent with the audited financial statements. The other information comprises only the Statement by the Chair, the Statement by the Chief Executive and the Report by the Board of Management. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

## **Basis of audit opinion**

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Board in

# Report of the Independent Auditor to the Members of Dunedin Canmore Housing Association Limited

the preparation of the financial statements, and of whether the accounting policies are appropriate to the Association's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

## Opinion

In our opinion the financial statements:

- give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Association's and the Group's affairs as at 31 March 2010 and of the Association's and the Group's surplus for the year then ended; and
- have been properly prepared in accordance with the Industrial and Provident Societies Acts 1965 to 2002, the Housing (Scotland) Act 2001, the Charities and Trustee Investment (Scotland) Act 2005 and Regulation 14 of the Charities Accounts (Scotland) Regulations 2006, and The Registered Social Landlords Accounting Requirements (Scotland) Order 2007.

## Corporate governance matters

In addition to our audit of the financial statements, we have reviewed the Board's statement concerning internal financial control made under "The Code of Audit Practice" contained within the publication "Raising Standards in Housing" which is the guidance issued by the Scottish Federation of Housing Associations. The object of our review is to draw attention to non-compliance with the guidance.

## Basis of opinion

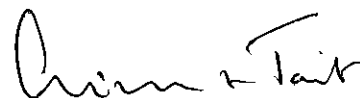
We carried out our review in accordance with guidance issued by the Auditing Practices Board. That guidance does not require us to perform the additional work necessary to, and we do not, express any opinion on the effectiveness of either the Association's system of internal financial control or its corporate governance procedures.

## Opinion

With respect to the Board's statements on internal financial control, in our opinion the Board has provided the disclosures required by the guidance and such statements are not inconsistent with the information of which we are aware from our audit work on the financial statements.

**CHIENE + TAIT**  
**Chartered Accountants**  
**and Statutory Auditor**  
**61 Dublin Street**  
**Edinburgh EH3 6NL**

24 June 2010



**Chiene+Tait**  
CHARTERED ACCOUNTANTS

# Income and Expenditure Account

For the year ended 31 March 2010

	Note	<b>Group 2010 £ 000's</b>	Group 2009 £ 000's	<b>Association 2010 £ 000's</b>	Association 2009 £ 000's
<b>Turnover</b>	2	<b>21,545</b>	17,460	<b>20,457</b>	16,594
Operating costs		<b>(16,920)</b>	(13,920)	<b>(16,199)</b>	(13,234)
<b>Group operating surplus</b>		<b>4,625</b>	3,540	<b>4,258</b>	3,360
Share of operating loss in joint venture	11	-	(1)	-	-
<b>Total operating surplus</b>		<b>4,625</b>	3,539	<b>4,258</b>	3,360
Surplus on sale of fixed assets		<b>7</b>	116	<b>7</b>	116
Interest receivable and other income	5	<b>16</b>	249	<b>231</b>	405
Interest payable and similar charges	6	<b>(4,070)</b>	(3,595)	<b>(3,976)</b>	(3,551)
Exceptional item	13	-	(631)	-	-
<b>Surplus/(deficit) on ordinary activities before taxation</b>	4	<b>578</b>	(322)	<b>520</b>	330
Tax on surplus/(deficit) on ordinary activities	7	<b>8</b>	2	-	-
<b>Surplus/(deficit) for the year</b>	17	<b>570</b>	(324)	<b>520</b>	330

Total recognised surpluses/(deficits) relate wholly to continuing activities.

## Statement of Total Recognised Gains and Losses

	Note	<b>Group 2010 £ 000's</b>	Group 2009 £ 000's	<b>Association 2010 £ 000's</b>	Association 2009 £ 000's
Surplus/(deficit) for the year		<b>570</b>	(324)	<b>520</b>	330
Unrealised surplus on revaluation of investment properties	18	<b>672</b>	1,852	-	-
Total surplus recognised since last annual report		<b>1,242</b>	1,528	<b>520</b>	330

The notes on pages 31 to 48 form part of these financial statements.

# Balance Sheet

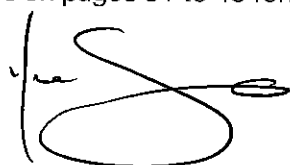
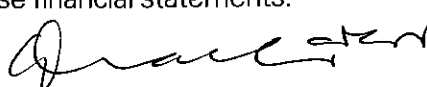
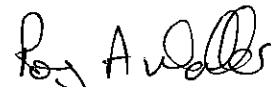
As at 31 March 2010

	Note	Group 2010 £ 000's	Group 2009 £ 000's	Association 2010 £ 000's	Association 2009 £ 000's
<b>Fixed assets</b>					
Housing properties – depreciated cost	8(a)	<b>290,761</b>	245,250	<b>290,761</b>	245,250
HAG and other grants	8(a)	<b>(184,196)</b>	(160,069)	<b>(184,196)</b>	(160,069)
		<b>106,565</b>	85,181	<b>106,565</b>	85,181
Other fixed assets	8(b)	<b>19,966</b>	16,461	<b>7,614</b>	6,984
Homestake	9	–	–	–	–
Investments	10	–	–	–	–
Interest in joint venture	11	–	(1)	–	–
Total fixed assets		<b>126,531</b>	101,641	<b>114,179</b>	92,165
<b>Current assets</b>					
Stock	12	<b>364</b>	725	<b>259</b>	618
Debtors: falling due within one year	13	<b>2,505</b>	6,040	<b>2,535</b>	5,895
falling due after one year	13	–	–	<b>6,800</b>	4,520
Cash and short term deposits		<b>4,149</b>	3,856	<b>3,752</b>	3,751
		<b>7,018</b>	10,621	<b>13,346</b>	14,784
<b>Creditors:</b> amounts falling due within one year	14	<b>(6,605)</b>	(9,545)	<b>(6,399)</b>	(9,343)
<b>Net current assets</b>		<b>413</b>	1,076	<b>6,947</b>	5,441
Total assets less current liabilities		<b>126,944</b>	102,717	<b>121,126</b>	97,606
<b>Creditors:</b> amounts falling due after more than one year					
Loans	15	<b>(103,763)</b>	(80,778)	<b>(103,000)</b>	(80,000)
<b>Net assets</b>		<b>23,181</b>	21,939	<b>18,126</b>	17,606
<b>Capital and reserves</b>					
Share capital	16	–	–	–	–
Revenue reserve	17	<b>17,647</b>	17,077	<b>18,126</b>	17,606
Pre-acquisition reserve		<b>643</b>	643	–	–
Revaluation reserve	18	<b>4,891</b>	4,219	–	–
		<b>23,181</b>	21,939	<b>18,126</b>	17,606

These financial statements were approved by the Board of Management on 24 June 2010 and were signed on its behalf by:

Yvonne Summers (Chair), David MacLaren (Board Member), Roy Walker (Group Secretary).

The notes on pages 31 to 48 form part of these financial statements.

# Cash Flow Statement

For the year ended 31 March 2010

	Note	Group 2010 £ 000's	Group 2009 £ 000's	Association 2010 £ 000's	Association 2009 £ 000's
<b>Net cash inflow from operating activities</b>	19(i)	<b>2,755</b>	3,487	<b>2,119</b>	3,032
<b>Returns on investments and servicing of finance</b>					
Interest received		<b>16</b>	249	<b>231</b>	405
Interest paid		<b>(3,787)</b>	(3,595)	<b>(3,691)</b>	(3,551)
<b>Net cash outflow from returns on investments and servicing of finance</b>		<b>(3,771)</b>	(3,346)	<b>(3,460)</b>	(3,146)
<b>Taxation</b>					
Corporation tax paid		<b>15</b>	(1)	-	-
<b>Net cash inflow/(outflow) from taxation</b>		<b>15</b>	(1)	-	-
<b>Capital expenditure and financial investment</b>					
Acquisition and construction of properties		<b>(44,256)</b>	(28,182)	<b>(44,256)</b>	(28,182)
Purchase of other fixed assets		<b>(4,219)</b>	(2,873)	<b>(1,131)</b>	(344)
Homestake property purchases		<b>64</b>	(1,643)	<b>64</b>	(1,643)
Homestake grants paid		<b>(77)</b>	(1,003)	-	-
Homestake funding received		<b>493</b>	1,198	<b>395</b>	195
Homestake property sales		<b>734</b>	1,862	<b>734</b>	1,862
Capital grants received		<b>23,780</b>	12,628	<b>23,027</b>	12,628
Capital grants repaid		<b>(65)</b>	(61)	<b>(65)</b>	(61)
Sales of properties		<b>1,854</b>	180	<b>1,854</b>	178
Investment in and funding to Joint Venture		-	(507)	-	-
Loan advances to group companies		-	-	<b>(2,280)</b>	(2,568)
<b>Net cash outflow for capital expenditure</b>		<b>(21,692)</b>	(18,401)	<b>(21,658)</b>	(17,935)
<b>Net cash outflow before use of liquid resources and financing</b>		<b>(22,693)</b>	(18,261)	<b>(22,999)</b>	(18,049)
<b>Financing</b>					
Loan advances received		<b>23,000</b>	14,750	<b>23,000</b>	14,750
Loan principal repayments		<b>(14)</b>	(22)	-	-
<b>Net cash inflow from financing</b>		<b>22,986</b>	14,728	<b>23,000</b>	14,750
<b>Increase/(decrease) in cash in the year</b>	19(ii), (iii)	<b>293</b>	(3,533)	<b>1</b>	(3,299)

The notes on pages 31 to 48 form part of these financial statements.

# Notes to the Financial Statements

These financial statements are prepared in accordance with applicable Accounting Standards and the Statement of Recommended Practice – Accounting by Registered Social Landlords (2008).

They also comply with the Registered Social Landlords Accounting Requirements (Scotland) Order 2007. A summary of the principal accounting policies is set out in paragraphs (a) to (o) below.

## 1. Principal accounting policies

### (a) Group accounts/basis of preparation

The group financial statements consolidate the financial statements of Dunedin Canmore Housing Association Limited and its subsidiary, Malcolm Homes Limited made up to 31 March 2010 and until 31 March 2009 include the Group's interest in a joint venture accounted for using the gross equity method.

### (b) Accounting basis

These financial statements are prepared under the historical cost convention modified to include the revaluation of investment assets.

### (c) Turnover

Turnover represents rental and service charge income receivable (net of voids), factoring income, fees and revenue based grants receivable from local authorities and the Scottish Government.

### (d) Fixed assets – housing properties

Housing properties, including developments in progress and shared ownership properties (see policy (o)), are stated at cost. Cost includes, where appropriate, capitalised interest and relevant development overheads.

Expenditure, less housing association grant and other grants, on schemes, which are subsequently aborted, is written off in the year in which it is recognised that the schemes will not proceed.

### (e) Housing association grant

Housing association grant (HAG) is payable by the City of Edinburgh Council and the Scottish Government and is calculated on the qualifying capital costs of schemes in accordance with instructions issued from time to time by the Scottish Government. The grant is paid direct to the Association and is reflected in the financial statements when due to be received. Costs not funded by housing association grant, the residual finance, are funded from other sources or internally.

Housing association grant is repayable under certain circumstances, primarily following the sale of a property but will normally be restricted to the net proceeds of sale.

Housing association 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.

### (f) Depreciation

### (i) Housing properties

Depreciation is no longer charged on housing properties, as in the opinion of the Board of Management the depreciation charge and the accumulated depreciation not charged are considered to be immaterial due to the long useful life and high residual value of the properties. All housing properties are assumed to have a useful economic life of 75 years.

In accordance with FRS 15, an impairment review of housing properties is therefore carried out annually at the balance sheet date with any impairment recognised by a charge to the income and expenditure account. Impairment is recognised when the carrying value of an income generating unit exceeds the higher of its net realisable value and its value in use (net present value of expected future cash flows). The impairment review at the year end did not result in any adjustment to the carrying value of the properties.

No depreciation is charged on land. Tenement properties are deemed to be fully HAG funded and therefore have a nil depreciable cost.

### (ii) Office properties

Depreciation is charged on a straight-line basis over the remaining expected useful life of the property. All properties are assumed to have an original useful economic life of 60 years. In accordance with FRS 15, an impairment review of office properties has been carried out and no further adjustments are deemed necessary.

### (iii) Other fixed assets

Depreciation is provided on motor vehicles and office furniture and equipment at 10% to 20% per annum on cost and 33.3% on computers. Short-life assets may be depreciated at accelerated rates. A part year's depreciation is charged on assets in the year of purchase and in the year of disposal.

### (g) Investments

Investment income is brought into account when due and receivable. Investments in group undertakings are stated at cost. Programme related investments (Homestake) are stated at cost. Investments in controlled joint ventures are accounted for using the gross equity method.

### (h) Stock

Stock of maintenance materials has been valued at average cost. Cost is defined as suppliers invoice price. Stock also includes the estimated cost of the first tranche of shared ownership properties (see policy (o)).



# Notes to the Financial Statements

## **(i) Investment properties**

Investment properties are revalued annually and if material the aggregate surplus or deficit is transferred to a revaluation reserve. Where the total of the revaluation reserve is insufficient to cover a deficit, the amount by which the deficit exceeds the amount in the investment revaluation reserve is charged in the income and expenditure account. No depreciation is provided in respect of freehold investment properties.

## **(j) Operating leases**

Operating lease costs are charged to the income and expenditure account as incurred over the term of the lease.

## **(k) Deferred tax**

Deferred tax is provided on the liability method to take account of timing differences between the treatment of certain items for financial statements purposes and their treatment for tax purposes. Tax deferred is accounted for in respect of all material timing differences. Deferred tax is not provided on timing differences arising from the revaluation of fixed assets where there is no commitment to sell the asset.

## **(l) Homestake**

Grants received in respect of the open market Homestake scheme in which Malcolm Homes Limited participated were passed on to the equity sharing homeowner on completion of the house purchase and are shown in note 9. A standard security is taken over the property on behalf of the Scottish Government and no interest or rent is receivable. Malcolm Homes Limited's participation in the open market scheme has now ceased. Grants repayable when the homeowner sells the property are repaid to the Scottish Government on completion of the sale.

Grants received on behalf of equity sharing owners purchasing properties from Dunedin Canmore Housing Association Limited are similarly shown in note 9 together with the gross cost of the properties and the share of the costs funded by the equity sharing purchaser. Again, a standard security is taken over the property and no interest or rent is receivable from the equity sharing owner.

The cost of Homestake properties purchased by the Association but not yet sold at the balance sheet date is shown separately as a current asset within debtors. Grants received in advance of sales, and grants in excess of requirements or returned on sale and repayable to the funder, are shown separately in current liabilities.

## **(m) Pension costs**

Malcolm Homes Limited participates in the Scottish Federation of Housing Associations' defined benefits pension scheme which is a multi-employer scheme. The cost of the pension provision is charged to the income and expenditure account as contributions fall due.

## **(n) Grants**

Capital grants are credited to the balance sheet and released to the income and expenditure account as expenditure is incurred.

Revenue grants are credited to the income and expenditure account, in full, in the year in which they are receivable.

## **(o) Shared ownership properties**

Shared ownership properties are split between fixed assets and current assets (stock) determined by the percentage of the property to be sold under a first tranche sale and subsequent tranches in proportion to the share of equity sold. Proceeds from the first tranche sale are accounted for in Turnover and costs in Operating Costs in the period in which the sale occurs. Subsequent sales are accounted for in Profit or Loss on Sale of Fixed Assets.

# Notes to the Financial Statements

## 2. Turnover

	<b>Group 2010 £ 000's</b>	Group 2009 £ 000's	<b>Association 2010 £ 000's</b>	Association 2009 £ 000's
Rent receivable	<b>16,692</b>	14,833	<b>16,125</b>	14,602
Losses arising from vacant possession	<b>(138)</b>	(192)	<b>(127)</b>	(192)
	<hr/>	<hr/>	<hr/>	<hr/>
Management services and other income	<b>16,554</b> <b>4,991</b>	14,641 2,819	<b>15,998</b> <b>4,459</b>	14,410 2,184
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Total turnover</b>	<b>21,545</b>	17,460	<b>20,457</b>	16,594

## 3. Directors' and employees' emoluments

### Directors

Dunedin Canmore Housing Association does not employ any staff. Malcolm Homes provides staff and services to Dunedin Canmore Housing Association as well as others in respect of development, financial services, housing management and maintenance. This includes the directors of the Association.

Directors are defined as members of the Board of Management, the Chief Executive and any other senior staff reporting directly to the Chief Executive. No emoluments were paid to the Board of Management during the year.

	<b>2010 £ 000's</b>	2009 £ 000's
Aggregate emoluments payable to directors (including pension contributions)	<b>414</b>	418
	<hr/>	<hr/>
Emoluments payable to Chief Executive (excluding pension contributions and national insurance)	<b>83</b>	80

The number of directors (including the highest paid director) who received emoluments (excluding pension contributions) in the following ranges was:

	<b>2010 Number</b>	2009 Number
up to £60,000	<b>1</b>	1
£60,001 to £70,000	<b>3</b>	4
£70,001 to £80,000	<b>1</b>	–
£80,001 to £90,000	<b>1</b>	1

During the year 6 directors (2009: 6) participated in the Scottish Federation of Housing Associations' defined benefit pension scheme. The Chief Executive is an ordinary member of the pension scheme. No enhanced or special terms apply to membership and he has no other pension arrangements to which Malcolm Homes contributes. The contributions for the Chief Executive in the period amount to £13,090 (2009: £12,435).

No loans were made to board members, officers or employees during the year and none were outstanding at 31 March 2010 (2009: Nil).

	<b>2010 £</b>	2009 £
Expenses reimbursed not chargeable to UK income tax	<b>2,094</b>	1,053

# Notes to the Financial Statements

## Staff

The average weekly number of full time equivalent persons employed during the year was:

	2010 Number	2009 Number
Support staff	105	108
Care and support staff	29	29
Direct maintenance staff	61	62
	<hr/> 195	<hr/> 199
	<hr/>	<hr/>
Staff costs (including directors)	<b>£ 000's</b>	£ 000's
Wages and salaries	5,439	5,103
Social security costs	413	382
Pension costs	598	600
Temporary staff costs	63	40
	<hr/> 6,513	<hr/> 6,125
	<hr/>	<hr/>

## 4. Surplus for the year is stated after charging

	Group 2010 £ 000's	Group 2009 £ 000's	Association 2010 £ 000's	Association 2009 £ 000's
Depreciation – other assets	444	405	444	405
	<hr/>	<hr/>	<hr/>	<hr/>
Repairs: cyclical, major, day to day	4,258	3,871	4,258	3,871
	<hr/>	<hr/>	<hr/>	<hr/>
Operating lease charges	5	6	–	–
	<hr/>	<hr/>	<hr/>	<hr/>
External auditors remuneration including VAT:				
In their capacity as auditors	27	26	21	19
Other services	8	5	7	3
	<hr/>	<hr/>	<hr/>	<hr/>

## 5. Interest receivable and other income

	Group 2010 £ 000's	Group 2009 £ 000's	Association 2010 £ 000's	Association 2009 £ 000's
Interest receivable	16	249	231	405
	<hr/>	<hr/>	<hr/>	<hr/>
	16	249	231	405
	<hr/>	<hr/>	<hr/>	<hr/>

# Notes to the Financial Statements

## 6. Interest payable and similar charges

	<b>Group 2010 £ 000's</b>	Group 2009 £ 000's	<b>Association 2010 £ 000's</b>	Association 2009 £ 000's
Interest payable	<b>3,872</b>	3,541	<b>3,778</b>	3,497
Other costs	<b>198</b>	54	<b>198</b>	54
	<b>4,070</b>	3,595	<b>3,976</b>	3,551

## 7. Taxation

<b>(a)</b>	<b>Group 2010 £ 000's</b>	Group 2009 £ 000's	<b>Association 2010 £ 000's</b>	Association 2009 £ 000's
<b>UK corporation tax</b>				
Based on the results for the year	<b>8</b>	2	-	-
Adjustments in respect of previous periods	-	-	-	-
Total current tax (note 7b)	<b>8</b>	2	-	-

### (b)

Factors affecting tax charge for the year

The tax assessed for the period is lower than the expected tax charge as explained below:

	<b>Group 2010 £ 000's</b>	Group 2009 £ 000's	<b>Association 2010 £ 000's</b>	Association 2009 £ 000's
Surplus/(deficit) on ordinary activities before taxation	<b>578</b>	(322)	<b>520</b>	330
Expected tax charge at 21% (2009: 21%)	<b>122</b>	(68)	<b>109</b>	69
Losses carried forward	<b>(4)</b>	5	-	-
Short term timing differences and expenses not allowable for tax	<b>(1)</b>	134	-	-
Exempt charitable activities	<b>(109)</b>	(69)	<b>(109)</b>	(69)
Adjustment to tax charge in respect of previous period	-	-	-	-
Current tax charge (note 7a)	<b>8</b>	2	-	-

### (c)

No provision has been made for deferred tax of £1.0m (2009: £1.2m) in respect of gains arising from the revaluation of fixed assets in the financial statements of Malcolm Homes Limited. No deferred tax asset exists at 31 March 2010 (2009: £5,007) which has not been provided for in the accounts.

# Notes to the Financial Statements

## 8. Tangible fixed assets

### (a) Housing Properties – Association and Group

	Housing properties held for letting £ 000's	Completed shared ownership schemes £ 000's	Housing properties under construction £ 000's	Total £ 000's
<b>Cost:</b>				
At 1 April 2009	211,322	10,309	25,700	247,331
Additions – new build	841	560	45,900	47,301
Transfers	7,593	3,334	(10,927)	–
Disposals	(64)	(1,727)	–	(1,791)
At 31 March 2010	219,692	12,476	60,673	292,841
<b>Depreciation:</b>				
At 1 April 2009	2,041	40	–	2,081
Eliminated on disposals	–	(1)	–	(1)
At 31 March 2010	2,041	39	–	2,080
<b>Net book amount:</b>				
At 31 March 2010	217,651	12,437	60,673	290,761
At 31 March 2009	209,281	10,269	25,700	245,250

The number of units of housing and care accommodation in management at 31 March were:

	Units in management	
	2010	2009
<b>Housing accommodation for letting</b>		
General	3,343	3,143
Sheltered	217	217
Very sheltered	6	6
Medium dependency	494	453
Wheelchair housing	86	76
Hostel and shared units	64	64
	4,210	3,959
<b>Private housing under management</b>		
Shared ownership	244	224
	244	224
<b>Total units</b>	4,454	4,183

# Notes to the Financial Statements

## HAG and other grants

	HAG on completed schemes £ 000's	HAG in development £ 000's	Other grants £ 000's	Total £ 000's
At 1 April 2009	135,785	16,842	7,442	160,069
Receivable in year	–	23,867	325	24,192
HAG repaid and abated	(65)	–	–	(65)
Transfers	2,280	(2,280)	–	–
At 31 March 2010	138,000	38,429	7,767	184,196

## (b) Other Fixed Assets – Group

	Investment and Other Properties held for letting £ 000's	Office Premises £ 000's	Other Fixed Assets £ 000's	Total £ 000's
<b>Cost or valuation::</b>				
At 1 April 2009	9,477	6,785	2,323	18,585
Additions	2,203	969	162	3,334
Disposals	–	(23)	(491)	(514)
Surplus on revaluation	672	–	–	672
At 31 March 2010	12,352	7,731	1,994	22,077
<b>Depreciation:</b>				
At 1 April 2009	–	420	1,704	2,124
Charge for year	–	88	356	444
Eliminated on disposals	–	(11)	(446)	(457)
At 31 March 2010	–	497	1,614	2,111
<b>Net book amount:</b>				
At 31 March 2010	12,352	7,234	380	19,966
At 31 March 2009	9,477	6,365	619	16,461

Investment properties with a value of £10,905,000 as at 31 March 2010 were valued on the basis of open market value by Allan NM Scott MRICS a partner of DM Hall, Chartered Surveyors. The historical cost of these properties at 31 March 2010 was £6,860,688 (2009 – £4,711,927). Investment properties purchased during the year are stated at cost and the directors do not consider a further valuation of the properties as at 31 March 2010 is required as in their opinion the book value at that date is not materially different from the market value.

# Notes to the Financial Statements

## (b) Other Fixed Assets – Association

	Office Premises £ 000's	Other Fixed Assets £ 000's	Total £ 000's
<b>Cost:</b>			
At 1 April 2009	6,785	2,323	9,108
Additions	969	162	1,131
Disposals	(23)	(491)	(514)
	<hr/>	<hr/>	<hr/>
At 31 March 2010	7,731	1,994	9,725
	<hr/>	<hr/>	<hr/>
<b>Depreciation:</b>			
At 1 April 2009	420	1,704	2,124
Charge for year	88	356	444
Eliminated on disposals	(11)	(446)	(457)
	<hr/>	<hr/>	<hr/>
At 31 March 2010	497	1,614	2,111
	<hr/>	<hr/>	<hr/>
<b>Net book amount:</b>			
At 31 March 2010	7,234	380	7,614
	<hr/>	<hr/>	<hr/>
At 31 March 2009	6,365	619	6,984
	<hr/>	<hr/>	<hr/>

## 9. Homestake

### Cumulative to 31 March

	Group 2010 £ 000's	Group 2009 £ 000's	Association 2010 £ 000's	Association 2009 £ 000's
Homestake grants received	20,057	19,666	5,508	5,015
Homestake grants paid	(20,057)	(19,666)	(5,508)	(5,015)
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 2010	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Homestake property purchases	12,048	10,821	12,048	10,821
Homestake funding:				
Grants	(5,508)	(5,015)	(5,508)	(5,015)
Proceeds from shared equity owners	(6,540)	(5,806)	(6,540)	(5,806)
	<hr/>	<hr/>	<hr/>	<hr/>
	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>

The Association and its subsidiary Malcolm Homes participate in the Scottish Government's Homestake scheme which is a "shared equity" scheme to assist those on lower incomes to own their own home. Grants are made to equity sharing owners to reduce the purchase cost to an affordable level. A standard security is taken over the property in favour of the Scottish Government and no interest or rent is receivable from the equity sharing owner.

# Notes to the Financial Statements

## 10. Investments

	<b>Cost 2010</b>	Cost 2009
	£	£
Group undertakings:		
Shares in Malcolm Homes Ltd	-	-
	-	-

The Association owns 12 shares in Malcolm Homes Limited at nil cost (2009: nil).

## 11. Interest in joint venture

	<b>Group 2010</b>	Group 2009	<b>Association 2010</b>	Association 2009
	£ 000's	£ 000's	£ 000's	£ 000's
Share of gross assets	-	2,623	-	-
Share of gross liabilities	-	2,624	-	-
	-	(1)	-	-
Loan to joint venture	-	-	-	-
At 31 March 2010	-	(1)	-	-

Malcolm Homes Limited had a 50% interest in a joint venture company (Malcolm Homes (Wolfson) Limited) which was building housing for sale and for mid market rent. Malcolm Homes (Wolfson) Limited was placed in Administration on 2 December 2009.

The joint venture has been excluded from consolidation under FRS 2 as a result of severe long term restrictions applied by the Administrator which prevent the intermediate parent company, Malcolm Homes Limited, controlling its joint venture undertaking.

Based on the information available from the Administrator, the Board is satisfied that no further provision is required.

## 12. Stock

	<b>Group 2010</b>	Group 2009	<b>Association 2010</b>	Association 2009
	£ 000's	£ 000's	£ 000's	£ 000's
Maintenance stock	105	107	-	-
Shared ownership properties to be sold	259	618	259	618
	364	725	259	618



# Notes to the Financial Statements

## 13. Debtors

	Group 2010 £ 000's	Group 2009 £ 000's	Association 2010 £ 000's	Association 2009 £ 000's
<b>Due within one year</b>				
Rental debtors	542	535	525	533
Provision for doubtful debts	(60)	(81)	(60)	(81)
Other debtors	1,598	3,835	1,377	3,655
Homestake properties held for sale	71	1,362	71	1,362
Prepayments and accrued income	354	336	292	257
Corporation tax	-	17	-	-
Due from group company	-	-	330	169
Due from joint venture company	631	667	-	-
Provision for amount due from joint venture company	(631)	(631)	-	-
	<b>2,505</b>	<b>6,040</b>	<b>2,535</b>	<b>5,895</b>
<b>Due after one year:</b>				
Due from group company	-	-	6,800	4,520
	<b>-</b>	<b>-</b>	<b>6,800</b>	<b>4,520</b>

### Exceptional item:

Included in debtors at 31 March 2009 is a loan to the joint venture company of £631,000. On 21 May 2009 Applecross Properties Limited, the joint venture partner, was placed in administration. At present the joint venture company has stopped development of the site at Milton Road, Edinburgh and Malcolm Homes (Wolfson) Limited was placed in Administration on 2 December 2009. The Board fully provided for the loan to the joint venture company in the accounts to 31 March 2009.

## 14. Creditors: amounts falling due within one year

	Group 2010 £ 000's	Group 2009 £ 000's	Association 2010 £ 000's	Association 2009 £ 000's
Housing loans (Note 15)	15	14	-	-
Rent in advance	454	539	454	539
Tenants' deposits	60	33	5	6
Trade creditors	2,967	3,733	2,840	3,527
Homestake grants	261	359	261	359
Accruals and deferred income (including capital grants)	2,699	4,611	2,517	4,488
Corporation tax	8	2	-	-
Other taxation and social security	141	122	-	-
Due to group company	-	-	322	424
Due to joint venture company	-	132	-	-
	<b>6,605</b>	<b>9,545</b>	<b>6,399</b>	<b>9,343</b>

# Notes to the Financial Statements

## 15. Loans

	Group 2010 £ 000's	Group 2009 £ 000's	Association 2010 £ 000's	Association 2009 £ 000's
<b>(a) Fixed rate</b>				
Advanced by UK banks/building societies	78,778	71,792	78,000	80,000
<b>(b) Variable rate</b>				
Advanced by UK banks/building societies	25,000	9,000	25,000	-
	<b>103,778</b>	<b>80,792</b>	<b>103,000</b>	<b>80,000</b>
Analysis of duration of loans:				
Repayable in one year or less	15	14	-	-
Repayable in more than one year but less than two years	15	14	-	-
Repayable in more than two years but less than five years	44	42	-	-
Repayable in more than five years	103,704	80,722	103,000	80,000
	<b>103,778</b>	<b>80,792</b>	<b>103,000</b>	<b>80,000</b>
Being loans falling due:				
- within one year	15	14	-	-
- after more than one year	103,763	80,778	103,000	80,000
	<b>103,778</b>	<b>80,792</b>	<b>103,000</b>	<b>80,000</b>

All loans are repayable by instalments and are secured by way of standard securities or other charges on certain of the group's properties.

As at 31 March 2010 75.9% (2009: 88.9%) of the loans were at fixed rates for a period of one year or more. The average rate of interest was 4.18% (2009: 4.48%). The loans are all currently at rates between 4.5% and 6% (2009: 4.5% and 6%).

The Association has an agreed £120m loan facility to fund the future development programme of which £103m had been drawn by the balance sheet date. An offer for a further £10m loan facility is being negotiated.

## 16. Share capital

	2010 £	2009 £
Shares of £1 each issued and fully paid:		
At beginning of year	135	157
Issued in year	5	6
Cancelled in year	(30)	(28)
At end of year	<b>110</b>	<b>135</b>

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.

# Notes to the Financial Statements

## 17. Revenue reserve

	<b>Group 2010 £ 000's</b>	Group 2009 £ 000's	<b>Association 2010 £ 000's</b>	Association 2009 £ 000's
At 1 April 2009	<b>17,077</b>	9,374	<b>17,606</b>	9,249
Surplus/(deficit) for year	<b>570</b>	(324)	<b>520</b>	330
Transfer from designated reserves	-	8,027	-	8,027
At 31 March 2010	<b>17,647</b>	17,077	<b>18,126</b>	17,606

## 18. Revenue reserve

	<b>Group 2010 £ 000's</b>	Group 2009 £ 000's	<b>Association 2010 £ 000's</b>	Association 2009 £ 000's
At 1 April 2009	<b>4,219</b>	2,367	-	-
Revaluation surplus	<b>672</b>	1,852	-	-
At 31 March 2010	<b>4,891</b>	4,219	-	-

## 19. Cashflow

### (i) Reconciliation of operating surplus to operating cash flows

	<b>Group 2010 £ 000's</b>	Group 2009 £ 000's	<b>Association 2010 £ 000's</b>	Association 2009 £ 000's
Operating surplus	<b>4,625</b>	3,539	<b>4,258</b>	3,360
Bad debt provision	<b>(21)</b>	(13)	<b>(21)</b>	(13)
Depreciation	<b>444</b>	405	<b>444</b>	405
Decrease/(increase) in stock	<b>361</b>	(602)	<b>359</b>	(618)
(Increase)/decrease in debtors	<b>(223)</b>	10	<b>(221)</b>	(497)
(Decrease)/increase in creditors	<b>(2,431)</b>	148	<b>(2,700)</b>	395
	<b>2,755</b>	3,487	<b>2,119</b>	3,032

# Notes to the Financial Statements

## (ii) Reconciliation of net cashflow to increase in net debt

	Group 2010 £ 000's	Group 2009 £ 000's	Association 2010 £ 000's	Association 2009 £ 000's
Increase/(decrease) in cash in the year	293	(3,533)	1	(3,299)
Increase in debt	<b>(22,986)</b>	(14,728)	<b>(23,000)</b>	(14,750)
Change in debt resulting from cash flow	<b>(22,693)</b>	(18,261)	<b>(22,999)</b>	(18,049)
Net debt at 1 April 2009	<b>(76,936)</b>	(58,675)	<b>(76,249)</b>	(58,200)
Movement in net debt in the year	<b>(22,693)</b>	(18,261)	<b>(22,999)</b>	(18,049)
Net debt at 31 March 2010	<b>(99,629)</b>	(76,936)	<b>(99,248)</b>	(76,249)

## (iii) Analysis of changes in net debt (Group)

	2009 £ 000's	Cashflow £ 000's	2010 £ 000's
Cash and short term deposits	3,856	293	4,149
Debt due within one year	3,856	293	4,149
Debt due after one year	(14)	(1)	(15)
	(80,778)	(22,985)	(103,763)
	(76,936)	(22,693)	(99,629)

## 20. Capital and other commitments and future Group funding

	Group 2010 £ 000's	Group 2009 £ 000's	Association 2010 £ 000's	Association 2009 £ 000's
Contracts placed for future capital expenditure not provided in the financial statements	<b>50,098</b>	16,840	<b>46,055</b>	16,176
Capital expenditure authorised but not contracted	-	18,068	-	18,068

Grant funding is in place for all Group social and mid rent housing projects where contracts have been placed. The balance of expenditure on the projects is forecast to be funded from loan finance. The Board has considered the availability of loan finance and is satisfied that sufficient loan funding will be made available from the facilities and funding offer described in note 15.

Further, yet to be authorised, development is anticipated in 2012 and beyond which is subject to the availability of grant and further loan funding.

# Notes to the Financial Statements

## 21. Contingent liabilities

In connection with the refurbishment of housing stock on behalf of the City of Edinburgh Council (more fully described in note 24), exceptional costs have been incurred which the Association was seeking to recover from the Council. The majority of these costs have now been recovered. Any residual unfunded costs cannot be quantified at this time and therefore no provision has been made.

Apart from the above, the Board of Management was not aware of any contingent liabilities as at 31 March 2010 (2009: £Nil) other than pension matters as disclosed in note 25 and none have emerged since.

## 22. Legislative provisions

The Association is incorporated under the Industrial and Provident Societies Act 1965 (Registration No. 1823R(S)), is registered by the Financial Services Authority and is registered with the Scottish Housing Regulator (Registration No. HAL 116). The Association is recognised by the Office of the Scottish Charity Regulator as a Scottish Charity (Scottish Charity No. SC034572).

## 23. Subsidiaries

The Association has one subsidiary. Malcolm Homes Limited provides staff and services to Dunedin Canmore Housing Association as well as others in respect of development, financial services, housing management and maintenance. This includes the directors' services and further information is available in the Malcolm Homes Limited financial statements.

During the year the Association charged £127,200 (2009: £152,100) in facilities fees to Malcolm Homes Limited. During the year Malcolm Homes Limited charged the Association £4,633,845 (2009: £4,548,550) in management fees and £2,795,072 (2009: £2,393,297) for repair services from its workshop.

## 24. Stock transfer and related improvement expenditure

The Association was successful in 2006/07 in a bid for the transfer of housing stock from the City of Edinburgh Council. The stock was improved by the Association on behalf of the Council under a contract with a value of approximately £15m excluding VAT. The Association purchased, for that same figure, the stock as improved with the aid of £7m grant funding. The full purchase price and HAG funding was reflected in social housing property within the "held for letting" category in 2006/07. The full amount of the transfer price was provided for and part of this sum was included in the balance sheet as "long term accruals". As HAG funding is exhausted, loan funding has been drawn down to finance the bulk of the creditor, which has now been exhausted as the work is complete.

## 25. Pensions

### SFHA Scheme

Malcolm Homes Limited participates in the SFHA Pension Scheme (the 'Scheme'). The SFHA Pension Scheme is a multi-employer defined benefit scheme. The Scheme is funded and is contracted out of the state scheme.

The Scheme offers three benefit structures to employers, namely:

1. Final salary with a 1/60th accrual rate,
2. Career average revalued earnings with a 1/60th accrual rate,
3. Career average revalued earnings with a 1/70th accrual rate.

An employer can elect to operate different benefit structures for their active members (as at the first day of April in any given year) and their new entrants. An employer can only operate one open benefit structure at any one time. An open benefit structure is one which new entrants are able to join. Malcolm Homes Limited has decided to operate the final salary with a 1/60th accrual rate benefit structure for active members as at 31 March 2008 and the career average revalued earnings with a 1/60th accrual rate benefit structure for new entrants from 1 April 2008.

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.

During the year Malcolm Homes Limited paid contributions at the rate of 13.3% to 15.4% of pensionable salaries. Member contributions varied between 6.6% and 7.7%. As at the balance sheet date there were 145 active members of the Scheme employed by Malcolm Homes Limited. Malcolm Homes 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. The Scheme is a multi-employer scheme where the scheme assets are co-mingled for investment purposes, benefits are paid from 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 Plan, the accounting charge for the period under FRS17 represents the employer contribution payable.

The last formal valuation of the Scheme was performed as at 30 September 2006 by a professionally qualified actuary using the projected unit credit method. The market value of the Scheme's assets at the valuation date was £268 million. The valuation revealed a shortfall of assets compared to liabilities of £54 million, equivalent to a past service funding level of 83.4%.

The Scheme actuary has prepared an actuarial report that provides an approximate update on the funding position of the Scheme as at 30 September 2008. Such a report is required by legislation for years in which a full actuarial valuation is not carried out. The funding update revealed a decrease in the assets of the Scheme to £265 million and indicated an increase in the shortfall of assets compared to liabilities to approximately £149 million, equivalent to a past service funding level of 63.9%.

# Notes to the Financial Statements

The current triennial valuation of the Scheme, as at 30 September 2009, is being undertaken by a professionally qualified actuary. The final results of the valuation will be available in the autumn of 2010. Malcolm Homes Limited has been informed that the provisional valuation results indicate that the funding level has fallen to 64.8% of liabilities. Their report indicates that the total contribution rate (employers' and employees' combined contributions) for all existing benefit options structures must increase on average by 7% of pensionable earnings from 1 April 2011. A period of consultation with employers has now commenced to consider the valuation results.

Since the contribution rates payable to the Scheme have been determined by reference to the last full actuarial valuation the following notes relate to the formal actuarial valuation as at 30 September 2006.

The financial assumptions underlying the valuation as at 30 September 2006 were as follows:

	% pa
- Investment return pre retirement	7.2
- Investment return post retirement	4.9
- Rate of salary increases	4.6
- Rate of pension increases	
Pension accrued pre 6 April 2005	2.6
Pension accrued from 6 April 2005 (for leavers before 1 October 1993 pension increases are 5.0%)	2.25
- Rate of price inflation	2.6

The valuation was carried out using the PA92C2025 short cohort mortality table for non-pensioners and PA92C2013 short cohort mortality table for pensioners.

Malcolm Homes Limited continues to offer membership of the Scheme to new employees and therefore regards crystallisation of the buy-out debt as remote. No provision for the buy-out debt is therefore required.

## Pension Trust's Growth Plan

Malcolm Homes Limited also participates in the Pension Trust's Growth Plan as an Additional Voluntary Contribution (AVC) vehicle for employees. The Growth Plan is a multi-employer pension Plan where it is not possible to separately identify the assets and liabilities of the participating employers. The Growth Plan is in most respects a money purchase arrangement but it has some guarantees. Contributions paid into the Growth Plan up to and including September 2001 were converted to defined benefit amounts of pension payable from Normal Retirement Date. From October 2001 contributions were invested in personal funds which have a capital guarantee and which are converted to pension on retirement, either within the Growth Plan or by purchase of an annuity.

The rules of the Growth Plan give the Trustee the power to require employers to pay additional contributions in order to ensure that the statutory funding objective under the Pensions Act 2004 is met. The statutory funding objective is that a pension scheme should have sufficient funds to meet its past service liabilities, known as the Technical Provisions.

The funding position of the Growth Plan at 30 September 2005 revealed a small deficit and the 30 September 2006 update of the funding position indicates a small improvement. In these circumstances no additional contributions from participating employers are required at this point in time.

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 Plan. The Trustee's current policy is that it only applies to employers with pre October 2001 liabilities in the Plan. The debt is due in the event of the employer ceasing to participate in the Plan or the Plan winding up. The amount of the potential debt can be volatile over time. As Malcolm Homes Limited continues to offer membership of the Growth Plan to employees it therefore regards crystallisation of the buy-out debt as remote. No provision for the buy-out debt is therefore required.

## 26. Malcolm Homes (Wolfson) Limited

On 21 May 2009 Malcolm Homes Limited was advised that its joint venture partner in Malcolm Homes (Wolfson) Limited, Applecross Properties Limited, was placed in administration. Work on the site at Milton Road, Edinburgh therefore ceased. Malcolm Homes Limited was seeking ways to recommence work on this site however Malcolm Homes (Wolfson) Limited was placed in Administration on 2 December 2009. Discussions with the Administrator are ongoing but it is unlikely that a new joint venture partner will be found and the assets have been advertised for sale. As disclosed in note 13 the Board made full provision against the loan to Malcolm Homes (Wolfson) Limited in the accounts to 31 March 2009. The Board of Malcolm Homes Limited has obtained legal advice concerning these developments and is satisfied that no further material financial obligations or contingent liabilities fall to be provided and disclosed in the Malcolm Homes Limited financial statements. The Board of Dunedin Canmore Housing Association Limited has considered this event and is satisfied that no further disclosure is required in these consolidated financial statements.

# Notes to the Financial Statements

## 27. Information required under The Registered Social Landlords Accounting Requirements (Scotland) Order 2007

### Association: particulars of turnover, operating costs and operating surplus/(deficit)

	Turnover 2010 £ 000's	Operating Costs 2010 £ 000's	Operating Surplus/ (Deficit) 2010 £ 000's	Operating Surplus/ (Deficit) 2009 £ 000's
Social lettings	15,998	11,285	4,713	3,787
Other activities	4,459	4,914	(455)	(427)
<b>Total</b>	<b>20,457</b>	<b>16,199</b>	<b>4,258</b>	<b>3,360</b>
2009	16,594	13,234	3,360	

# Notes to the Financial Statements

## Association: particulars of turnover, operating costs and operating surplus/(deficit) from social letting activities

	General Needs £ 000's	Supported Housing £ 000's	Shared Ownership £ 000's	Hostel £ 000's	2010 Total £ 000's	2009 Total £ 000's
<b>Turnover</b>						
Rent receivable net of service charges	13,986	–	–	364	14,350	12,819
Service charges	738	272	84	115	1,209	1,092
Gross income from rents and service charges	14,724	272	84	479	15,559	13,911
Less voids	96	2	–	29	127	192
Net income from rents and service charges	14,628	270	84	450	15,432	13,719
Grants from the Scottish Ministers	–	135	–	431	566	691
Other revenue grants	–	–	–	–	–	–
<b>Total Turnover from social letting activities</b>	<b>14,628</b>	<b>405</b>	<b>84</b>	<b>881</b>	<b>15,998</b>	<b>14,410</b>
<b>Operating costs</b>						
Management and maintenance admin. costs	4,698	239	84	785	5,806	5,635
Service costs	738	272	–	115	1,125	1,018
Planned and cyclical maintenance including major repairs costs	2,641	–	–	–	2,641	2,007
Reactive maintenance costs	1,617	–	–	–	1,617	1,864
Bad debts – rents and service charges	96	–	–	–	96	99
Depreciation of social housing	–	–	–	–	–	–
Impairment of social housing	–	–	–	–	–	–
<b>Operating costs for social letting activities</b>	<b>9,790</b>	<b>511</b>	<b>84</b>	<b>900</b>	<b>11,285</b>	<b>10,623</b>
<b>Operating surplus/(deficit) for social lettings</b>	<b>4,838</b>	<b>(106)</b>	<b>–</b>	<b>(19)</b>	<b>4,713</b>	<b>3,787</b>
2009 Operating surplus/(deficit) for social lettings	3,923	(123)	–	(13)	3,787	



# Notes to the Financial Statements

## Association: particulars of turnover, operating costs and operating surplus or deficit from other activities

	Grants from Scottish Ministers £ 000's	Other revenue grants £ 000's	Supporting people income £ 000's	Other income £ 000's	Total turnover £ 000's	Operating costs – bad debts £ 000's	Other operating costs £ 000's	Operating surplus/ (deficit) 10 £ 000's	Operating surplus/ (deficit) 09 £ 000's
Wider role activities undertaken to support the community, other than the provision, construction, improvement and management of housing	258	-	-	7	265	-	593	(328)	(314)
Care and repair of properties	-	-	-	-	-	-	-	-	-
Factoring	-	-	-	36	36	-	36	-	-
Development and construction of property activities	-	-	-	4,094	4,094	-	4,270	(176)	(163)
Support activities	-	-	-	-	-	-	-	-	-
Care activities	-	-	-	-	-	-	-	-	-
Agency/management services for registered social landlords	-	-	-	-	-	-	-	-	-
Other agency/management services	-	-	-	-	-	-	-	-	-
Developments for sale to registered social landlords	-	-	-	-	-	-	-	-	-
Developments and improvements for sale to non registered social landlords	-	-	-	-	-	-	-	-	-
Other activities	-	-	-	64	64	-	15	49	50
<b>Total from other activities</b>	<b>258</b>	<b>-</b>	<b>-</b>	<b>4,201</b>	<b>4,459</b>	<b>-</b>	<b>4,914</b>	<b>(455)</b>	<b>(427)</b>
2009 Total from other activities	230	-	-	1,954	2,184	-	2,611	(427)	

# Key Performance Indicators

## Association

	<b>2010 Target</b>	<b>2010 Actual</b>	2009 Target	2009 Actual
<b>Mainstream housing</b>				
Loss of rental income through voids	<b>&lt;1.00%</b>	<b>0.55%</b>	<1.25%	0.96%
Property relets within seven working days	<b>&gt;75%</b>	<b>72%</b>	>75%	75%
Gross rent arrears	<b>&lt;2.75%</b>	<b>2.57%</b>	<3.25%	2.88%
Net rent arrears	<b>&lt;2.5%</b>	<b>2.28%</b>	<3.00%	2.55%
Rent collected	<b>&gt;98.0%</b>	<b>98.61%</b>	>98.0%	99.46%
<b>Hostel</b>				
Loss of rental income through voids	<b>&lt;3.0%</b>	<b>3.26%</b>	<2.5%	2.50%
Support costs target	<b>&lt;0.7%</b>	<b>2.20%</b>	<0.7%	1.30%
<b>Property maintenance</b>				
Emergency repairs within 3 hours	<b>&gt;97%</b>	<b>99.6%</b>	>97%	99.8%
Urgent repairs within one working day	<b>&gt;97%</b>	<b>99.2%</b>	>97%	98.1%
Routine repairs within ten working days	<b>&gt;95%</b>	<b>99.1%</b>	>95%	97.2%
<b>Development</b>				
Grant planning target	<b>£25.0m</b>	<b>£23.6m</b>	£14.4m	£14.3m

# Other Statistical Information

## Association

	<b>2010 Actual</b>	2009 Actual
<b>Hostel rent arrears</b>	<b>19%</b>	13%
<b>Housing units completed</b>		
Social rent	<b>239</b>	114
Shared equity	<b>8</b>	27
<b>Projects and initiatives</b>		
People engaged in work, work experience or skills training	<b>117</b>	72
People engaged in learning, educational or social opportunities	<b>575</b>	427
Volume of grants and investments	<b>£452,000</b>	£401,000
<b>Staff</b>		
Number of staff	<b>214</b>	213
Number of apprentices	<b>4</b>	5
Number of posts advertised in year	<b>38</b>	42
Number of starters	<b>34</b>	41
Number of leavers	<b>34</b>	41
Staff turnover	<b>15%</b>	19%

# Board of Management, Directors and Advisors

## **Board of Management**

Richard Austin

Jane Ballantine

Alexander Ferguson

John Fletcher

Claire Ironside

Fanchea Kelly

Andrew Leslie

Delia Lomax (retired 17 September 2009)  
(co-opted 24 September 2009)

David MacLaren

Kenneth Miller

Thomas Mitchell

David Priest (retired 25 March 2010)

Robert Reid

Yvonne Summers (Chair)

## **Chief Executive**

Ewan Fraser MRICS ACIH

## **Group Secretary**

Roy Walker FCCA

## **Directors**

Nigel Hicks BSc(Hons) MSc CA  
(Finance)

Susan Napier BSc MRICS  
(Business Development)

Graeme Russell BA(Hons) FCIH  
(Housing Services)

Roy Walker FCCA  
(Corporate Services)

## **Bankers**

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Edinburgh EH2 4EQ

## **Auditors**

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Statutory Auditor  
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Edinburgh EH3 6NL

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19 Canning Street  
Edinburgh EH3 8EH

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Aitken Nairn WS  
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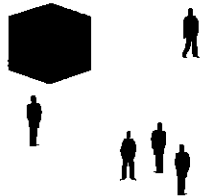


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