

DUNEDIN CANMORE

GROUP

annual report 2010-2011

choices



housing



living



working



Leaders in Building Communities where People Choose to Live



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> St Hilda's, Otago Avenue

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# Statement by the Chair



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



> Yvonne Summers, Chair DCHA

**I am very pleased to start my report for 2011 with the news that, despite the challenging economic context, we have had a very successful year. The performance of both Dunedin Canmore Housing Association and Malcolm Homes has been remarkably good given the difficult financial times that we are in.**

With the continued support of our various funding partners, we have added over 290 units to our supply of affordable housing during the year. The ongoing improvement work to our existing housing has taken us ever closer to meeting the Scottish Housing Quality Standard by 2015, and the support elements to help tenants have all shown good results.

Another area that we are pleased about is the wider action work we do such as the Youth Cafés and employment initiatives to help people into work. These are extremely important areas for us as an organisation set up to work with communities that need this type of assistance and encouragement.

This has also been the first year of our five year Business Plan. The Plan was launched at the Annual General Meeting of the Association in September 2010. It clearly sets out the five strategic objectives for the whole group: Customer Excellence; Business Growth;



> Fleming Place



# Statement by the Chair

Customer Excellence; Business Growth; Sustainable Communities; Continuous Improvement; and Learning and Development. These are the priorities that will drive all the group's activities...



> Elizabeth McGinnes Court, Royston

Sustainable Communities; Continuous Improvement; and Learning and Development. These are the priorities that will drive all the group's activities and we will continue to monitor them closely over the coming year. In particular, the commitment to good customer service cannot be overestimated.

I said in our Business Plan last year that we are in very uncertain and difficult economic times. It will be the skills and support of the boards and the extremely professional staff team that will allow us to move forward with confidence. Looking at the progress we have made over the last year, I must thank and congratulate both the boards and staff team for their continued commitment and contribution to the group.

The boards met in November last year and gave serious consideration to the challenges and implications of the major reductions in public subsidy, alongside the increasing demand for our services. We recognised that if we want the Dunedin Canmore Group to continue to make an important contribution to meeting housing need and building strong communities we must be able to respond flexibly and innovatively to the changing economic circumstances.

We are clear that supporting existing tenants to stay in their homes is still a major priority and we also want to continue to grow the group's

housing supply as there are increasing numbers of people in Edinburgh and the Lothians in need of affordable housing. However, to maximise the resources we have to deliver the social aims of the group we identified a need to take a more commercial approach in all areas of activity. This will mean developing new ways of seeing and doing things over the coming year, as well as developing new skills, but I am confident that with the support of the boards and staff the Dunedin Canmore Group will once again rise to the challenge.

**Yvonne Summers** Chair  
30 June 2011



> Elizabeth McGinnes Court, Royston

# Statement by the Chief Executive



> Milton Road (winner of the Scottish Homes Award 2011)



> Ewan Fraser, Chief Executive

**The Dunedin Canmore Group can look forward with confidence. The past year has been difficult with major political and economic uncertainty yet Dunedin Canmore has had much success. We have improved performance in almost every area that we work in. This is a tremendous achievement during such uncertain times.**

To continue to make progress and grow the services we offer we will have to be more radical. There will be a significant reduction in public subsidy to develop new houses and to support those most in need of affordable housing. There will also be a wider range of people in our market.

A key part of the Board's strategy going forward is tenancy sustainment. We will continue to support people in their homes. There are great benefits to individuals and communities when they are part of a stable community. During 2011/12 we will be working with tenants and local residents to find out what their needs are and then target our resources to the right area.

We will also continue to develop. We have a strong development team and will look at the range of properties that we can develop with the finance available to us. There will be a greater push towards mid market rents and shared ownership/shared equity products but we will not



> Milton Road Official Opening March 2010



# Statement by the Chief Executive

A key part of the Board's strategy going forward is tenancy sustainment. We will continue to support people in their homes. There are great benefits to individuals and communities when they are part of a stable community.



> Slateford Green 10th Anniversary celebrations

lose sight of the need to supply as much social housing as we can. Our strategy will be to work with the best partners to fulfil our ambitions.

To follow the strategy set out by our boards we will need to make the best use of our resources so we will try to increase our income from our trading activities. It is this commercial approach that will produce the income to help offset some of the reductions in public subsidy that we have enjoyed to date. I must add however that we will lobby very hard to maximise the levels of grant that we do get as there is still a real need.

This highlights the need to ensure that Dunedin Canmore Housing Association, the charity, and Malcolm Homes, the trading arm of the group, work well together. We have a number of social enterprise initiatives. We will grow these and improve their profitability to sustain the communities we are involved in and supplement the reducing grant aid we receive. This will mean looking for new business and improving our marketing and sales skills.

One advantage we do have is a strong brand. We have worked on this for a number of years. It has been built up to represent the values embraced within the group and demonstrates the professional and quality approach that we have developed.

We will also drive forward with Quality Scotland, the performance management system that we have chosen to record the improvements we have made and ensure we continue to meet the requirement of the Scottish Housing Regulator.

The Dunedin Canmore Group is good at finding opportunities and developing our business. We will continue to be leaders in building communities where people choose to live.

**Ewan Fraser** Chief Executive  
30 June 2011



> Tenant's Conference October 2010

# The Boards and their Committees

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

## How appointments are made

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

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

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

There is a formal schedule of matters reserved specifically to the boards 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 sub committee, 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.



> Board Away Day – March 2010



# 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	2	7/7	3/4	
Alan Brown			7/7	
Kenneth Dunbar	5		0/1	
Alexander Ferguson		9/11	6/7	
John Fletcher	4	10/11	7/7	
Claire Ironside		7/11		
Fanchea Kelly		8/11		
Susan Laing	5		5/7	
Andrew Leslie		11/11	7/7	4/4
Delia Lomax		7/11		
David MacLaren		11/11		3/4
Kenneth Miller	3, 6	5/11	2/7	3/4
Thomas Mitchell		7/11		4/4
Peter Nussey			6/7	
John Phillips			5/7	
Robert Reid		9/11		
Yvonne Summers	1	9/11		
James Walker			5/7	

(1) Chair Dunedin Canmore

(2) Vice Chair Dunedin Canmore (leave of Absence Dunedin Canmore four meetings and Malcolm Homes three meetings)

(3) Vice Chair Dunedin Canmore

(4) Chair Malcolm Homes

(5) Vice Chair Malcolm Homes

(6) Chair Group Audit Committee, Vice Chair Dunedin Canmore

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

# The Boards and their Committees



> Slateford Green fun day

## 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 four times during the year ended 31 March 2011.



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.



> Slateford Green fun day

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

Financial control throughout the group is maintained through policies and procedures, as well as Standing Orders and Financial Regulations. There is regular reporting of information to the boards. A system of internal reporting of key performance indicators is being developed some of which are to be found on page 46 of this report.

The group does not tolerate fraud. Controls are designed to reduce the likelihood and impact of fraud. No instances were reported during the year.

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

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





# Report of the Board of Management



> Trained Up – Digital Skills project

The Board of Management presents its report and the audited financial statements of the group for the year ended 31 March 2011.

## Principal activities

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

## Business overview

The group is based in Edinburgh and owns and manages in the region of 5,000 houses. It also has a development programme with over 700 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.

## 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 will involve the development of a further 1,000 houses during the period of our five year plan.

The Group will improve its customer service by gaining a better understanding of the needs of its customers. The continuous improvement agenda will also include the introduction of a quality management system that best suits the organisation.

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

The Dunedin Canmore Group will have 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 will involve developing the skills of Board members and staff.

The Dunedin Canmore Group will develop a financial strategy and will focus on providing good value services to all of its customers. It will

# Report of the Board of Management

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



> Trained Up – Resident Aldona Kalinowska who gained qualifications through the Digital Skills project and has now gone on to train others

also 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 will develop its capacity in providing employment initiatives, seek and adopt new forms of technology and renewable energy and take an entrepreneurial approach to business development.

## Core values

All of the activities of the Dunedin Canmore Group are based around three key important values. These 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 ongoing 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



# Report of the Board of Management



> Dunedin Canmore Staff Conference – at the Corn Exchange October 2010

## 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.

## Training

We have devised a clearer training strategy to support the needs of the staff. A learning model has been developed designed to help individuals to achieve their goals, balanced with their work priorities.

## Disability symbol

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

## Sunday Times Best Companies Survey

This year we took part in the Sunday Times Best Companies Survey and were awarded "One to Watch" status. This will be used as a benchmark to improve our performance in the coming years.

## Charitable donations

As well as donating £3,800 (2010: £2,150) to various charities this year the staff have raised a total of £2,500 for Cash for Kids, their nominated charity. In addition, various staff took part in



# Report of the Board of Management

A learning model has been developed designed to help individuals to achieve their goals, balanced with their work priorities.



> Ewan Fraser, Chief Executive, Dunedin Canmore Group and Fraser Doherty, Super Jam – guest speaker at the Staff Conference

sponsored events for other charities including skydiving, abseiling, the Edinburgh marathon, the Caledonian Challenge and the Moonwalk.

## 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 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

During the year we negotiated a £30m extension to the £90m facility concluded in June 2006 with the funding syndicate of the Royal Bank of Scotland, Lloyds Banking Group and the Dunfermline Building Society. Although this involved revisiting the existing margins on the loan, it represented a very competitive deal and

continues a relationship with funders who have supported our growth over the years. We have ensured that our exposure to interest rate fluctuations is minimised by seeking out strategies that deliver low fixed rates well into the future as well as taking advantage of the extremely low variable rate options that were available during the year.

In addition the £10m facility agreed with The Housing Finance Corporation has been increased to £16.5m. The Housing Finance Corporation is a body that uses European Development funds for urban regeneration.

As a result of these negotiations we are able to meet our current commitments as well as continuing to seek out new projects to provide social and affordable housing in Edinburgh, the Lothians and Fife.

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

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

# Report of the Board of Management

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

## Finance

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

### Treasury policy and liquidity risk

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

### Interest rate risk

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

### Capital structure / funding

To meet the costs of the substantial developments planned by the Group over the next few years we will receive significant support from central and local government in the form of housing association grants. Our developments in Edinburgh have been allocated the majority of such funding over the life of these projects. In addition housing association grant 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 timeously and that suppliers are paid in accordance with their trading terms. It also maintains a watching brief so that where cash is held, it is invested safely but economically to ensure the best return for the group.

We have 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

	2007 £ 000's	2008 £ 000's	2009 £ 000's	2010 £ 000's	2011 £ 000's
Group Turnover	13,034	14,847	17,460	21,545	<b>20,827</b>
Operating Surplus	2,685	2,822	3,539	4,625	<b>5,558</b>
Interest Costs	2,896	3,061	3,595	4,070	<b>5,246</b>
Pre Tax (Deficit)/Surplus	475	182	(322)	578	<b>888</b>
Operating Margin	20.6%	19.0%	20.3%	21.5%	<b>26.7%</b>
Interest Cover	1.2	1.1	0.9	1.1	<b>1.2</b>

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

### Balance sheet

	2007 £ 000's	2008 £ 000's	2009 £ 000's	2010 £ 000's	2011 £ 000's
Housing Stock	207,697	223,529	245,250	286,239	<b>322,821</b>
Borrowings	49,854	66,064	80,792	103,778	<b>125,754</b>
Total Financial Indebtedness to Net Worth	39.5%	42.4%	47.5%	51.2%	<b>56.1%</b>



# Report of the Board of Management



> (EVOLS) Members of the Youth Environmental Project cleaning up the Union Canal

## Good Neighbour Awards

Dunedin Canmore's first Good Neighbour Awards attracted a lot of public interest as well as seventeen nominations. The awards were launched to give tenants a chance to recognise and reward those neighbours who made an outstanding contribution to their local communities. Ewan Fraser presented the prizes to Pauline Arundel, the winner from Duff Street and the late Tom McCulloch, runner up from Dunfermline.

## Dunedin Canmore/Four Square Partnership

### Training flats

Dunedin Canmore has made available a small number of flats which will be used to establish an exciting new Training Flats Scheme for young people moving on from the hostel who need help and support to set up home for the first time. Four Square's Stopover is the main emergency hostel for homeless youngsters in Edinburgh, many with histories of care, family breakdown, abuse, offending, mental health problems and learning difficulties.

## Low cost furniture

In addition, Dunedin Canmore has signed up with Four Square Social Enterprise, EFI Assist Discount Card scheme, which means that Dunedin Canmore tenants on low incomes and/or benefits can now access the wide range of used furniture at the EFI (Edinburgh Furniture Initiative). The store is located at 67 Logie Green Road, Canonmills, Edinburgh, and is open to the public.

## Prisoners

It is a sad fact of life that some Dunedin Canmore tenants will end up in prison. Staff are now able to ensure that such tenants terminate their tenancy correctly and are assisted in seeking housing prior to release, through liaison with Four Square staff.



> Good neighbour, Pauline Arundel, receiving the Dunedin Canmore Good Neighbour Award 2010 from Ewan Fraser, Chief Executive, Dunedin Canmore Group

# Report of the Board of Management

This year the Dunedin Canmore Group won the Herald Scotland Digital Business Award 2010 for their successful PDA implementation.



> Robert Buchanan, IT Manager, receiving The Herald Scotland Digital Business Awards 2010 on behalf of Dunedin Canmore Group

## Herald Scotland Digital Business Award 2010

This year the Dunedin Canmore Group won the Herald Scotland Digital Business Award 2010 for their successful PDA implementation. The award recognised digital innovation and how businesses have used technology to the benefit of their business. The judging panel commented on how impressed they were with both our entries and how these innovative systems had brought immediate and clear benefits to the group and our tenants. Well done and congratulations to all involved.

## Business development

2010/11 was another busy year for Development. Lochrin Place was the first handover of the year. Overall we have been very pleased with the quality of these new homes in a great location near to the canal and Tollcross. Other schemes completed this year were homes on the old Eastern General site, St Hilda's Oxcgangs, Shortbread House Granton, and the latest phase at Oxcgangs. Outside of Edinburgh we have developments at Tranent and Prestonpans which produced social rent units and shared ownership units. Off the shelf units have also been bought for mid market rent for Malcolm Homes at Granton and Milton Road. Over 700 homes are in the programme for future years.

## Sustainability

Dunedin Canmore is striving to reduce its carbon footprint. Excellent examples of sustainable habitable design include:

- Solar water heating, which provides hot water to the flats at Eastern General, using solar panels and reduce tenants running costs. Energy monitors have been installed to enable tenants monitor energy consumption
- A communal combined heat and power plant is currently under construction at Westfield. This will service the flats and commercial spaces due to be built on this site over the next few years
- Very high insulation standards have been introduced for the sheltered complex at Hyvots 4. Whole house ventilation and heating systems will result in recycling of warm air within the dwelling to provide clean airflow and additional heat, thus reducing heating bills
- A communal solar water heating system is being proposed for flatted blocks at Hyvots 5. This will be a first for Dunedin Canmore as previous solar water systems have only served top floor flats



# Report of the Board of Management



> Jodie and Kim, members of the Youth Development team enjoying some action at the Benmore Residential Outdoor Centre

- We source our materials locally and strive to be energy efficient, installing low energy light bulbs in all void properties. In new properties and where possible when we are replacing fans we fit Envirovent fans, which are low energy, have low running costs and are maintenance free
- We provide energy advice to tenants to increase energy efficiency and reduce their energy costs
- We work smarter too with our Workshop cutting down on paperwork by switching to electronic working

## Community business initiatives

Dunedin Canmore launched a new Tenancy Sustainment Initiative in the year. Dunedin Canmore has teamed up with CHAI (Community Help and Advice Initiative) to run a specialised tenancy support service for Edinburgh communities. The Dunedin Canmore group is making a significant investment in quality new housing in various areas of Edinburgh and this resulted in hundreds of new tenancies being filled during 2010.

Dunedin Canmore is working to maximise the benefits of this investment in housing for tenants, families and communities. One of the ways in which this will be achieved is through responsive housing management, incorporating the ability to respond positively to the wider needs of tenants and families.

The Dunedin Canmore Group partnership with CHAI brings additional capacity, expertise, skills and experience to help tackle these tenancy support issues more effectively. CHAI staff will be working alongside Dunedin Canmore housing management staff to provide bespoke tenancy support as required. This type of support is specialised and goes beyond the normal day-to-day support that a housing officer could help with.

This unique arrangement between Dunedin Canmore Group and CHAI will lead to better local partnership working and pro-actively prevent homelessness while ensuring that there is ongoing support to help people sustain their tenancies and settle into their new community.

## Dunedin Harbour Hostel

In April 2010 Dunedin Harbour was officially informed that it had been successful in gaining accreditation for the Scottish National Standards for Information and Advice Providers (formerly known as Homepoint). We are delighted that the



# Report of the Board of Management

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.



> Residents gain valuable IT skills as part of Trained Up – Digital Skills project, based within the IT suite at the Oxfangs Neighbourhood Centre

advice service we provide as part of our wider remit has been recognised to be at high standards required for accreditation.

## Free health workshops

Dunedin Canmore organised Health and Wellbeing events with staff and volunteers from the Centre of Health and Wellbeing (CHWB). As part of Dunedin Canmore's growing work with CHWB, staff continue to expand the thinking about how better health can improve people's housing conditions. These events in Gorgie and Oxfangs were warmly welcomed by local residents who experienced a variety of health and motivational treatments and classes.

## Dunedin Canmore website

The new website was launched in August. 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.

## 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.

# Report of the Board of Management



> Mums and babies at the Spanish Club based at Slateford Green

Over 2007-10 the Dunedin Canmore group has supported more than 1,500 people into work experience, skills training, education, employment and learning opportunities while securing over £1m of external investment as part of its wider role for communities.

## Malcolm Homes (Wolfson) Limited

Malcolm Homes Limited was involved in a joint venture agreement with a commercial developer to develop a site at Milton Road, Edinburgh. During 2009/10 its joint venture partner was put into administration and development of the site ceased. Malcolm Homes (Wolfson) Limited was placed in Administration on 2 December 2009 and was dissolved on 6 March 2011. The Board fully provided for the loan to the joint venture company in the accounts to 31 March 2009. No return on this investment is now expected and the amounts have been written off. The Board is satisfied that no further financial obligations or contingent liabilities fall to be provided for or disclosed in connection with this development.

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

## 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

Over 2007-10 the Dunedin Canmore group has supported more than 1,500 people into work experience, skills training, education, employment and learning opportunities...



> Meeting new friends at the Baby and Toddler Group – Slateford Green

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) Act 2001 and the Registered Social Landlords Accounting Requirements (Scotland) Order 2007.

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

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

## Auditor

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

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

## By order of the Board of Management

**Yvonne Summers**

Chair

30 June 2011

**Roy Walker**

Group Secretary



# Board Statement on Internal Financial Controls



> Having fun, keeping fit – Residents Betty Innes, Jeanne Farmer and Ina Stobie, enjoying the summer sun and facilities at The Quarries, Hyvots

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

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

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

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



> The Quarries



# Board Statement on Internal Financial Controls

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



> Communal gardens at The Quarries

- 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 2011 and until 14 June 2011. 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

30 June 2011

**Roy Walker**

Group Secretary



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

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

**We have audited the consolidated financial statements of Dunedin Canmore Housing Association Limited for the year ended 31 March 2011 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 2011 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**

30 June 2011

**Chiene+Tait**  
CHARTERED ACCOUNTANTS



# Income and Expenditure Account

## For the year ended 31 March 2011

	Note	Group 2011 £ 000's	Group 2010 £ 000's	Association 2011 £ 000's	Association 2010 £ 000's
<b>Turnover</b>	2	<b>20,827</b>	21,545	<b>19,365</b>	20,457
Operating costs		<b>(15,269)</b>	(16,920)	<b>(14,381)</b>	(16,199)
<b>Operating surplus</b>		<b>5,558</b>	4,625	<b>4,984</b>	4,258
Surplus on sale of fixed assets		<b>110</b>	7	<b>110</b>	7
Interest receivable and other income	5	<b>466</b>	16	<b>856</b>	231
Interest payable and similar charges	6	<b>(5,246)</b>	(4,070)	<b>(5,224)</b>	(3,976)
<b>Surplus on ordinary activities before taxation</b>	4	<b>888</b>	578	<b>726</b>	520
Tax on surplus on ordinary activities	7	<b>47</b>	8	<b>–</b>	–
<b>Surplus for the year</b>	17	<b>841</b>	570	<b>726</b>	520

## Statement of Total Recognised Gains and Losses

	Note	Group 2011 £ 000's	Group 2010 £ 000's	Association 2011 £ 000's	Association 2010 £ 000's
Surplus for the year		<b>841</b>	570	<b>726</b>	520
Unrealised surplus on revaluation of investment properties	18	<b>726</b>	672	<b>1,019</b>	–
Total surplus recognised since last annual report		<b>1,567</b>	1,242	<b>1,745</b>	520

Total recognised 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 2011

	Note	Group 2011 £ 000's	Group 2010 re-presented £ 000's	Association 2011 £ 000's	Association 2010 re-presented £ 000's
<b>Fixed assets</b>					
Housing properties – depreciated cost	8(a)	<b>322,821</b>	286,239	<b>322,821</b>	286,239
HAG and other grants	8(a)	<b>(203,000)</b>	(184,196)	<b>(203,000)</b>	(184,196)
		<b>119,821</b>	102,043	<b>119,821</b>	102,043
Other fixed assets	8(b)	<b>29,107</b>	24,488	<b>14,221</b>	12,136
Homestake	9	–	–	–	–
Investments	10	–	–	–	–
Interest in joint venture	11	–	–	–	–
		<b>148,928</b>	126,531	<b>134,042</b>	114,179
<b>Current assets</b>					
Stock	12	<b>1,012</b>	364	<b>909</b>	259
Debtors: falling due within one year	13	<b>2,583</b>	2,505	<b>2,686</b>	2,535
falling due after one year	13	–	–	<b>9,450</b>	6,800
Cash and short term deposits		<b>2,611</b>	4,149	<b>2,441</b>	3,752
		<b>6,206</b>	7,018	<b>15,486</b>	13,346
<b>Creditors:</b> amounts falling due within one year	14	<b>(4,659)</b>	(6,605)	<b>(4,657)</b>	(6,399)
<b>Net current assets</b>		<b>1,547</b>	413	<b>10,829</b>	6,947
Total assets less current liabilities		<b>150,475</b>	126,944	<b>144,871</b>	121,126
<b>Creditors:</b> amounts falling due after more than one year					
Loans	15	<b>(125,727)</b>	(103,763)	<b>(125,000)</b>	(103,000)
<b>Net assets</b>		<b>24,748</b>	23,181	<b>19,871</b>	18,126
<b>Capital and reserves</b>					
Share capital	16	–	–	–	–
Revenue reserve	17	<b>18,488</b>	17,647	<b>18,852</b>	18,126
Pre-acquisition reserve		<b>643</b>	643	–	–
Revaluation reserve	18	<b>5,617</b>	4,891	<b>1,019</b>	–
		<b>24,748</b>	23,181	<b>19,871</b>	18,126

These financial statements were approved by the Board of Management on 30 June 2011 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 2011

	Note	Group 2011 £ 000's	Group 2010 £ 000's	Association 2011 £ 000's	Association 2010 £ 000's
<b>Net cash inflow from operating activities</b>	19(i)	<b>5,902</b>	2,755	<b>5,508</b>	2,119
<b>Returns on investments and servicing of finance</b>					
Interest received		61	16	451	231
Interest paid		(4,921)	(3,787)	(4,900)	(3,691)
<b>Net cash outflow from returns on investments and servicing of finance</b>		<b>(4,860)</b>	(3,771)	<b>(4,449)</b>	(3,460)
<b>Taxation</b>					
Corporation tax (paid)/received		(8)	15	–	–
<b>Net cash (outflow)/inflow from taxation</b>		<b>(8)</b>	15	–	–
<b>Capital expenditure and financial investment</b>					
Acquisition and construction of properties		(39,428)	(44,256)	(39,428)	(44,256)
Purchase of other fixed assets		(4,287)	(4,219)	(1,451)	(1,131)
Homestake property purchases		–	64	–	64
Homestake grants received/(paid)		367	(77)	–	–
Homestake funding (received)/repaid		(323)	493	44	395
Homestake property sales		–	734	–	734
Capital grants received		18,956	23,780	18,956	23,027
Capital grants repaid		(152)	(65)	(152)	(65)
Sales of properties		319	1,854	311	1,854
Loan advances to group companies		–	–	(2,650)	(2,280)
<b>Net cash outflow for capital expenditure</b>		<b>(24,548)</b>	(21,692)	<b>(24,370)</b>	(21,658)
<b>Net cash outflow before use of liquid resources and financing</b>		<b>(23,514)</b>	(22,693)	<b>(23,311)</b>	(22,999)
<b>Financing</b>					
Loan advances received		22,000	23,000	22,000	23,000
Loan principal repayments		(24)	(14)	–	–
<b>Net cash inflow from financing</b>		<b>21,976</b>	22,986	<b>22,000</b>	23,000
<b>(Decrease)/increase in cash in the year</b>	19(ii), (iii)	<b>(1,538)</b>	293	<b>(1,311)</b>	1

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 (2008).

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

## 1. Principal accounting policies

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

The group financial statements consolidate the financial statements of Dunedin Canmore Housing Association Limited and its subsidiary, Malcolm Homes Limited made up to 31 March 2011.

### (b) Accounting basis

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

### (c) Turnover

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

### (d) Fixed assets – housing properties

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

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

### (e) Housing association grant

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

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

Housing association grant received in respect of revenue expenditure is credited to the income and expenditure account in the same period as the expenditure to which it relates.

### (f) Depreciation

### (i) Housing properties

Depreciation is not charged on housing properties, as in the opinion of the Board of Management the depreciation charge and the accumulated depreciation not charged are considered to be immaterial due to the long useful life and high residual value of the properties. All housing properties are assumed to have a useful economic life of 75 years.

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

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

### (ii) Office properties

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

### (g) Investments

Investment income is brought into account when due and receivable. Investments in group undertakings are stated at cost. Programme related investments (Homestake) are stated at cost.

### (h) Stock

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

# Notes to the Financial Statements

## (i) Investment properties

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

## (j) Operating leases

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

## (k) Deferred tax

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

## (l) Homestake

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

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

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

## (m) Pension costs

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

## (n) Grants

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

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

## (o) Shared ownership properties

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

# Notes to the Financial Statements

## 2. Turnover

	<b>Group 2011 £ 000's</b>	Group 2010 £ 000's	<b>Association 2011 £ 000's</b>	Association 2010 £ 000's
Rent receivable	<b>18,225</b>	16,692	<b>17,614</b>	16,125
Losses arising from vacant possession	<b>(200)</b>	(138)	<b>(179)</b>	(127)
	<hr/>	<hr/>	<hr/>	<hr/>
Management services and other income	<b>18,025</b> <b>2,802</b>	16,554 4,991	<b>17,435</b> <b>1,930</b>	15,998 4,459
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Total turnover</b>	<b>20,827</b>	21,545	<b>19,365</b>	20,457
	<hr/>	<hr/>	<hr/>	<hr/>

## 3. Directors' and employees' emoluments

### Directors

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

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

	<b>2011 £ 000's</b>	2010 £ 000's
Aggregate emoluments payable to directors (including pension contributions)	<b>394</b>	414
	<hr/>	<hr/>
Emoluments payable to Chief Executive (excluding pension contributions and national insurance)	<b>88</b>	83
	<hr/>	<hr/>

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

	<b>2011 Number</b>	2010 Number
up to £60,000	–	1
£60,001 to £70,000	<b>3</b>	3
£70,001 to £80,000	<b>1</b>	1
£80,001 to £90,000	–	1
£90,001 to £100,000	<b>1</b>	–

During the year 5 directors (2010: 6) 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 £13,350 (2010: £13,090).

No loans were made to board members, officers or employees during the year and none were outstanding at 31 March 2011 (2010: Nil).

	<b>2011 £</b>	2010 £
Expenses reimbursed not chargeable to UK income tax	<b>9,813</b>	2,094
	<hr/>	<hr/>



# 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:

	2011 Number	2010 Number
Support staff	112	105
Care and support staff	29	29
Direct maintenance staff	61	61
	<b>202</b>	<b>195</b>
Staff costs (including directors)	<b>£ 000's</b>	<b>£ 000's</b>
Wages and salaries	5,881	5,439
Social security costs	464	413
Pension costs	588	598
Temporary staff costs	64	63
	<b>6,997</b>	<b>6,513</b>

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

	Group 2011 £ 000's	Group 2010 £ 000's	Association 2011 £ 000's	Association 2010 £ 000's
Depreciation – other assets	387	444	385	444
Repairs: cyclical, major, day to day	5,900	4,258	5,900	4,258
Operating lease charges	–	5	–	–
External auditors remuneration including VAT:				
In their capacity as auditors	28	27	22	21
Other services	7	8	4	7

## 5. Interest receivable and other income

	Group 2011 £ 000's	Group 2010 £ 000's	Association 2011 £ 000's	Association 2010 £ 000's
Interest receivable	466	16	856	231
	<b>466</b>	<b>16</b>	<b>856</b>	<b>231</b>

# Notes to the Financial Statements

## 6. Interest payable and similar charges

	<b>Group 2011 £ 000's</b>	<b>Group 2010 £ 000's</b>	<b>Association 2011 £ 000's</b>	<b>Association 2010 £ 000's</b>
Interest payable	<b>4,684</b>	3,872	<b>4,662</b>	3,778
Other costs	<b>562</b>	198	<b>562</b>	198
	<b>5,246</b>	4,070	<b>5,224</b>	3,976

## 7. Taxation

### (a)

	<b>Group 2011 £ 000's</b>	<b>Group 2010 £ 000's</b>	<b>Association 2011 £ 000's</b>	<b>Association 2010 £ 000's</b>
<b>UK corporation tax</b>				
Based on the results for the year	<b>47</b>	8	–	–
Total current tax (note 7b)	<b>47</b>	8	–	–

### (b)

Factors affecting tax charge for the year

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

	<b>Group 2011 £ 000's</b>	<b>Group 2010 £ 000's</b>	<b>Association 2011 £ 000's</b>	<b>Association 2010 £ 000's</b>
Surplus on ordinary activities before taxation	<b>888</b>	578	<b>726</b>	520
Expected tax charge at 28% (2010: 21%)	<b>249</b>	122	<b>203</b>	109
Losses carried forward	–	(4)	–	–
Short term timing differences and expenses not allowable for tax	<b>11</b>	(1)	–	–
Exempt charitable activities	<b>(203)</b>	(109)	<b>(203)</b>	(109)
Marginal tax relief	<b>(10)</b>	–	–	–
Current tax charge (note 7a)	<b>47</b>	8	–	–

### (c)

No provision has been made for deferred tax of £800,000 (2010: £1.0m) 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 2011 (2010: £nil) 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

## 8. Tangible fixed assets

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

	Housing properties held for letting £ 000's	Completed shared ownership schemes £ 000's	Housing properties under construction £ 000's	Total £ 000's
<b>Cost:</b>				
At 1 April 2010 (as re-presented)	215,170	12,476	60,673	288,319
Additions – new build	–	–	36,543	36,543
Additions – refurbishment	190	50	–	240
Transfers	48,581	3,992	(52,573)	–
Disposals	(28)	(174)	–	(202)
At 31 March 2011	263,913	16,344	44,643	324,900
<b>Depreciation:</b>				
At 1 April 2010	2,041	39	–	2,080
Eliminated on disposals	–	(1)	–	(1)
At 31 March 2011	2,041	38	–	2,079
<b>Net book amount:</b>				
At 31 March 2011	261,872	16,306	44,643	322,821
At 31 March 2010	213,129	12,437	60,673	286,239

Opening costs in relation to housing properties held for letting (above) and investment properties (notes 8b) have been re-presented in order to separately disclose properties leased by the Association to Malcolm Homes Limited. The Board have considered the disclosure of these properties and considered it more appropriate for these to be held as investment properties. 13 properties under this arrangement are subject to a buy back provision at cost with the original building contractor. The contractor has an option to exercise this contractual provision within ten years from the date of exchange. As a consequence, the Board considers cost to equal market value for these properties.

### Housing Association Grant and other grants

	HAG on completed schemes £ 000's	HAG in development £ 000's	Other grants £ 000's	Total £ 000's
At 1 April 2010	138,000	38,429	7,767	184,196
Received in year	–	18,956	–	18,956
HAG repaid and abated	(152)	–	–	(152)
Transfers	29,373	(29,373)	–	–
At 31 March 2011	167,221	28,012	7,767	203,000



# Notes to the Financial Statements

## 8. 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 or valuation::</b>				
At 1 April 2010 (as re-presented)	16,874	7,731	1,994	26,599
Additions	4,136	8	144	4,288
Disposals	(8)	–	–	(8)
Surplus on revaluation	726	–	–	726
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 2011	21,728	7,739	2,138	31,605
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Depreciation:</b>				
At 1 April 2010	–	497	1,614	2,111
Charge for year	–	94	293	387
Eliminated on disposals	–	–	–	–
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 2011	–	591	1,907	2,498
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Net book amount:</b>				
At 31 March 2011	21,728	7,148	231	29,107
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 2010	16,874	7,234	380	24,488
	<hr/>	<hr/>	<hr/>	<hr/>

Investment properties with a value of £14,917,100 (£16,890,000 less grants of £1,972,900) as at 31 March 2011 were valued on the basis of open market value by Allan NM Scott MRICS a partner of DM Hall, Chartered Surveyors. The historical cost of these properties at 31 March 2011 was £10,319,367 (2010 – £6,860,688). Inter company surpluses of £36,291 have been eliminated on consolidation.

In addition, investment properties with a value of £5,541,000 as at 24 January 2011 were valued on the basis of open market value by Craig Fulton MRICS a director of DTZ, Chartered Surveyors. The historical cost of these properties at 31 March 2011 was £4,522,273 (2010 – £4,522,273).

As noted in note 8(a), investment properties include thirteen properties subject to a buy back provision at cost. As a consequence, the Board considers cost to equal market value for these properties. The cost of these properties was £1,132,187. A further two properties were acquired as part of this agreement at a cost of £174,183 and are not subject to the buy back agreement. The Board is satisfied that this is representative of the market value as at 31 March 2011.

# Notes to the Financial Statements

## 8. 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 2010 (as re-presented)	4,522	7,731	1,994	14,247
Additions	1,306	8	137	1,451
Surplus on revaluation	1,019	–	–	1,019
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 2011	6,847	7,739	2,131	16,717
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Depreciation:</b>				
At 1 April 2010	–	497	1,614	2,111
Charge for year	–	94	291	385
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 2011	–	591	1,905	2,496
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Net book amount:</b>				
At 31 March 2011	6,847	7,148	226	14,221
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 2010	4,522	7,234	380	12,136
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Unit numbers</b>	<b>Group 2011</b>	<b>Group 2010</b>	<b>Association 2011</b>	<b>Association 2010</b>
<b>Housing accommodation for letting:</b>				
General	3,434	3,343	3,434	3,307
Sheltered	217	217	217	217
Very sheltered	6	6	6	6
Medium dependency	535	494	535	494
Wheelchair housing	100	86	100	86
Hostel and shared units (bedspaces)	148	140	148	140
Mid rent	164	82	51	36
Commercial	3	3	–	–
Shared ownership	291	244	291	244
Others	11	11	–	–
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Total units</b>	<b>4,909</b>	<b>4,626</b>	<b>4,782</b>	<b>4,530</b>
	<hr/>	<hr/>	<hr/>	<hr/>

During the year the Association leased 51 properties (2010: 36) to Malcolm Homes Limited for onward letting at mid market rent.

# Notes to the Financial Statements

## 9. Homestake

### Cumulative to 31 March

	<b>Group 2011 £ 000's</b>	<b>Group 2010 £ 000's</b>	<b>Association 2011 £ 000's</b>	<b>Association 2010 £ 000's</b>
Homestake grants received	<b>19,734</b>	20,057	<b>5,552</b>	5,508
Homestake grants paid	<b>(19,734)</b>	(20,057)	<b>(5,552)</b>	(5,508)
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 2011	–	–	–	–
	<hr/>	<hr/>	<hr/>	<hr/>
Homestake property purchases	<b>12,092</b>	12,048	<b>12,092</b>	12,048
Homestake funding:				
Grants	<b>(5,552)</b>	(5,508)	<b>(5,552)</b>	(5,508)
Proceeds from shared equity owners	<b>(6,540)</b>	(6,540)	<b>(6,540)</b>	(6,540)
	<hr/>	<hr/>	<hr/>	<hr/>
	–	–	–	–
	<hr/>	<hr/>	<hr/>	<hr/>

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.

## 10. Investments

	<b>Cost 2011 £</b>	<b>Cost 2010 £</b>
Group undertakings:		
Shares in Malcolm Homes Ltd	–	–
	<hr/>	<hr/>
	–	–
	<hr/>	<hr/>

The Association owns 12 shares in Malcolm Homes Limited at nil cost (2010: nil).

## 11. Interest in joint venture

Malcolm Homes Limited had a 50% interest in a joint venture company (Malcolm Homes (Wolfson) Limited) which was building housing for sale and for mid market rent. Malcolm Homes (Wolfson) Limited was placed in Administration on 2 December 2009 and was dissolved on 6 March 2011.

The joint venture has therefore been excluded from consolidation under FRS 2.

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

## 12. Stock

	<b>Group 2011 £ 000's</b>	<b>Group 2010 £ 000's</b>	<b>Association 2011 £ 000's</b>	<b>Association 2010 £ 000's</b>
Maintenance stock	<b>103</b>	105	–	–
Shared ownership properties to be sold	<b>909</b>	259	<b>909</b>	259
	<hr/>	<hr/>	<hr/>	<hr/>
	<b>1,012</b>	364	<b>909</b>	259
	<hr/>	<hr/>	<hr/>	<hr/>



# Notes to the Financial Statements

## 13. Debtors

	<b>Group 2011 £ 000's</b>	<b>Group 2010 £ 000's</b>	<b>Association 2011 £ 000's</b>	<b>Association 2010 £ 000's</b>
<b>Due within one year</b>				
Rental debtors	581	542	571	525
Provision for doubtful debts	(96)	(60)	(96)	(60)
Other debtors	1,175	1,598	843	1,377
Homestake properties held for sale	71	71	71	71
Prepayments and accrued income	852	354	741	292
Due from group company	–	–	556	330
Due from joint venture company	–	631	–	–
Provision for amount due from joint venture company	–	(631)	–	–
	<b>2,583</b>	<b>2,505</b>	<b>2,686</b>	<b>2,535</b>
<b>Due after one year:</b>				
Due from group company	–	–	9,450	6,800
	<b>–</b>	<b>–</b>	<b>9,450</b>	<b>6,800</b>

### Exceptional item:

Included in debtors at 31 March 2010 is a loan and associated provision to the joint venture company of £631,000. During 2009/10 Applecross Properties Limited, the joint venture partner, was placed in administration. The joint venture company stopped development of the site at Milton Road, Edinburgh. Malcolm Homes (Wolfson) Limited was placed in Administration on 2 December 2009 and dissolved on 6 March 2011. No return on this investment is expected and the amounts have now been fully written off.

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

	<b>Group 2011 £ 000's</b>	<b>Group 2010 £ 000's</b>	<b>Association 2011 £ 000's</b>	<b>Association 2010 £ 000's</b>
Housing loans (Note 15)	27	15	–	–
Rent in advance	334	454	334	454
Tenants' deposits	113	60	9	5
Trade creditors	1,578	2,967	1,172	2,840
Homestake grants	304	261	304	261
Accruals and deferred income (including capital grants)	2,111	2,699	1,971	2,517
Corporation tax	47	8	–	–
Other taxation and social security	145	141	–	–
Due to group company	–	–	867	322
	<b>4,659</b>	<b>6,605</b>	<b>4,657</b>	<b>6,399</b>

# Notes to the Financial Statements

## 15. Loans

	Group 2011 £ 000's	Group 2010 £ 000's	Association 2011 £ 000's	Association 2010 £ 000's
<b>(a) Fixed rate</b>				
Advanced by UK banks/building societies	<b>78,754</b>	78,778	<b>78,000</b>	78,000
<b>(b) Variable rate</b>				
Advanced by UK banks/building societies	<b>47,000</b>	25,000	<b>47,000</b>	25,000
	<b>125,754</b>	103,778	<b>125,000</b>	103,000
Analysis of duration of loans:				
Repayable in one year or less	<b>27</b>	15	–	–
Repayable in more than one year but less than two years	<b>27</b>	15	–	–
Repayable in more than two years but less than five years	<b>81</b>	44	–	–
Repayable in more than five years	<b>125,619</b>	103,704	<b>125,000</b>	103,000
	<b>125,754</b>	103,778	<b>125,000</b>	103,000
Being loans falling due:				
– within one year	<b>27</b>	15	–	–
– after more than one year	<b>125,727</b>	103,763	<b>125,000</b>	103,000
	<b>125,754</b>	103,778	<b>125,000</b>	103,000

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 2011 62.6% (2010: 75.9%) of the loans were at fixed rates for a period of one year or more. The average rate of interest was 3.68% (2010: 4.18%). The loans are all currently at rates between 1.7% and 5.7% (2010: 4.5% and 6%).

The Association has an agreed £166.5m loan facility to fund the future development programme of which £125m had been drawn by the balance sheet date.

## 16. Share capital

	2011 £	2010 £
Shares of £1 each issued and fully paid:		
At beginning of year	<b>110</b>	135
Issued in year	<b>7</b>	5
Cancelled in year	<b>(22)</b>	(30)
At end of year	<b>95</b>	110

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

# Notes to the Financial Statements

## 17. Revenue reserve

	<b>Group 2011 £ 000's</b>	<b>Group 2010 £ 000's</b>	<b>Association 2011 £ 000's</b>	<b>Association 2010 £ 000's</b>
At 1 April 2010	<b>17,647</b>	17,077	<b>18,126</b>	17,606
Surplus for year	<b>841</b>	570	<b>726</b>	520
At 31 March 2011	<b>18,488</b>	17,647	<b>18,852</b>	18,126

## 18. Revenue reserve

	<b>Group 2011 £ 000's</b>	<b>Group 2010 £ 000's</b>	<b>Association 2011 £ 000's</b>	<b>Association 2010 £ 000's</b>
At 1 April 2010	<b>4,891</b>	4,219	–	–
Revaluation surplus	<b>726</b>	672	<b>1,019</b>	–
At 31 March 2011	<b>5,617</b>	4,891	<b>1,019</b>	–

## 19. Cashflow

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

	<b>Group 2011 £ 000's</b>	<b>Group 2010 £ 000's</b>	<b>Association 2011 £ 000's</b>	<b>Association 2010 £ 000's</b>
Operating surplus	<b>5,558</b>	4,625	<b>4,984</b>	4,258
Bad debt provision	<b>36</b>	(21)	<b>36</b>	(21)
Depreciation	<b>387</b>	444	<b>385</b>	444
(Increase)/decrease in stock	<b>(648)</b>	361	<b>(650)</b>	359
Decrease/(increase) in debtors	<b>291</b>	(223)	<b>218</b>	(221)
Increase/(decrease) in creditors	<b>278</b>	(2,431)	<b>535</b>	(2,700)
	<b>5,902</b>	2,755	<b>5,508</b>	2,119



# Notes to the Financial Statements

## 19. Cashflow (cont.)

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

	<b>Group 2011 £ 000's</b>	<b>Group 2010 £ 000's</b>	<b>Association 2011 £ 000's</b>	<b>Association 2010 £ 000's</b>
(Decrease)/increase in cash in the year	<b>(1,538)</b>	293	<b>(1,311)</b>	1
Increase in debt	<b>(21,976)</b>	(22,986)	<b>(22,000)</b>	(23,000)
Change in debt resulting from cash flow	<b>(23,514)</b>	(22,693)	<b>(23,311)</b>	(22,999)
Net debt at 1 April 2010	<b>(99,629)</b>	(76,936)	<b>(99,248)</b>	(76,249)
Movement in net debt in the year	<b>(23,514)</b>	(22,693)	<b>(23,311)</b>	(22,999)
Net debt at 31 March 2011	<b>(123,143)</b>	(99,629)	<b>(122,559)</b>	(99,248)

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

	<b>2010 £ 000's</b>	<b>Cashflow £ 000's</b>	<b>2011 £ 000's</b>
Cash and short term deposits	4,149	(1,538)	2,611
Debt due within one year	4,149	(1,538)	2,611
Debt due after one year	(15)	(12)	(27)
	(103,763)	(21,964)	(125,727)
	(99,629)	(23,514)	(123,143)

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

	<b>Group 2011 £ 000's</b>	<b>Group 2010 £ 000's</b>	<b>Association 2011 £ 000's</b>	<b>Association 2010 £ 000's</b>
Contracts placed for future capital expenditure not provided in the financial statements	<b>25,122</b>	50,098	<b>25,122</b>	46,055
Capital expenditure authorised but not contracted	<b>3,545</b>	–	<b>3,545</b>	–

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 15.

# Notes to the Financial Statements

## 21. Contingent liabilities

The Board of Management was not aware of any contingent liabilities as at 31 March 2011 (2010: £Nil) other than pension matters as disclosed in note 25 and none have emerged since.

## 22. Legislative provisions

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

## 23. Subsidiaries

The Association has one subsidiary.

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

During the year the Association charged £248,156 (2010: £127,200) in facilities fees to Malcolm Homes Limited. During the year the Association charged £248,426 (2010: £137,130) in rent to Malcolm Homes Limited for 51 properties (2010: 36) 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 £4,444,819 (2010: £4,633,845) in management fees and £4,266,212 (2010: £2,795,072) for repair services from its workshop.

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 4.8% (2010: 5.08%) for the year.

## 24. Stock transfer and related improvement expenditure

The Association was successful in 2006/07 in a bid for the transfer of housing stock from the City of Edinburgh Council. The stock was improved by the Association on behalf of the Council under a contract with a value of approximately £15m excluding VAT. The Association purchased, for that same figure, the stock as improved with the aid of £7m grant funding. The full purchase price and HAG funding was reflected in social housing property within the "held for letting" category in 2006/07. The full amount of the transfer price was provided for and part of this sum was included in the balance sheet as "long term accruals". As HAG funding is exhausted, loan funding has been drawn down to finance the bulk of the creditor, which has now been exhausted as the work is complete. The directors are satisfied that all costs have been accrued and that there are no further contingencies to be accounted for.

## 25. 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 141 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

## 25. 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 2010. 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 £335 million and indicated an increase in the shortfall of assets compared to liabilities to approximately £162 million, equivalent to a past service funding level of 67.4%.

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)	4.8%
– 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	2.2%
(for leavers before 1 October 1993	
pension increases are 5.0%)	
– 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 *	10.4%

\* 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 2008 revealed a small deficit of £29m and the 30 September 2009 update of the funding position indicates a small deficit of £55m. In these circumstances no additional contributions from participating employers are required at this point in time.

Following a change in legislation in September 2005 there is a potential debt on the employer that could be levied by the Trustee of the Plan. The Trustee's current policy is that it only applies to employers with pre October 2001 liabilities in the Plan. The debt is due in the event of the employer ceasing to participate in the Plan or the Plan winding up. The amount of the potential debt can be volatile over time. As Malcolm Homes Limited continues to offer membership of the Growth Plan to employees it therefore regards crystallisation of the buy-out debt as remote. No provision for the buy-out debt is therefore required.

## 26. Malcolm Homes (Wolfson) Limited

During 2009/10 the joint venture partner in Malcolm Homes (Wolfson) Limited was placed in administration. Work on the site at Milton Road, Edinburgh therefore ceased. Malcolm Homes (Wolfson) Limited was placed in Administration on 2 December 2009 and was dissolved on 6 March 2011. The Board made full provision against the loan to Malcolm Homes (Wolfson) Limited in the accounts to 31 March 2009. No return on this investment is now expected and the amounts have been written off. The Board of Malcolm Homes Limited has obtained legal advice concerning these developments and is satisfied that no further financial obligations or contingent liabilities fall to be provided and disclosed in the Malcolm Homes Limited financial statements. The Board of Dunedin Canmore Housing Association Limited has considered this event and is satisfied that no further disclosure is required in these consolidated financial statements.



# Notes to the Financial Statements

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

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

	Turnover 2011 £ 000's	Operating Costs 2011 £ 000's	Operating Surplus/ (Deficit) 2011 £ 000's	Operating Surplus/ (Deficit) 2010 £ 000's
Social lettings	17,435	12,707	4,728	4,713
Other activities	1,930	1,674	256	(455)
<b>Total</b>	<b>19,365</b>	<b>14,381</b>	<b>4,984</b>	<b>4,258</b>
2010	20,457	16,199	4,258	

### 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	2011 Total £ 000's	2010 Total £ 000's
<b>Turnover</b>						
Rent receivable net of service charges	15,256	–	–	390	15,646	14,350
Service charges	840	307	93	120	1,360	1,209
Gross income from rents and service charges	16,096	307	93	510	17,006	15,559
Less voids	143	4	–	32	179	127
Net income from rents and service charges	15,953	303	93	478	16,827	15,432
Grants from the Scottish Ministers	–	147	–	461	608	566
Other revenue grants	–	–	–	–	–	–
<b>Total Turnover from social letting activities</b>	<b>15,953</b>	<b>450</b>	<b>93</b>	<b>939</b>	<b>17,435</b>	<b>15,998</b>
<b>Operating costs</b>						
Management and maintenance admin. costs	4,492	86	93	623	5,294	5,806
Service costs	840	307	–	120	1,267	1,125
Planned and cyclical maintenance including major repairs costs	4,165	21	–	36	4,222	2,641
Reactive maintenance costs	1,735	27	–	34	1,796	1,617
Bad debts – rents and service charges	128	–	–	–	128	96
Depreciation of social housing	–	–	–	–	–	–
Impairment of social housing	–	–	–	–	–	–
<b>Operating costs for social letting activities</b>	<b>11,360</b>	<b>441</b>	<b>93</b>	<b>813</b>	<b>12,707</b>	<b>11,285</b>
<b>Operating surplus for social lettings</b>	<b>4,593</b>	<b>9</b>	<b>–</b>	<b>126</b>	<b>4,728</b>	<b>4,713</b>
2010 Operating surplus/(deficit) for social lettings	4,838	(106)	–	(19)	4,713	

# Notes to the Financial Statements

## 27. 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 revenue grants £ 000's	Supporting people income £ 000's	Other income £ 000's	Total turnover £ 000's	Operating costs – bad debts £ 000's	Other operating costs £ 000's	Operating surplus/ (deficit) 11 £ 000's	Operating surplus/ (deficit) 10 £ 000's
Wider role activities undertaken to support the community, other than the provision, construction, improvement and management of housing	313	–	–	47	360	–	648	(288)	(328)
Care and repair of properties	–	–	–	–	–	–	–	–	–
Factoring	–	–	–	61	61	–	61	–	–
Development and construction of property activities	–	–	–	1,149	1,149	–	946	203	(176)
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	–	–	–	360	360	–	19	341	49
<b>Total from other activities</b>	<b>313</b>	<b>–</b>	<b>–</b>	<b>1,617</b>	<b>1,930</b>	<b>–</b>	<b>1,674</b>	<b>256</b>	<b>(455)</b>
2010 Total from other activities	258	–	–	4,201	4,459	–	4,914	(455)	

# Key Performance Indicators

## Association

	2011 Target	2011 Actual	2010 Target	2010 Actual
<b>Mainstream housing</b>				
Loss of rental income through voids	<0.75%	0.85%	<1.00%	0.55%
Property relets	<7 days	7.6 days	>75%	72%
Gross rent arrears	<2.7%	2.60%	<2.75%	2.57%
Net rent arrears	<2.3%	2.35%	<2.5%	2.28%
Rent collected	>98%	97.80%	>98.0%	98.61%
<b>Hostel</b>				
Loss of rental income through voids	<3.7%	6.44%	<3.0%	3.26%
<b>Property maintenance</b>				
Emergency repairs within 3 hours	>97%	97.8%	>97%	99.6%
Urgent repairs within one working day	>97%	99.6%	>97%	99.2%
Routine repairs within ten working days	>95%	92.1%	>95%	99.1%
<b>Development</b>				
Grant planning target	£16.6m	£19.4m	£25.0m	£23.6m

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>2011 Actual</b>	2010 Actual
<b>Hostel rent arrears</b>	<b>18%</b>	19%
<b>Housing units completed</b>		
Social rent	<b>188</b>	239
Shared equity	<b>48</b>	8
<b>Projects and initiatives</b>		
People engaged in work, work experience or skills training	<b>223</b>	117
People engaged in learning, educational or social opportunities	<b>700</b>	575
Volume of grants and investments	<b>£584,000</b>	£452,000
<b>Staff</b>		
Number of staff	<b>216</b>	214
Number of apprentices	<b>3</b>	4
Number of posts advertised in year	<b>25</b>	38
Number of starters	<b>20</b>	34
Number of leavers	<b>17</b>	34
Staff turnover	<b>6%</b>	15%



# Board of Management, Directors and Advisors

## Board of Management

Richard Austin

Jane Ballantine

Alexander Ferguson

John Fletcher

Claire Ironside

Fanchea Kelly

Andrew Leslie

Delia Lomax

David MacLaren

Kenneth Miller

Thomas Mitchell

Robert Reid

Yvonne Summers (Chair)

## Chief Executive

Ewan Fraser MRICS ACIH

## Group Secretary

Roy Walker FCCA

## Directors

Nigel Hicks BSc(Hons) MSc CA  
(Finance)

Susan Napier BSc MRICS  
(Business Development)

Graeme Russell BA(Hons) FCIH  
(Housing Services)

Roy Walker FCCA  
(Corporate Services)

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Statutory Auditor  
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