

DUNEDIN CANMORE

GROUP

annual report 2011-2012



choices

housing, living, working



Leaders in Building Communities where People Choose to Live



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> Firhill Neuk, Otago

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## Statement by the Chair



> Westfield Avenue



> Yvonne Summers, Chair DCIA

**The Dunedin Canmore Group continues to grow and the 240 houses for rent completed this year took us to the significant milestone of 5,000 houses – a real achievement! The Board and I would like to congratulate everyone involved.**

But the demand for all forms of affordable housing remains high. We continue to see many households, who would never be considered a priority for our social rented houses, struggling to find a suitable alternative they can afford. So, to help respond to these needs, I am pleased that we have also completed 48 shared ownership houses and 116 mid-market rented houses.

As the organisation continues to expand both its size and its range of activities, it becomes increasingly important for both the staff and the

board to have the appropriate skills to manage a business of this size and complexity. During the year we have looked at the staff structure and taken some very difficult decisions to make sure we are able to meet the demands of the future. But we have also had a very hard look at governance and the running of the Group overall – starting with the Board. This was a hugely interesting and productive exercise and I must thank the Board for their cooperation and support.

The environment we are working in continues to be very challenging. The economic pressures that have been with us for the past few years have not gone away – nor do we expect that to improve significantly in the foreseeable future. That is going to continue to mean changes to both the things that we do and the ways we have been used to doing them. There have also been a number of changes in legislation and guidance for us to consider and adapt to, from April 2012. These include the implementation of the Social Housing Charter and the new Scottish Housing Regulator. These are really important initiatives to ensure that tenants and other customers of the Group get a first class service.

The financial performance of the organisation is, of course, a very important consideration in enabling us to provide those first class services. On that front, we have had a really encouraging

## Statement by the Chair

We will continue to invest in the properties we have and strive to maintain and improve the quality and responsiveness of all of the services that the Group provides.



> Forth Quarter

year – our cash flow has been positive and we have comfortably met all of our banking covenants. However, this outcome has been substantially disguised by changes to accounting processes following the application of “component accounting”, which changes the way we show the value and investment in our houses. Nonetheless, we are confident that the work that has been done to bring our houses up to the Scottish Housing Quality Standard and the enormous efforts of our finance team to reflect that in our figures will stand us in good stead for the years ahead.

So, as we reflect on the good performance from last year, we can already see that the challenges and changes we have to make to keep the organisation moving forward are building up. We will continue to invest in the properties we have and strive to maintain and improve the quality and responsiveness of all of the services that the Group provides.

Sadly, a long serving member of the Dunedin Canmore Board died during the year, Alexander Robin Ferguson. Robin was a past member of Dunedin Housing Association, later to become part of Dunedin Canmore. With his architectural background, he had something valuable to contribute to every issue and every discussion and he will be sadly missed.

At the end of the year, one of our other members, Robert Reid, resigned from the Board after 19 years of service. As both a tenant of the Association and a fervent champion of social housing, Robert added great value to the Board and his thoughtful, compassionate contributions will be missed. We wish him well for the future.

Finally, on behalf of the Board I would like to thank the whole staff team for producing another positive set of results and providing our customers with the quality of service they have quite rightly come to expect from Dunedin Canmore.

**Yvonne Summers** Chair  
28 June 2012



> Aldermoor Avenue, Firhill, Oxfgangs

# Statement by the Chief Executive



> Merlín, Granton

**The Dunedin Canmore Group has changed considerably. In response to the economic difficulties experienced, the changing demand for affordable housing and the reduction in public subsidy, we have had to think differently.**

Social housing is still at the heart of what we do. However, the term affordable housing has really come to the fore. This includes mid-market rented housing, shared ownership and shared equity houses for sale.

It is the importance of our role in communities that is making the difference. The vast majority of communities have a mixture of houses for rent and for sale and there are often a range of landlords as well. We are providing services not only to the tenants in these communities but also to a range of owner occupiers and private landlords.



> Ewan Fraser, Chief Executive

The Dunedin Canmore Group is also an employer. We have around 220 direct employees and we, through our contract maintenance and development work, indirectly employ hundreds more. We have a very significant effect on the local economy and we have to understand this and accept this responsibility.

There is a high demand for our services but at the same time we have to be giving value for money. We have a responsibility to deliver the best services to our customers at a very competitive price. To achieve this we are constantly looking at ways to improve.

In response to the changing demands on us we have introduced new measures. These are all in line with our business plan. We are introducing a new Customer Service Centre to ensure that the response to the large number of new customers we have continues to be positive and consistent.

We have introduced a performance management system to measure and record improvements in working practices. It is named "Evolve" and will develop with the group.

## Statement by the Chief Executive

During the course of 2012/13 we will continue to look at improving and achieving consistently good service across the group. We will ensure that a commercial approach is taken.



- Birchwood View

We have introduced a Service Improvement Team to consider complaints, learn from them and improve customer service at first point of delivery. The important point here is to empower front line staff to address any issues that arise at an early stage.

During the course of 2012/13 we will continue to look at improving and achieving consistently good service across the group. We will ensure that a commercial approach is taken.

We will also continue to develop and have an active building programme. This becomes more challenging year on year and the emphasis has moved to mid-market rented housing. We will continue to develop social housing where we can.

The coming year will bring us very close to completing our work to achieve the Scottish Housing Quality Standard. It is essential that we continue to invest in our existing housing stock and we intend to do so.

From April 2012 we have a new Regulator and a Scottish Housing Charter. The importance of fully understanding the new guidance is part of our work. The performance management systems we have put in place will be a great benefit here.

I would like to comment on support to tenants. We have built up very strong working relationships with support agencies such as Foursquare, particularly in the area of homelessness and tenancy sustainment. We have also built up our own staff team on welfare advice and wider action initiatives, particularly on supporting people into employment. These are key areas of the work we will be doing in the coming year as the Welfare Reform Act starts to come into effect.

Finally I would like to thank our partners in both central government and local government who have supported us in the past and are key to our success in the future. The strong working relationships we have are very much appreciated and it is by working together that we can do more to support the communities that we work in.

**Ewan Fraser** Chief Executive  
28 June 2012

# 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 and 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.

## 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 subcommittee, the Group Audit Committee. Other working groups covering all aspects of the Group's work are convened as and when required. The appropriate governing board takes the final decision.

## Governance review

During the year the Boards carried out a performance evaluation of themselves, the Chairs and each of the board members. This was led by a Governance Working Group, which on this occasion engaged an external facilitator to assist in the process. The external facilitator did not have any other connection with the Group.

The process consisted of board members completing questionnaires designed by the external facilitator in conjunction with the Governance Working Group. The completed questionnaires were available only to the facilitator, who prepared written reports for the Chairs and the Board. One-to-one interviews were held between the Chairs and each of the board members.

A meeting of both Boards discussed the results of the evaluation of the boards.

The performance evaluation provided feedback on a wide range of board matters including on some processes and agenda contents. Board members continue to be generally positive about the meetings of the boards and its processes and a number of issues were highlighted for on-going focus during 2012/13.



# The Boards and their Committees

## Board attendance

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

Board Members	Note	Dunedin Canmore	Malcolm Homes	Group Audit Committee
Richard Austin		9/11		
Jane Ballantine (vice Chair to January 2012)	2,5	10/11	4/6	
Alan Brown			6/6	
Alexander Robin Ferguson (died 21/02/12)	3	5/7	4/6	
John Fletcher	4	11/11	6/6	
Claire Ironside		8/11		
Fanchea Kelly		7/11		
Susan Laing (vice Chair from February 2012)	5		4/6	
Andrew Leslie		11/11	6/6	4/5
Delia Lomax		11/11		
David MacLaren		11/11		5/5
Kenneth Miller	2,6	4/11	2/6	3/5
Thomas Mitchell (vice Chair from February 2012)	2,3	6/9		3/4
Peter Nussey			6/6	
John Phillips			6/6	
Robert Reid (resigned 17 April 2012)	3	7/9		
Yvonne Summers	1	11/11		
James Walker			4/6	

(1) Chair Dunedin Canmore

(2) Vice Chair Dunedin Canmore

(3) Dunedin Canmore leave of absence (two meetings)

(4) Chair Malcolm Homes

(5) Vice Chair Malcolm Homes

(6) Chair Group Audit Committee

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 Quarries, Hyvols

# The Boards and their Committees



> Birchwood View

## Group Audit Committee

The Group Audit Committee is responsible for helping the boards to discharge their responsibilities for accounting policies, financial reporting, internal control 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 five times during the year ended 31 March 2012.



> Rollo Court

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.



## Internal control

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

Financial audits were undertaken by Scott Moncrieff, 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 46 of this report.

The Group does not tolerate fraud. Controls are designed to reduce the likelihood and impact of fraud. One instance of a minor misappropriation of funds was reported during the year. Control measures have been improved to avoid any reoccurrence.

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.



> Merlin

# Report of the Board of Management



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

## 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 now owns and manages almost 5,300 homes. It also has a development programme with around 350 homes in Edinburgh, Fife and the Lothians currently on site.

Dunedin Canmore Housing Association operates in a fluid and increasingly challenging social housing environment. Its work is supplemented by its wholly owned subsidiary company Malcolm Homes Limited, which provides mid-market and market rent housing. Malcolm Homes deals with the commercial aspects of the Group's business.

To comply with the Statement of Recommended Practice, the Association has adopted the use of Component Accounting. This means that replacement of certain property components, which were previously charged to the Income and Expenditure Account, have now been capitalised in the Balance Sheet. These components are then depreciated over their

estimated useful lives. Since there was a disparity between the rate of replacement and the amount of depreciation that would have been charged the opening reserves of the Association have decreased by £2,855,000 (see note 1). This disparity further contributed to the deficit of £1,145,000 for this financial year. These adjustments, however disappointing, had no effect on the Association's cash flow or its long term viability.

## Vision

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

## Mission

The Dunedin Canmore Group will build and improve upon the excellent track record of providing a range of housing and support services to a broader mix of people in the community. This involves the development of 1,000 houses during the period of our five year plan.

The Group is improving its customer service by gaining a better understanding of the needs of its customers. The continuous improvement agenda also included the introduction of a quality management system this year that best suits the organisation.

# Report of the Board of Management

The Group continues to build on the partnership work that it does to support tenancies, improve services and create desirable and self-sustaining communities. This includes working more closely with specialist support providers, young people, tenants and owners' groups alike.

The Dunedin Canmore Group is committed to maintaining strong governance, good leadership and will continue to keep the Group structure under review in order to develop and grow its presence in Edinburgh, the Lothians and Fife. This involves developing the skills of Board members and staff.

The Dunedin Canmore Group continues to develop its financial strategy and focuses on providing good value services to all of its customers. It also aims to increase the performance of the commercial business it runs to give additional financial support to the Group as a whole and reduce the reliance placed on grant aid.

As a progressive social enterprise the Dunedin Canmore Group develops its capacity in providing employment initiatives, seeks and adopts new forms of technology and renewable energy and takes an entrepreneurial approach to business development.

## Core values

All of the activities of the Dunedin Canmore Group are based around three key important values. Those values are embedded into our culture to ensure that we achieve our Vision:

- **Ethical:** By firmly embedding equality in all that we do, we inspire trust by being open, fair and respectful to our customers, our suppliers and each other
- **Commitment:** By working together and adopting an enterprising and "can do" attitude, we will focus on making it happen and realise our aspirations

- **Excellence:** We are passionate to be the best, promoting a culture of continuous improvement and innovation in order to deliver the highest standard of services

## 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 on-going learning and improvement happens 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



- St Hilda's, Oxfgangs

# Report of the Board of Management



> Staff Charity Away Day in aid of Forth Street Hostel

## 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 to provide a forum to exchange views and to improve communication and consultation between management and staff.

## Health and safety

The Dunedin Canmore Group is the first Scottish housing group to have been approved as an Institute of Occupational Safety & Health training provider for the nationally recognised Managing Safely Course. As part of the strategic development of health and safety management within the Group, all Directors and Managers have been invited to undertake this course as well as external delegates from other housing associations. The course aims to get essential health and safety messages across to delegates to ensure that the Group continues to successfully manage health and safety.

## Charitable donations

As well as donating £5,650 (2011: £3,800) to various charities this year the staff have raised a total of £2,900 for Cash for Kids, their nominated charity. In addition, various staff took part in sponsored events for other charities.

## Partnering

Dunedin Canmore Housing Association is regulated by the Scottish Housing Regulator. As a recipient of housing association grants 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

# Report of the Board of Management

Training continues to be the main focus to enhance the skills of our staff.



- IOSH Achievers

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 with other associations and agencies. This partnership approach is beneficial to providing support, regenerating communities and working with the private sector.

## Loan funding

We continue to benefit from the loans provided by the funding syndicate of the Royal Bank of Scotland, Lloyds Banking Group and the Dunfermline Building Society. Some of the facility was drawn down in the year to develop our housing programme and the balance will be used over the next two years. Exposure to interest rate fluctuations in the past has been minimised by seeking out low fixed rates. With the low variable rate options currently available any new drawdowns have been placed on short term rates and kept under regular review.

During the year the loan of £16.5m from The Housing Finance Corporation was completed and drawn down. This was placed on a highly beneficial fixed rate for 10 years. The Housing Finance Corporation is a body that uses European Development funds for urban regeneration.

We remain able to meet our current commitments and seek out new projects to provide social and affordable housing in Edinburgh, the Lothians and Fife. Projects are assessed on many criteria, a key one of which is the availability of finance.

The Board is aware of the risks facing the Group in the coming years and has considered alternative development and funding strategies in order to satisfy itself that loan covenants can be met. We are actively seeking other funding sources for the Group and pursuing a strategy that will identify resources to sustain our development programme.

Through our initiatives we show real leadership in the housing sector. As a major housing provider and developer we are appreciative of the confidence expressed in us by our private funders and by the City of Edinburgh Council and the Scottish Government.



# 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 supports our normal development programme. This is a key component of our ability to meet our obligations.

With the reduction in grant funding without a comparable reduction in housing demand the Group has been looking to identify alternative methods of obtaining finance to sustain its development programme. This may involve different financial models to those prevailing in the past.

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 as well as the Housing Finance Corporation.

### 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 timocously 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 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

	2011 restated £ 000's	2012 £ 000's
Group turnover	20,827	24,296
Operating surplus	6,220	4,803
Interest costs	5,246	6,337
Pre tax surplus/(deficit)	608	(1,053)
Operating margin	29.9%	19.8%
Interest cover	1.9	1.4

The results as shown above arose in East Central Scotland. Interest is written off as it is incurred. Almost our entire turnover is spent on services directly related to our tenants.

### Balance sheet

	2011 restated £ 000's	2012 £ 000's
Housing stock	319,966	333,407
Borrowings	125,754	149,232
Total financial indebtedness to net worth	56.8%	61.1%

2011 financial performance figures have been restated to take into account the prior year adjustment due to the introduction of component accounting (see notes 1 and 7).

# Report of the Board of Management



> DCG Staff Charity Away Day in aid of Almond Valley Heritage Centre

## Capital Credit Union

Dunedin Canmore tenants and sharing owners in Edinburgh and the Lothians can join the Capital Credit Union. It has offices in Edinburgh and Bathgate, has over 16,000 members and is the third largest in Scotland. Credit Unions are set up to encourage members to save together and lend to each other responsibly. This allows these members the opportunity to gain greater control over their finances.

## Dunedin Canmore youth projects

The Slatoford Green Youth Café continues to welcome over forty young people through its doors every week. The programme includes healthy eating, arts and crafts, information technology projects and this year a Rotary funded residential project which took place at Benmore Outdoor Centre.

The Oxfangs Youth Café is proving a real hit with local young people, so much so that it is now open on Tuesday nights. The Youth Café is based in Oxfangs Neighbourhood Centre.

Our employability work in South Edinburgh has been enhanced by the appointment of our new Youth Employability Worker who has been working with WEACT and Liberton High School to support school leavers prepare for work, education, training or volunteering opportunities.

## New mental health hostel

We are pleased to report that, working in partnership, Dunedin Canmore Housing Association and mental health charity Health in Mind have taken over management of a hostel for older men with enduring mental health problems. The hostel is situated in Leith and was previously run as a private concern. It provides accommodation and support to nine men on a long term basis. Long term supported accommodation of this nature is in short supply and the partnership arrangement will ensure the continuation and improvement of this valuable resource.

## Hostel opens a pet clinic

The Dunedin Harbour Hostel has become the first in Edinburgh to offer free vet services for residents with pets. A £5,000 bequest from a local resident and a £3,500 donation from the Pet Plan Charitable Trust will fund the clinic for an 18 month period.



# Report of the Board of Management

Entrepreneur Sir Tom Farmer praised the biggest affordable housing project in the Capital as a major boost to the local economy. At the official opening he congratulated the Group for providing a significant boost to housing, the local economy and a significant commercial achievement.



> Sir Tom Farmer officially opens Westfield Avenue, Edinburgh

## Business Development

A number of developments have been opened this year. These include:

**Elizabeth Maginnis Court.** This development at Royston Wardieburn provides 68 units for older people, a day care health facility and a community café. In addition to a residents' lounge on the ground floor there is also rooftop lounge and balcony with magnificent views across the City. The building has been named after the late Cllr Elizabeth Maginnis who served the local ward of Royston Wardieburn and was officially opened by Margo MacDonald MSP.

**The Quarries.** Our new £7million independent living complex at Hyvots was officially opened in October by Keith Brown, Minister for Housing and Transport. The Minister took a tour of the building and, thanks to a very kind resident, was able to view one of the flats. He then ventured outside into the garden to have a try-out on the exercise equipment, with three chirpy ladies keeping a very close eye on him.

**Westfield.** Entrepreneur Sir Tom Farmer praised the biggest affordable housing project in the Capital as a major boost to the local economy. At the official opening he congratulated the Group for providing a significant boost to housing, the local economy and a significant commercial achievement. The £24.5 million development situated in Westfield Avenue, Gorgie, is Dunedin Canmore's largest affordable housing development providing 193 new homes and eight business units on the former industrial site. Sir Tom commended Dunedin Canmore for creating opportunities for local businesses as well as options to help people get on the property ladder, as he presented Westfield shared ownership tenants Mr and Mrs Martin with a gift to mark 5,000 properties built by the Group.

## Sustainability

As part of our Sustainability Strategy, recycling bins are now in place around both our New Mart Road Office and Bilston Workshop and waste-paper bins have been removed to encourage use of these facilities.

# Report of the Board of Management



> Tenant DVD award, tenant participation

## Energy strategy 2011-2017

Dunedin Canmore's energy strategy for the next six years was approved by the Board in October 2011. The Strategy has been produced to demonstrate how the Group will respond to the challenges posed by climate change, the rise in global energy prices and the impact of fuel poverty. It also demonstrates how the Group will respond to the Scottish Government's Climate Change (Scotland) Act 2009 which aims to reduce greenhouse gas emissions while promoting sustainable economic growth. By committing to the aims and objectives of the strategy, the Group will be able to create positive outcomes for its customers, the environment and business growth.



> Forth Quarter, Edinburgh

## Awards

The Group has achieved or been nominated for a number of awards this year including Scottish Design Awards, Homes for Scotland Quality Awards, Chartered Institute of Housing UK Sustainable Housing Award 2011, Chartered Institute of Housing UK Housing Awards, Herald Property Awards for Scotland 2011, Saltire Awards and UKHA Inside Housing 2011.

In addition Dunedin Canmore, along with its six partners, won an award from TPAS (Tenant Participation & Advisory Service) for the new Tenants DVD. The 'Best Practice Initiative Involving All Award' seeks to recognise good practice in working with groups who may normally be excluded – for example young people, those whose first language is not English and those with support needs. New tenants will be invited to watch the DVD and existing tenants can watch the chapters in the Tenant Zone of our website.

# Report of the Board of Management

In the homeless soccer world cup 2011, Scotland's men's team won, with the ladies team finishing 5th. Well done to both teams. Dunedin Canmore contributed £5,000 towards the teams' travel costs.



> Sponsors of Homeless World Cup 2011

## Improving business performance through continuous improvement

The Group has committed itself to continuous improvement and self-assessment. A quality team has been set up and self-assessment will form a large part of our commitment to continuous improvement and business excellence.

## Investors in People

This year Dunedin Canmore was reassessed by Investors in People and achieved the bronze award. Our thanks go to all the staff.

## Dunedin Canmore sponsor homeless world cup soccer

Scotland's men's team won, with the ladies team finishing 5th. Well done to both teams. Dunedin Canmore contributed £5,000 towards the teams' travel costs and also sponsored an ex-resident from our Hostel, William McLean, who now rents one of our properties, as an individual player. William was selected to represent his nation while taking part in a free 'Street Soccer' event.

## Dunedin Canmore Website

The new website was launched in August 2011. As well as a refreshed look it has some exciting features. A group section has been added which incorporates a communication centre giving up-to-date information on events, press releases, and podcasts. There is a new tenant zone which allows tenants to view and pay rent, view repair status, etc. The new e-recruit allows future applicants to apply on-line.

The website is a work in progress. A feedback form has been set up to gain valuable feedback to enable us to make improvements. We will utilise this feature to create other online forms and gain feedback especially from tenants.



> Suttislea, Newtongrange

# Report of the Board of Management



> IT Suite, Dunedin Harbour Hostel, Parliament Street, Leith

## Employability pathways

This year Dunedin Canmore, in partnership with Four Square, launched a new initiative called 'Employability Pathways' to offer tenants extra advice and assistance to help them remove barriers and progress into employment, training and education. The main emphasis of employability pathways is on pre-employment to help those individuals furthest away from entry to the labour market. The initiative benefits from Four Square's extensive background of experience in providing tailored employability support services and skills training to vulnerable people with multiple and complex needs.

This initiative puts Dunedin Canmore at the forefront of housing association led wider role activity in Edinburgh. Its activity has a strong strategic fit with local and national priorities including the Capital City Partnership's 'Joined Up for Jobs' strategy and the Scottish Government's 'Workforce Plus'.

Between 2007 and 2012 the Dunedin Canmore Group has supported more than 1,500 people into work experience, skills training, education, employment and learning opportunities while securing over £1 million of external investment as part of its wider role for communities.

## 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

# Report of the Board of Management

Between 2007 and 2012 the Dunedin Canmore Group has supported more than 1,500 people into work experience, skills training, education, employment and learning opportunities ...



The Board is responsible for keeping proper accounting records which disclose with reasonable accuracy at anytime 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) Acts 2001 to 2010 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.

## Auditor

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

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

By order of the Board of Management

**Yvonne Summers**

Chair

28 June 2012

**Roy Walker**

Group Secretary



- Slateford Green Youth Forum at Benmore Outdoor Activity Centre

# Board Statement on Internal Financial Controls



> Communal Gardens, The Quarries, Hyvol Loan

## Board Statement on Internal Financial Controls

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



> Margo McDonald MSP, official opening, Elizabeth Maginness Court

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 misstatement 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

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.



> Aldermoor Avenue, Firrhill, Oxfgangs

- 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 2012 and until 12 June 2012. 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  
28 June 2012

**Roy Walker**  
Group Secretary



> Firrhill Park, Oxfgangs

# 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 2012 set out on pages 26 to 45. These financial statements have been prepared under the accounting policies set out therein. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).**

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

As more fully explained in the Statement of the Board of Management's responsibilities on pages 20 to 21, the Board is responsible for the preparation of financial statements which give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

## **Scope of the audit of the accounts**

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

## **Opinion on accounts**

In our opinion the financial statements:

- give a true and fair view of the state of the Association's and the Group's affairs as at 31 March 2012 and of the Association's and Group's income and expenditure for the period then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and

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

- have been properly prepared in accordance with the Industrial and Provident Societies Acts 1965 to 2002, the Housing (Scotland) Act 2001, The Registered Social Landlords Accounting Requirements (Scotland) Order 2007, the Charities and Trustee Investment (Scotland) Act 2005 and Regulation 14 of the Charities Accounts (Scotland) Regulations 2006 (as amended).

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

We have nothing to report in respect of the following matters where the Industrial and Provident Societies Acts 1965 to 2002 or the Charities Accounts (Scotland) Regulation 2006 (as amended) require us to report to you if, in our opinion:

- a satisfactory system of control over transactions has not been maintained; or
- the Association has not kept proper accounting records; or
- the financial statements are not in agreement with the books of account; or
- we have not received all the information and explanations we require for our audit; or
- the information given in the Report of the Board of Management is inconsistent in any material respect with the financial statements.

## Corporate Governance Matters

In addition to our audit of the financial statements, we have reviewed the Board of Management'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 of Management's statements on internal financial control, in our opinion the Board of Management 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

28 June 2012

**Chiene+Tait**  
CHARTERED ACCOUNTANTS

# Income and Expenditure Account

For the year ended 31 March 2012

	Note	Group 2012 £ 000's	Group 2011 restated £ 000's	Association 2012 £ 000's	Association 2011 restated £ 000's
<b>Turnover</b>	2	<b>24,296</b>	20,827	<b>21,952</b>	19,365
Operating costs		<b>(19,493)</b>	(14,607)	<b>(17,645)</b>	(14,661)
<b>Operating surplus</b>		<b>4,803</b>	6,220	<b>4,307</b>	4,704
Surplus/(deficit) on sale of fixed assets		<b>322</b>	(832)	<b>322</b>	110
Interest receivable and other income		<b>159</b>	466	<b>540</b>	856
Interest payable and similar charges	5	<b>(6,337)</b>	(5,246)	<b>(6,314)</b>	(5,224)
<b>(Deficit)/surplus on ordinary activities before taxation</b>	4	<b>(1,053)</b>	608	<b>(1,145)</b>	446
Tax on surplus on ordinary activities	6	<b>23</b>	47	–	–
<b>(Deficit)/surplus for the year</b>	15	<b>(1,076)</b>	561	<b>(1,145)</b>	446

## Statement of Total Recognised Gains and Losses

	Note	Group 2012 £ 000's	Group 2011 restated £ 000's	Association 2012 £ 000's	Association 2011 restated £ 000's
(Deficit)/surplus for the year		<b>(1,076)</b>	561	<b>(1,145)</b>	446
Unrealised (deficit)/surplus on revaluation of investment properties	16	<b>(365)</b>	726	<b>405</b>	1,019
Total recognised (deficit)/surplus relating to the year		<b>(1,441)</b>	1,287	<b>(740)</b>	1,465
Prior year adjustment	1	<b>(2,855)</b>	–	<b>(2,855)</b>	–
<b>Total (deficit)/surplus recognised since last annual report</b>		<b>(4,296)</b>	1,287	<b>(3,595)</b>	1,465

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

The notes on pages 29 to 45 form part of these financial statements.

# Balance Sheet

As at 31 March 2012

	Note	Group 2012 £ 000's	Group 2011 restated £ 000's	Association 2012 £ 000's	Association 2011 restated £ 000's
<b>Fixed assets</b>					
Housing properties – depreciated cost	7(a)	<b>333,407</b>	319,966	<b>333,407</b>	319,966
HAG and other grants	7(a)	<b>(212,009)</b>	(203,000)	<b>(212,009)</b>	(203,000)
		<b>121,398</b>	116,966	<b>121,398</b>	116,966
Other fixed assets	7(b)	<b>38,194</b>	29,107	<b>23,968</b>	14,221
Homestake	8	–	–	–	–
Investments	9	–	–	–	–
Total fixed assets		<b>159,592</b>	146,073	<b>145,366</b>	131,187
<b>Current assets</b>					
Stock	10	<b>486</b>	1,012	<b>370</b>	909
Debtors: falling due within one year	11	<b>2,437</b>	2,583	<b>2,375</b>	2,686
falling due after one year	11	–	–	<b>9,450</b>	9,450
Cash and short term deposits		<b>12,299</b>	2,611	<b>11,878</b>	2,441
		<b>15,222</b>	6,206	<b>24,073</b>	5,486
<b>Creditors: amounts falling due within one year</b>	12	<b>(5,147)</b>	(4,659)	<b>(4,663)</b>	(4,657)
<b>Net current assets</b>		<b>10,075</b>	1,547	<b>19,410</b>	10,829
Total assets less current liabilities		<b>169,667</b>	147,620	<b>164,776</b>	142,016
<b>Creditors: amounts falling due after more than one year</b>					
Loans	13	<b>(149,215)</b>	(125,727)	<b>(148,500)</b>	(125,000)
<b>Net assets</b>		<b>20,452</b>	21,893	<b>16,276</b>	17,016
<b>Capital and reserves</b>					
Share capital	14	–	–	–	–
Revenue reserve	15	<b>14,557</b>	15,633	<b>14,852</b>	15,997
Pre-acquisition reserve		<b>643</b>	643	–	–
Revaluation reserve	16	<b>5,252</b>	5,617	<b>1,424</b>	1,019
		<b>20,452</b>	21,893	<b>16,276</b>	17,016

These financial statements were approved by the Board of Management on 28 June 2012 and were signed on its behalf by:

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

The notes on pages 29 to 45 form part of these financial statements.





# Cash Flow Statement

For the year ended 31 March 2012

	Note	Group 2012 £ 000's	Group 2011 restated £ 000's	Association 2012 £ 000's	Association 2011 restated £ 000's
<b>Net cash inflow from operating activities</b>	17(i)	<b>9,861</b>	9,710	<b>9,030</b>	9,316
<b>Returns on investments and servicing of finance</b>					
Interest received		564	61	945	451
Interest paid		(6,155)	(4,921)	(6,132)	(4,900)
<b>Net cash outflow from returns on investments and servicing of finance</b>		<b>(5,591)</b>	(4,860)	<b>(5,187)</b>	(4,449)
<b>Taxation</b>					
Corporation tax paid		-	(8)	-	-
<b>Net cash outflow from taxation</b>		<b>-</b>	(8)	<b>-</b>	-
<b>Capital expenditure and financial investment</b>					
Acquisition and construction of properties		(18,193)	(43,236)	(18,193)	(43,236)
Purchase of other fixed assets		(9,759)	(4,287)	(9,646)	(1,451)
Homestake grants received/(paid)		205	367	-	-
Homestake funding received/(paid)		(246)	(323)	-	44
Capital grants received		9,009	18,956	9,009	18,956
Capital grants repaid		-	(152)	-	(152)
Sales of properties		924	319	924	311
Loan advances to group companies		-	-	-	(2,650)
<b>Net cash outflow from capital expenditure</b>		<b>(18,060)</b>	(28,356)	<b>(17,906)</b>	(28,178)
<b>Net cash outflow before use of liquid resources and financing</b>		<b>(13,790)</b>	(23,514)	<b>(14,063)</b>	(23,311)
<b>Financing</b>					
Loan advances received		23,500	22,000	23,500	22,000
Loan principal repayments		(22)	(24)	-	-
<b>Net cash inflow from financing</b>		<b>23,478</b>	21,976	<b>23,500</b>	22,000
<b>Increase/(decrease) in cash in the year</b>	17(ii), (iii)	<b>9,688</b>	(1,538)	<b>9,437</b>	(1,311)

The notes on pages 29 to 45 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 (2010).

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 (r) 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 2012.

### (b) Accounting basis

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

### (c) Going Concern

The financial statements have been prepared on a going concern basis. The Board have assessed the Group and the Association's ability to continue as a going concern and have reasonable expectation that the Group and the Association has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing these financial statements.

### (d) 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.

### (e) Fixed assets – housing properties

This year component accounting has been adopted. Housing properties comprise several components with substantially different useful economic lives and under the component accounting principle each major component is accounted for separately and depreciated over its individual useful economic life.

Housing properties and components are stated at cost. The development costs of housing properties funded with traditional Housing Association Grant or under earlier funding arrangements include the following:

- (i) cost of acquiring land and buildings; and
- (ii) development expenditure, which is capitalised, including interest on developments loans.

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.

### (f) Works to existing housing properties

Where work is carried out to existing properties and results in an enhancement of the economic benefits of the property they will be accounted for as an improvement and capitalised in note 7. Such circumstances are as follows:

- (i) Where a component of the tangible fixed asset that has been treated separately for depreciation purposes and depreciated over its individual useful economic life, is replaced or restored.
- (ii) Where the subsequent expenditure provides an enhancement of the economic benefits of the tangible fixed asset in excess of the previously assessed standard of performance.
- (iii) Where the subsequent expenditure relates to a major inspection or overhaul of a tangible fixed asset that restores the economic benefits of the asset that have been consumed by the entity and have already been reflected in depreciation.
- (iv) Works on existing properties that are not regarded as enhancing their value are charged to the income and expenditure account and included under maintenance costs.

### (g) Housing association grant

Housing association grant 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 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.

### (h) Depreciation

#### (i) Housing properties

Housing properties under construction are stated at cost and are not depreciated. These are reclassified as housing properties on practical completion of construction.

Freehold land is not depreciated.

The Association depreciates the net cost of freehold housing properties by component on a straight line basis over the estimated useful economic lives of component categories.

# Notes to the Financial Statements

The net cost is reached by reducing the historic cost of the component (minus the cost of the land) by the proportion of Housing Association Grant and other capital grants received in respect of the component elements of the property. A full year's depreciation is charged in the year in which the property is practically complete.

Useful economic lives for identified components are as follows:

Component	Useful Economic Life
Frame	100 Years
Kitchen	15 Years
Bathroom	25 Years
Shower	15 Years
Windows	30 Years
Heating	30 Years
Boiler	15 Years

## (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 Financial Reporting Standard 15, an impairment review of office properties has been carried out and no further adjustment is 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.

## (i) Prior Year Adjustment

In accordance with the revised requirements of the Statement of Recommended Practice for fixed assets, the Board has identified components as disclosed above and has undertaken a review of historical information to establish, where possible, previous revenue expenditure which, under this new policy, would be component capital expenditure. As a consequence of this, revised opening reserves as at 1 April 2010 have decreased by £2,575,000. In addition, the reserves as at 31 March 2011 have decreased by £280,000 resulting in an accumulated prior year adjustment on reserves of £2,855,000.

## (j) 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.

## (k) 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 r).

## (l) 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.

## (m) Operating leases

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

## (n) 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.

## (o) 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 8. 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 8 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.

## (p) Pension costs

Malcolm Homes Limited participates in the Scottish 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.

## (q) 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.

## (r) 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

	Group 2012 £ 000's	Group 2011 £ 000's	Association 2012 £ 000's	Association 2011 £ 000's
Rent receivable	20,914	18,225	19,981	17,614
Losses arising from vacant possession	(229)	(200)	(199)	(179)
	<hr/>	<hr/>	<hr/>	<hr/>
Management services and other income	20,685 3,611	18,025 2,802	19,782 2,170	17,435 1,930
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Total turnover</b>	<b>24,296</b>	<b>20,827</b>	<b>21,952</b>	<b>19,365</b>

## 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.

	2012 £ 000's	2011 £ 000's
Aggregate emoluments payable to directors (including pension contributions)	390	394
Emoluments payable to Chief Executive (excluding pension contributions and national insurance)	102	88

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

	2012 Number	2011 Number
up to £60,000	-	-
£60,001 to £70,000	2	3
£70,001 to £80,000	1	1
£80,001 to £90,000	1	-
£90,001 to £100,000	-	1
£100,001 to £110,000	-	-
£110,001 to £120,000	1	-

During the year 5 directors (2011: 5) participated in the Scottish 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 £7,518 (2011: £13,305).

No loans were made to board members, officers or employees during the year and none were outstanding at 31 March 2012 (2011: Nil).

	2012 £ 000's	2011 £ 000's
Expenses reimbursed not chargeable to UK income tax	2	10

# Notes to the Financial Statements

## 3. Directors' and employees' emoluments (cont.)

### Staff

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

	2012 Number	2011 Number
Support staff	113	112
Care and support staff	31	29
Direct maintenance staff	56	61
	<u>200</u>	<u>202</u>
	£ 000's	£ 000's
Staff costs (including directors)	6,425	5,881
Wages and salaries	521	464
Social security costs	714	588
Pension costs	177	64
Temporary staff costs	<u>7,837</u>	<u>6,997</u>

## 4. (Deficit)/surplus for the year is stated after charging

	Group 2012 £ 000's	Group 2011 restated £ 000's	Association 2012 £ 000's	Association 2011 restated £ 000's
Depreciation – housing stock	<u>3,704</u>	<u>4,088</u>	<u>3,704</u>	<u>4,088</u>
Depreciation – other assets	<u>307</u>	<u>387</u>	<u>304</u>	<u>385</u>
Repairs: cyclical, major, day to day	<u>4,401</u>	<u>2,210</u>	<u>4,401</u>	<u>2,210</u>
External auditor's remuneration including VAT:				
In their capacity as auditors	24	23	17	17
Other services	5	7	3	4

## 5. Interest payable and similar charges

	Group 2012 £ 000's	Group 2011 £ 000's	Association 2012 £ 000's	Association 2011 £ 000's
Interest payable	6,242	4,684	6,223	4,662
Other costs	95	562	91	562
	<u>6,337</u>	<u>5,246</u>	<u>6,314</u>	<u>5,224</u>

# Notes to the Financial Statements

## 6. Taxation

### (a)

	Group 2012 £ 000's	Group 2011 £ 000's	Association 2012 £ 000's	Association 2011 £ 000's
<b>UK corporation tax</b>				
Based on the results for the year	70	47	-	-
Adjustments in respect of previous periods	(47)	-	-	-
Total current tax (note 6b)	23	47	-	-

### (b)

Factors affecting tax charge for the year

The tax assessed for the period is higher (2011: lower) than the expected tax charge as explained below:

	Group 2012 £ 000's	Group 2011 restated £ 000's	Association 2012 £ 000's	Association 2011 restated £ 000's
(Deficit)/surplus on ordinary activities before taxation	(1,053)	608	(1,145)	446
Expected tax charge at 26% (2011: 28%)	(274)	171	(298)	125
Short term timing differences and expenses not allowable for tax	53	11	-	-
Exempt charitable activities	298	(125)	298	(125)
Marginal tax relief	(7)	(10)	-	-
Adjustments in respect of previous periods	(47)	-	-	-
Current tax charge (note 6a)	23	47	-	-

### (c)

No provision has been made for deferred tax of £530,000 (2011: £800,000) in respect of gains arising from the revaluation of fixed assets in the financial statements of Malcolm Homes Limited. A deferred tax asset of £11,000 exists at 31 March 2012 (2011: £11,000) which has not been provided for in the financial statements. This asset has arisen in Malcolm Homes Limited, primarily in respect of other timing differences and is recoverable against future taxable profits of that company.

# Notes to the Financial Statements

## 7. Tangible fixed assets

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

	Housing properties held for letting (restated) £ 000's	Completed shared ownership schemes £ 000's	Housing properties under construction £ 000's	Total £ 000's
<b>Cost:</b>				
At 1 April 2011	263,913	16,344	44,643	263,913
Prior year adjustment	18,672	–	–	18,672
At 1 April 2011 (restated)	282,585	16,344	44,643	343,572
Additions – new build	–	–	15,257	15,257
Additions – refurbishment	2,470	20	–	2,490
Transfers	32,117	2,598	(34,715)	–
Disposals	(1,235)	(594)	–	(1,829)
At 31 March 2012	315,937	18,368	25,185	359,490
<b>Depreciation:</b>				
At 1 April 2011	2,041	38	–	2,041
Prior year adjustment	21,527	–	–	21,527
At 1 April 2011 (restated)	23,568	38	–	23,606
Charge for the year	3,704	–	–	3,704
Eliminated on disposals	(1,227)	–	–	(1,227)
At 31 March 2012	26,045	38	–	26,083
<b>Net book amount:</b>				
At 31 March 2012	289,892	18,330	25,185	333,407
At 31 March 2011 (restated)	259,017	16,306	44,643	319,966
<b>Housing Association Grant and other grants</b>				
	HAG on completed schemes £ 000's	HAG in development £ 000's	Other grants £ 000's	Total £ 000's
At 1 April 2011	167,221	28,012	7,767	203,000
Received in year	438	8,571	–	9,009
Transfers	25,026	(25,028)	–	–
At 31 March 2012	192,685	11,557	7,767	212,009

# Notes to the Financial Statements

## 7. Tangible fixed assets (cont.)

### (b) Other Fixed Assets – Group

	Investment and Other Properties held for letting £ 000's	Office and Other Premises £ 000's	Other Fixed Assets £ 000's	Total £ 000's
<b>Cost:</b>				
At 1 April 2011	21,728	7,739	2,138	31,605
Additions	9,396	–	363	9,759
Disposals	–	–	(721)	(721)
Deficit on revaluation	(365)	–	–	(365)
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 2012	30,759	7,739	1,780	40,278
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Depreciation:</b>				
At 1 April 2011	–	591	1,907	2,498
Charge for the year	–	94	213	307
Eliminated on disposals	–	–	(721)	(721)
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 2012	–	685	1,399	2,084
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Net book amount:</b>				
At 31 March 2012	30,759	7,054	381	38,194
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 2011	21,728	7,148	231	29,107
	<hr/>	<hr/>	<hr/>	<hr/>

Investment properties with a value of £14,147,100 (£16,120,000 less grants of £1,972,900) as at 31 March 2012 were valued on the basis of open market value by Allan NM Scott MRICS and Beverly Mortimer ARICS of DM Hall, Chartered Surveyors. The historical cost of these properties at 31 March 2012 was £10,319,367 (2011 – £10,319,367). Inter company surpluses of £36,291 have been eliminated on consolidation.

In addition, investment properties with a value of £15,072,210 were valued on the basis of open market value by Craig Fulton MRICS a director of D17, Chartered Surveyors. The historical cost of these properties at 31 March 2012 was £13,649,084 (2011 – £4,522,273).

Investment properties include thirteen properties subject to a buyback provision at cost and a further two properties which are not subject to the buyback agreement. The cost of these properties was £1,322,587 (2011: £1,322,587). The Board is satisfied that this is representative of the market value as at 31 March 2012.

Two other properties purchased during the year for £253,813 have not been revalued and are included at cost. The Board remains satisfied that this is representative of the market value as at 31 March 2012.

# Notes to the Financial Statements

## 7. Tangible fixed assets (cont.)

### b) Other Fixed Assets – Association

	Investment and Other Properties held for letting £ 000's	Office and Other Premises £ 000's	Other Fixed Assets £ 000's	Total £ 000's
<b>Cost or valuation:</b>				
At 1 April 2011	8,847	7,739	2,131	6,717
Additions	9,398	-	250	9,646
Disposals	-	-	(721)	(721)
Surplus on revaluation	405	-	-	405
At 31 March 2012	16,648	7,739	1,660	26,047
<b>Depreciation:</b>				
At 1 April 2011	-	591	1,905	2,496
Charge for the year	-	94	210	304
Eliminated on disposals	-	-	(721)	(721)
At 31 March 2012	-	685	1,394	2,079
<b>Net book amount:</b>				
At 31 March 2012	16,648	7,054	266	23,968
At 31 March 2011	8,847	7,148	226	14,221
	<b>Group 2012</b>	<b>Group 2011</b>	<b>Association 2012</b>	<b>Association 2011</b>
<b>Unit numbers</b>				
<b>Housing accommodation for letting:</b>				
General	3,527	3,443	3,527	3,443
Sheltered	223	217	223	217
Very sheltered	-	6	-	6
Medium dependency	668	535	668	535
Wheelchair housing	122	100	122	100
Hostel and shared units (bed spaces)	140	148	140	148
Mid rent	251	164	51	51
Commercial	3	3	-	-
Shared ownership	338	291	338	291
Others	11	11	-	-
<b>Total units</b>	<b>5,283</b>	<b>4,918</b>	<b>5,069</b>	<b>4,791</b>

In addition to the 5,069 units at 31 March 2012, the Association owned a further 87 mid-market rent units which were leased to Malcolm Homes. As at 31 March 2012 the number of properties the Association leased to Malcolm Homes for onward letting at mid-market rent totalled 138 (2011: 51).

# Notes to the Financial Statements

## 8. Homestake

### Cumulative to 31 March

	Group 2012 £ 000's	Group 2011 £ 000's	Association 2012 £ 000's	Association 2011 £ 000's
Homestake grants received	19,479	19,734	5,552	5,552
Homestake grants paid	(19,479)	(19,734)	(5,552)	(5,552)
At 31 March 2012	-	-	-	-
Homestake property purchases	12,092	12,092	12,092	12,092
Homestake funding:				
Grants	(5,552)	(5,552)	(5,552)	(5,552)
Proceeds from shared equity owners	(6,540)	(6,540)	(6,540)	(6,540)
	-	-	-	-

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

## 9. Investments

	Cost 2012 £	Cost 2011 £
Group undertakings:		
Shares in Malcolm Homes Ltd	-	-
	-	-

The Association owns 12 shares in Malcolm Homes Limited at nil cost (2011: nil).

## 10. Stock

	Group 2012 £ 000's	Group 2011 £ 000's	Association 2012 £ 000's	Association 2011 £ 000's
Maintenance stock	116	103	-	-
Shared ownership properties to be sold	370	909	370	909
	486	1,012	370	909

# Notes to the Financial Statements

## 11. Debtors

	Group 2012 £ 000's	Group 2011 £ 000's	Association 2012 £ 000's	Association 2011 £ 000's
<b>Due within one year</b>				
Rental debtors	547	581	520	571
Provision for doubtful debts	(101)	(98)	(70)	(96)
Other debtors	980	1,175	377	843
Homestako properties held for sale	71	71	71	71
Prepayments and accrued income	940	852	705	741
Due from group company	-	-	772	556
	<u>2,437</u>	<u>2,583</u>	<u>2,375</u>	<u>2,606</u>
<b>Due after one year:</b>				
Due from group company	-	-	9,450	9,450

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

	Group 2012 £ 000's	Group 2011 £ 000's	Association 2012 £ 000's	Association 2011 £ 000's
Housing loans (note 13)	17	27	-	-
Rent in advance	337	334	337	334
Tenants' deposits	193	113	7	9
Trade creditors	1,521	1,578	1,252	1,172
Homestako grants	304	304	304	304
Accruals and deferred income (including capital grants)	2,474	2,111	2,363	1,971
Corporation tax	70	47	-	-
Other taxation and social security	231	145	69	-
Due to group company	-	-	331	867
	<u>5,147</u>	<u>4,659</u>	<u>4,663</u>	<u>4,657</u>



# Notes to the Financial Statements

## 13. Loans

	Group 2012 £ 000's	Group 2011 £ 000's	Association 2012 £ 000's	Association 2011 £ 000's
<b>(a) Fixed rate</b>				
Advanced by UK banks/building societies	131,250	78,754	131,250	78,000
<b>(b) Variable rate</b>				
Advanced by UK banks/building societies	17,982	47,000	17,250	47,000
	<u>149,232</u>	<u>125,754</u>	<u>148,500</u>	<u>125,000</u>
Analysis of duration of loans:				
Repayable in one year or less	17	27	-	-
Repayable in more than one year but less than two years	17	27	-	-
Repayable in more than two years but less than five years	51	81	-	-
Repayable in more than five years	149,147	125,619	148,500	125,000
	<u>149,232</u>	<u>125,754</u>	<u>148,500</u>	<u>125,000</u>
Being loans falling due:				
- within one year	17	27	-	-
- after more than one year	149,215	125,727	148,500	125,000
	<u>149,232</u>	<u>125,754</u>	<u>148,500</u>	<u>125,000</u>

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 2012 87.9% (2011: 62.6%) of the loans were at fixed rates for a period of one year or more. The average rate of interest was 4.42% (2011: 3.68%). The loans are all currently at rates between 1.7% and 6.0% (2011: 1.7% and 5.7%).

The Association has an agreed £166.5m loan facility to fund the future development programme of which £148.5m had been drawn by the balance sheet date.

## 14. Share capital

	2012 £	2011 £
Shares of £1 each issued and fully paid:		
At beginning of year	95	110
Issued in year	3	7
Cancelled in year	(18)	(22)
	<u>80</u>	<u>95</u>
At end of year	80	95

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

## 15. Revenue reserve

	Group 2012 £ 000's	Group 2011 restated £ 000's	Association 2012 £ 000's	Association 2011 restated £ 000's
At 1 April 2011	15,633	15,072	15,997	15,551
(Deficit)/surplus for the year	(1,076)	561	(1,145)	446
At 31 March 2012	<u>14,557</u>	<u>15,633</u>	<u>14,852</u>	<u>15,997</u>

## 16. Revaluation reserve

	Group 2012 £ 000's	Group 2011 £ 000's	Association 2012 £ 000's	Association 2011 £ 000's
At 1 April 2011	5,617	4,891	1,019	-
Revaluation (deficit)/surplus	(365)	726	405	1,019
At 31 March 2012	<u>5,252</u>	<u>5,617</u>	<u>1,424</u>	<u>1,019</u>

## 17. Cashflow

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

	Group 2012 £ 000's	Group 2011 restated £ 000's	Association 2012 £ 000's	Association 2011 restated £ 000's
Operating surplus	4,803	6,220	4,307	4,704
Bad debt provision	5	38	(26)	38
Housing properties depreciation	3,704	3,146	3,704	4,088
Other fixed asset depreciation	307	387	304	385
Decrease/(increase) in stock	526	(648)	539	(650)
(Increase)/decrease in debtors	(264)	291	(68)	218
Increase in creditors	780	278	270	535
	<u>9,861</u>	<u>9,710</u>	<u>9,030</u>	<u>9,316</u>

# Notes to the Financial Statements

## 17. Cashflow (cont.)

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

	Group 2012 £ 000's	Group 2011 £ 000's	Association 2012 £ 000's	Association 2011 £ 000's
Increase/(decrease) in cash in the year	9,688	(1,530)	9,437	(1,311)
Increase in debt	(23,478)	(21,976)	(23,500)	(22,000)
Change in debt resulting from cash flow	(13,790)	(23,514)	(14,063)	(23,311)
Net debt at 1 April 2011	(123,143)	(99,629)	(122,559)	(99,248)
Movement in net debt in the year	(13,790)	(23,514)	(14,063)	(23,311)
Net debt at 31 March 2012	(136,933)	(123,143)	(136,622)	(122,559)

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

	2011 £ 000's	Cashflow £ 000's	2012 £ 000's
Cash and short term deposits	2,611	9,600	12,299
Debt due within one year	(27)	10	(17)
Debt due after one year	(125,727)	(23,488)	(149,215)
	(123,143)	(13,790)	(136,933)

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

	Group 2012 £ 000's	Group 2011 £ 000's	Association 2012 £ 000's	Association 2011 £ 000's
Contracts placed for future capital expenditure not provided in the financial statements	21,830	25,122	21,830	25,122
Capital expenditure authorised but not contracted	-	3,545	-	3,545

Grant funding is agreed for 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 described in note 13.

# Notes to the Financial Statements

## 19. Contingent liabilities

The Board of Management was not aware of any contingent liabilities as at 31 March 2012 (2011: £Nil) other than pension matters as disclosed in note 22 and none have emerged since.

## 20. Legislative provisions

The Association is incorporated under the Industrial and Provident Societies Act 1965 (Registration No. 1823R(SI)), 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).

## 21. 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 £194,400 (2011: £248,156) in facilities fees to Malcolm Homes Limited. During the year the Association charged £420,901 (2011: £246,156) in rent to Malcolm Homes Limited for 116 properties (2011: 51) leased on for mid rent purposes. The Board is satisfied that the properties have been leased on commercial terms.

During the year Malcolm Homes Limited charged the Association £4,408,607 (2011: £4,444,819) in management fees and £4,683,112 (2011: £4,266,212) for repair services from its workshop. During the year the Association received a charitable donation of £202,508 (2011: £nil) from Malcolm Homes Limited.

The Association's loan to Malcolm Homes Limited is secured over the subsidiary's properties. The loan is repayable by instalments of principal and interest. Interest is accrued on a daily charge basis at an average rate of 4.0% (2011: 4.8%) for the year.

## 22. Pensions

### SHAPS Scheme

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

The Scheme offers five 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,
4. Career average revalued earnings with a 1/80th accrual rate,
5. Career average revalued earnings with a 1/120th accrual rate (contracted in).

An employer can elect to operate different benefit structures for their active members (as at the first day of April in any given year) and their new entrants. An employer can only operate one open benefit structure at any one time. An open benefit structure is one which new entrants are able to join. Malcolm Homes Limited has decided to operate the final salary with a 1/60th accrual rate or career average revalued earnings with a 1/60th accrual rate benefit structure for active members as at 31 March 2011 and the career average revalued earnings with a 1/70th accrual rate benefit structure for new entrants from 1 April 2011.

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

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 123 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 2009 by a professionally qualified actuary using the projected unit credit method. The market value of the Scheme's assets at the valuation date was £295 million. The valuation revealed a shortfall of assets compared to liabilities of £160 million, equivalent to a past service funding level of 64.8%.

# Notes to the Financial Statements

## 22. Pensions (cont.)

The Scheme actuary has prepared an actuarial report that provides an approximate update on the funding position of the Scheme as at 30 September 2011. Such a report is required by legislation for years in which a full actuarial valuation is not carried out. The funding update revealed an increase in the assets of the Scheme to £341 million and indicated an increase in the shortfall of assets compared to liabilities to approximately £200 million, equivalent to a past service funding level of 62.2%.

The financial assumptions underlying the valuation as at 30 September 2009 were as follows:

- Investment return pre retirement	7.4%
- Investment return post retirement (non pensioners)	4.6%
- Investment return post retirement (pensioners)	4.6%
- Rate of salary increases	4.5%
- Rate of pension increases:	
Pension accrued pre 6 April 2005 in excess of GMP	2.9%
Pension accrued from 6 April 2005 (for leavers before 1 October 1993 pension increases are 5.0%)	2.2%
- Rate of price inflation	3.0%

Mortality tables:

Non pensioners	SAPS (S1PA) All pensioners year of birth long cohort with 1% pa minimum improvement.
Pensioners	SAPS (S1PA) All pensioners year of birth long cohort with 1% pa minimum improvement.

Contribution rates for future service (payable from 1 April 2011):

Final salary 1/60ths	19.2%
Career average revalued earnings 1/60ths	17.1%
Career average revalued earnings 1/70ths	14.9%
Career average revalued earnings 1/80ths	13.2%
Career average revalued earnings 1/120ths	9.4%
Additional rate for deficit contributions <sup>x</sup>	10.4%

<sup>x</sup> Expressed in nominal pound terms (for each employer) increasing each 1 April in line with the rate of salary increases assumption. Earnings as at 30 September 2009 are used as the reference point for calculating the additional contributions.

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 2011 revealed a deficit of £147.6m. The results of the triennial valuation have confirmed the requirement for additional contributions to the Growth Plan from 1 April 2013. The additional contributions required from Malcolm Homes Limited for the year from 1 April 2013 will be £349.68 per annum.

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.

## 23. Post balance sheet events

On 1 April 2012 Dunedin Canmore Housing Association accepted a gift of 46 properties valued at £3.8million from The Edinburgh Housing Trust Limited. These properties will be added to our housing held for letting.

# Notes to the Financial Statements

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

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

	Turnover 2012 £ 000's	Operating Costs 2012 £ 000's	Operating Surplus/ (deficit) 2012 £ 000's	Operating Surplus 2011 restated £ 000's
Social lettings	19,985	15,561	4,424	4,448
Other activities	1,967	2,084	(117)	256
<b>Total</b>	<b>21,952</b>	<b>17,645</b>	<b>4,307</b>	<b>4,704</b>
Total 2011	19,365	14,661	4,704	

### 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	2012 Total £ 000's	2011 Total restated £ 000's
<b>Turnover</b>						
Rent receivable net of service charges	17,315	-	-	464	17,779	15,646
Service charges	1,078	304	118	133	1,633	1,360
Gross income from rents and service charges	18,393	304	118	597	19,412	17,006
Less voids	151	1	-	47	199	179
Net income from rents and service charges	18,242	303	118	550	19,213	16,827
Grants from the Scottish Ministers	-	138	-	431	569	608
Other revenue grants	183	-	-	20	203	-
<b>Total turnover from social letting activities</b>	<b>18,425</b>	<b>441</b>	<b>118</b>	<b>1,001</b>	<b>19,985</b>	<b>17,435</b>
<b>Operating costs</b>						
Management and maintenance admin. costs	4,952	79	118	692	5,841	5,294
Service costs	1,078	304	-	133	1,515	1,267
Planned and cyclical maintenance including major repairs costs	2,387	4	-	89	2,460	414
Reactive maintenance costs	1,916	3	-	22	1,941	1,796
Bad debts - rents and service charges	100	-	-	-	100	128
Depreciation of social housing	3,704	-	-	-	3,704	4,088
Impairment of social housing	-	-	-	-	-	-
<b>Operating costs for social letting activities</b>	<b>14,117</b>	<b>390</b>	<b>118</b>	<b>936</b>	<b>15,561</b>	<b>12,987</b>
<b>Operating surplus for social lettings</b>	<b>4,308</b>	<b>51</b>	<b>-</b>	<b>65</b>	<b>4,424</b>	<b>4,448</b>
2011 Operating surplus/(deficit) for social lettings	4,313	0	-	126	4,448	

# Notes to the Financial Statements

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

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

	Grants from Scottish Ministers £ 000's	Other Income £ 000's	Total turnover £ 000's	Other operating costs £ 000's	Operating surplus/ (deficit) 12 £ 000's	Operating surplus/ (deficit) 11 £ 000's
Wider role activities undertaken to support the community, other than the provision, construction, improvement and management of housing	189	16	205	617	(412)	(288)
Care and repair of properties	-	-	-	-	-	-
Factoring	-	41	41	41	-	-
Development and construction of property activities	-	1,592	1,592	1,403	189	203
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	-	129	129	23	106	341
<b>Total from other activities</b>	<b>189</b>	<b>1,778</b>	<b>1,967</b>	<b>2,084</b>	<b>(117)</b>	<b>256</b>
2011 Total from other activities	313	1,617	1,930	1,674	256	

# Key Performance Indicators

## Association

	2012 Target	2012 Actual	2011 Target	2011 Actual
<b>Mainstream housing</b>				
Loss of rental income through voids	<0.7%	0.67%	<0.75%	0.85%
Property relets	<7 days	9.3 days	<7 days	7.6 days
Gross rent arrears	<2.7%	2.41%	<2.7%	2.60%
Net rent arrears	<2.3%	2.25%	<2.3%	2.35%
Rent collected	>98%	99.43%	>98%	97.80%
<b>Hostel</b>				
Loss of rental income through voids	<3.7%	3.98%	<3.7%	6.44%
<b>Property maintenance</b>				
Emergency repairs within three hours	>97%	95.67%	>97%	97.80%
Repairs appointments kept	>90%	94.45%	N/A	96.22%
<b>Development</b>				
Grant planning target	£8.7m	£9.2m	£16.6m	£19.4m

The Board monitors the key performance indicators at Board meetings to improve performance and is satisfied with the reasons given by staff on the actual outcomes.



# Other Statistical Information

## Association

	<b>2012 Actual</b>	2011 Actual
<b>Hostel rent arrears</b>	<b>14%</b>	18%
<b>Housing units completed</b>		
Social rent	<b>166</b>	188
Shared equity	<b>74</b>	48
<b>Projects and initiatives</b>		
People engaged in work, work experience or skills training	<b>374</b>	223
People engaged in learning, educational or social opportunities	<b>727</b>	700
Volume of grants and investments	<b>£0.52m</b>	£0.58m
<b>Staff</b>		
Number of staff	<b>218</b>	216
Number of apprentices	<b>4</b>	3
Number of posts advertised in year	<b>41</b>	25
Number of starters	<b>34</b>	20
Number of leavers	<b>32</b>	17
Staff turnover	<b>15%</b>	6%

# Board of Management, Directors and Advisors

## Board of Management

Richard Austin  
Jane Ballantine  
Alexander Robin Ferguson  
(died 21 February 2012)  
John Fletcher  
Claire Ironside  
Fanchea Kelly  
Andrew Leslie  
Delia Lomax  
David MacLaren  
Kenneth Miller (Vice Chair)  
Thomas Mitchell (Vice Chair)  
Robert Reid (resigned 17 April 2012)  
Yvonne Summers (Chair)

## Chief Executive

Ewan Fraser MRICS AClH

## Group Secretary

Roy Walker FCCA

## Directors

Nigel Hicks BSc(Hons) MSc CA  
(Finance)

Susan Napier BSc MRICS  
(Business Development)

Graeme Russell BA(Hons) FCII  
(Housing Services)

Roy Walker FCCA  
(Corporate Services)

## Bankers

Royal Bank of Scotland plc  
142-144 Princes Street  
Edinburgh EH2 4EQ

## Auditor

Chiene + Tait  
Chartered Accountants and  
Statutory Auditor  
61 Dublin Street  
Edinburgh EH3 6NL

## Solicitors

Gateley (Scotland) LLP  
Exchange Tower  
19 Canning Street  
Edinburgh EH3 8EH

Archibald Campbell & Harley WS  
37 Queen Street  
Edinburgh EH2 1JX

Aitken Nairn WS  
7 Abercromby Place  
Edinburgh EH3 6LA

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where People Choose to Live



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