Clanmil Housing Association Limited

Annual Statement of Accounts

for the year ended 31 March 2010

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Clanmil Housing Association Limited

Board of Management and advisers

Board of Management

J Baird MSc FCIH (Chair)
J Ebbage LL.B (Hons) CPLS (Vice Chair)
P Anderson FIIA MIIA MBA (co-opted from 25 November 2009)
J Browne BA DipM GInstM
G-C Cunningham BSc Hons (Open)
CT Hogg MBE UD JP DL
S Kirkwood OBE TD MICE
W Linton (co-opted; term of office expired 30 June 2009)
D Long (co-opted)
M O'Boyle CQSW ASW (co-opted)
J O'Brien Retired Brig Gen (co-opted)
C Ramsey BSc (Hons) Dip TP Dip BA MRTPI (co-opted)
D Reid LL.B FCA (co-opted from 25 November 2009)
M Riordan OBE BSc (Hons)
G Rice MBE BSc MBIC Sc
M Shiells JP

Chief Executive and Secretary

CI McCarty BA MCIH MRICS

Registered office

Northern Whig House
3 Waring Street
Belfast
BT1 2DX

Registered under the Industrial and Provident Societies Act (Northern Ireland) 1969, No. IP 136

Solicitors

Harrisons
15-17 Chichester Street
Belfast
BT1 4JB

Bankers

Northern Bank Limited
Donegall Square West
Belfast
BT1 6SJ

Statutory auditors

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Waterfront Plaza
8 Laganbank Road
Belfast
BT1 3LR

Report of the Board of Management for the year ended 31 March 2010

The Board of Management present their report and the audited financial statements for the year ended 31 March 2010.

Principal activities

Clanmil Housing is one of the leading providers of affordable housing in Northern Ireland, providing both general and specialised housing for people in need.

We aim to be a primary provider of high quality homes at the lowest possible economic rent for everyone in housing need.

This mission is achieved through:

- Providing high quality services which meet the requirements of our customers;
- Sustaining the highest levels of Governance and Accountability in all areas of operation;
- Progressing appropriate business opportunities to continue growth;
- Using all resources available as efficiently and effectively as possible; and
- Acting responsibly with regard to the environment in all aspects of operations.

The Board of Management is a voluntary Committee who have responsibility for the strategic direction, general policy and management of the Association. The day to day management of operations is delegated to the Chief Executive and the Management Team. The Association employs 192 staff.

Clanmil Housing provides affordable housing in Northern Ireland and is the controlling member of the Clanmil Group.
Clanmil Properties Limited manages commercial property rentals.
Milbreen Limited is currently dormant but intends to develop affordable housing for sale.
Clanmil Ireland provides housing accommodation for those in need in the Republic of Ireland.

The Association continues to grow as an organisation and efficiency savings are reinvested where appropriate to improve existing services, deliver additional services and maintain or improve the housing stock condition and value.

We strive to operate efficiently and effectively, and outputs are monitored by the Board of Management who receive performance reports covering a variety of financial and non-financial information.

For our core business areas we have set a number of key performance indicators - these include rent arrears, voids, customer satisfaction, growth, maintenance repair times, staff turnover and financial stability.

The management of financial resources is critical to our ability to meet our objectives. Whilst the Association has voluntary non-profit making status, the generation of an annual surplus is vital to ensure the ongoing investment in new housing stock, to provide for longer term maintenance obligations, to meet the commitments to lenders, and to generally ensure adequate protection against unforeseen circumstances.

The key strengths of the Association which enable our objectives to be achieved are:

- A commitment to the highest standards of corporate governance;
- A financial position which secures the confidence of funders, facilitating future investment and strategic growth opportunities;
- Professional and dedicated staff who are committed to the Association’s objectives; and
- An ability to deliver the social housing development programme.

Status

The Association is registered under the Industrial and Provident Societies Act (Northern Ireland) 1969 (No. IP 136) and is a Registered Housing Association.

The Association is a registered charity (Charity No. XR 43042).

Report of the Board of Management for the year ended 31 March 2010 (continued)

Risk Management

Responsibility for the identification of risks is clearly defined and operates through a rolling risk assessment process. Key risks facing the Association are considered by the Board of Management at each meeting and the Board has adopted a risk-aware strategic focus.

Performance in the sector is generally affected by government policies and changing legislation, the impact of the regulatory regime, changes in demographic, political or economic conditions or environmental risks. Some of the major factors which may affect the Association over the next year are:

- Limits on Supporting People and other revenue funding;
- Increasing customer demands/expectations including the need to deal with anti-social behaviour;
- Housing policy and planning issues;
- The availability and cost of private finance; and
- The effect of reducing grant rates on the ability to develop financially viable schemes.

Performance in the year ended 31 March 2010

During the year the number of homes in management increased by 250 to 2,331. There were 257 units under development at 31 March 2010.

£36.332 million was spent on the development of housing properties during the year, and funding from Housing Association Grant of £29.356 million was received.

Turnover increased by 11% from £9.408 million in 2008/09 to £10.479 million.
The Association's annual review of rental charges at April 2009 resulted in a 3.58% increase in rents.

Operating costs of £7.171 million represent 68% of turnover as compared to 70% in 2008/09.

The surplus for the year was £2.698 million, before transfers to designated reserves, showing an increase of £629k over 2008/09.

The Association continues its programme of major repairs and improvements to properties and the total expenditure in the year was £707k. The level of expenditure of this nature will fluctuate from year to year dependent on the age and condition of individual schemes and this has a significant impact on the amount of retained surplus in any one year after the relevant transfer to/from designated reserves.

Designated reserves increased to £9.539 million demonstrating the Association's overall commitment to meet its future major repairs and cyclical maintenance commitments.

Expected performance in the year ending 31 March 2011

The Association expects further expansion in 2010/11 as a result of a significant ongoing development programme with turnover projected to increase by around 7% to approximately £11.2 million.

It is planned that 124 additional units of housing will be completed during the year increasing total stock to 2,455 units.

£4.713 million of expenditure re the ongoing programme of major repairs and improvements to properties is anticipated in the year.

Report of the Board of Management for the year ended 31 March 2010 (continued)

The Association operates in a highly regulated environment which can result in associated cost pressures and constraints on income streams. We will continue to develop a co-ordinated corporate approach to achieving efficiency targets in line with the Strategic Plan. Priorities have been set to ensure that efficiencies are gained without an adverse impact on service delivery or service user satisfaction.

Treasury

The Association's treasury management policy facilitates the effective management of cash flows, borrowings, investments and the risks associated with these activities.

At 31 March 2010 the Association had loans outstanding of £32.544 million, representing an increase in the loan portfolio of £13.688 million over 31 March 2009.

The Association was fully compliant with loan covenants during the year. The interest cover ratio for the year of 5.17 and the adjusted net leverage ratio as at 31 March 2010 of 13.11% very comfortably exceeds the Association's principal lender's requirements.

Responsibility for the management of interest rate risk and liquidity risk is delegated to the Finance Committee. The Association finances its operations through a combination of borrowing and the reinvestment of retained reserves. The amount of borrowings and its terms are reviewed and determined by the Finance Committee regularly.

Interest rate risk

Exposure to fluctuating interest rates is managed by the composition of a balanced portfolio between fixed rate and variable rate loans.

Liquidity risk

The Association maintains a mixture of long-term and short-term loan finance that is designed to ensure there is sufficient funds to achieve business objectives and to facilitate planned growth.

At 31 March 2010 the Association had available loan facilities agreed with Institutions but undrawn of £16.75 million.

Currency risk

The Association does not engage in foreign currency transactions and so is not exposed to foreign exchange risk.

Regulation

The Association's principal regulator is the Department for Social Development (DSD). It is also regulated by the Northern Ireland Housing Executive (NIHE) in its role as administrator of Supporting People funding.

The DSD completed an inspection review on the Association in February 2010 covering four main areas of operations. A four tier rating mechanism has been adopted to reflect the assessment of substantial assurance, satisfactory assurance, limited assurance and no assurance. The draft individual assurance ratings attained by the Association are as follows:

Area of operations:	**Rating:**	**2008 Rating: (previous grading)**
Financial Management	Substantial Assurance	Substantial Assurance (Exemplary)
Corporate Governance	Substantial Assurance	Satisfactory Assurance (Good)
Property Management	Substantial Assurance	Substantial Assurance (Exemplary)
Property Development	Substantial Assurance	Limited Assurance (Acceptable)
Overall	Substantial Assurance	Satisfactory Assurance (Good)

Report of the Board of Management for the year ended 31 March 2010 (continued)

Quality Management

The quality of the Association's management systems is recognised through the ISO and Investors in People accreditations, the standards of the Code of Practice for the Centre for Sheltered Housing Studies and the standards of the Regulation and Quality Improvement Authority.

Statement of the responsibilities of the members of the Board of Management

The Industrial and Provident Societies Act and registered housing association legislation require the members of the Board of Management to prepare financial statements for each financial year which give a true and fair view of the state of the Association's affairs and of its surplus or deficit for that period. In preparing these statements the Board is required to:

- Select suitable accounting policies and 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 the going concern basis unless it is inappropriate to presume that the Association will continue to operate.

The members of the Board of Management are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Association and to enable them to ensure that the financial statements comply with the Industrial and Provident Societies Act (Northern Ireland) 1969 and the Registered Housing Associations (Accounting Requirements) Order (Northern Ireland) 1993. They have general responsibility for the taking of reasonable steps to safeguard the assets of the Association and to prevent and detect fraud and other irregularities.

Statement of disclosure of information to auditors

So far as each of the members of the Board of Management at the date of approval of these financial statements is aware:

- There is no relevant audit information of which the Association's auditors are unaware; and
- They have taken all the steps that they ought to have taken as members of the Board of Management in order to make themselves aware of any relevant audit information and to establish that the Association's auditors are aware of that information.

Internal Control

The Board of Management has overall responsibility for the Association's internal control systems and for reviewing the effectiveness of these. Such systems can only provide the Board of Management with reasonable (and not absolute) assurance against material misstatement or loss as they are designed to manage the risk of failure to achieve business objectives rather than eliminate the risk completely.

Audit

The Board of Management has established an Audit Committee with clearly defined terms of reference. The main functions of the Audit Committee are to control and review the external and internal audit functions, the internal control systems and monitor the performance of the Association against the key business indicators. The Association's internal auditors report directly to the Audit Committee on completion of each systems review and an annual summary report is produced by the internal auditors summarising the systems audit programme each year. The work of the external auditors also provides some assurance through the year end audit and the provision of an internal control report.

Report of the Board of Management for the year ended 31 March 2010 (continued)

Board of Management and Executive Officers

The members of the Board of Management and the executive officers of the Association are listed on page 1.

Each member of the Board of Management other than members co-opted during the year holds one fully paid share of £1 in the Association.

In accordance with the rules of the Association, Ms Ebbage, Ms O'Boyle and Ms Riordan are due to retire by rotation and are eligible for re-appointment.

Auditors

The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office, and a resolution proposing their reappointment will be proposed at the Annual General Meeting.

By order of the Board

CI McCarty
Secretary
10 June 2010

Auditors’ report to the shareholders of Clanmil Housing Association Limited

We have audited the financial statements of Clanmil Housing Association Limited for the year ended 31 March 2010 which comprise the income and expenditure account, the balance sheet, the cash flow statement and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of the Board of Management and Auditors

The Board’s responsibility for preparing the annual report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the statement of the responsibilities of the members of the board of management.

Our responsibility is to audit the financial statements in accordance with the relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the association’s members as a body in accordance with the Industrial and Provident Societies Act (Northern Ireland) 1969 and the Registered Housing Associations (Accounting Requirements) Order (Northern Ireland) 1993 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Industrial and Provident Societies Act (Northern Ireland) 1969 and the Registered Housing Associations (Accounting Requirements) Order (Northern Ireland) 1993. We report to you whether, in our opinion the report of the Board of Management is not consistent with the financial statements.

In addition we report to you if, in our opinion, the Association has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, if a satisfactory system of control over books of account and transactions has not been maintained or if information required by law, such as details of Board of Management members’ transactions with the Association is not disclosed.

We read other information contained in the Annual Report, and consider whether it is consistent with the audited financial statements. This other information comprises only the Board of management and advisers on page 1, the Report of the Board of Management and all other information listed on the contents page. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

We review whether the statement on page 5 reflects the Association’s compliance with the Department for Social Development’s Code of Audit Practice (“the Code’’) and we report whether the Board of Management has provided the disclosures required by the Code and whether the statement is not inconsistent with the information of which we are aware from our audit of the financial statements. We are not required to form an opinion on the effectiveness of the Association’s system of internal financial control.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Board of Management in the preparation of the financial statements, and of whether the financial accounting policies are appropriate to the Association’s circumstances, consistently applied and adequately disclosed.

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

Auditors’ report to the shareholders of Clanmil Housing Association Limited (continued)

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Association’s affairs as at 31 March 2010 and of its surplus and cash flows for the year then ended;
- the Association has maintained proper books of account and maintained a satisfactory system of control over its transactions;
- the financial statements are in accordance with the books and have been properly prepared in accordance with the Industrial and Provident Societies Act (Northern Ireland) 1969 and the Registered Housing Associations (Accounting Requirements) Order (Northern Ireland) 1993;
- the information given in the Report of the Board of Management is consistent with the financial statements; and
- with respect to the Board of Management’s statement on internal financial controls on page 5, in our opinion the Board of Management has provided the disclosures required by the Code, and the statement is not inconsistent with the information of which we are aware from our audit of the financial statements.

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
Belfast
15 June 2010

Income and expenditure account for the year ended 31 March 2010

	Notes	**2010** £	2009 £
Turnover	2	**10,478,757**	9,407,516
Operating costs	3	**(7,170,953)**	(6,583,338)
Operating surplus	4	**3,307,804**	2,824,178
Surplus arising from sales of housing property	7	**-**	92,941
Sales of other fixed assets		**-**	5,679
Transfer to disposal proceeds fund	7	**(12,448)**	(123,511)
Interest receivable and similar income	8	**51,846**	29,610
Interest payable and similar charges	9	**(649,413)**	(760,447)
Surplus on ordinary activities	22	**2,697,789**	2,068,450
Less: transfer to designated reserves			
- major repairs	19	**(1,748,197)**	(1,665,153)
- cyclical maintenance	19	**73,736**	20,037
- furniture	19	**(7,582)**	(234,605)
- bequests	19	**(3,660)**	(3,910)
Retained surplus for the year		**1,012,086**	184,819
Retained surplus brought forward		**8,841,123**	8,656,304
Retained surplus carried forward		**9,853,209**	8,841,123

All amounts above relate to continuing operations of the Association.

The Association has no recognised gains and losses other than those included in the results above, and therefore no separate statement of total recognised gains and losses has been presented.

There is no material difference between the surplus on ordinary activities and its historical cost equivalents.

Clanmil Housing Association Limited

Balance sheet at 31 March 2010

	Notes	2010 £	2009 £
Fixed assets			
Housing properties - depreciated cost	10	**210,217,435**	173,533,072
Less: Housing Association Grant and other grants	10	**(160,255,438)**	(130,425,697)
		49,961,997	43,107,375
Other tangible fixed assets	11	**1,786,313**	1,870,968
Investments	12	**5,001**	2
		51,753,311	44,978,345
Current assets			
Debtors	13	**10,917,675**	713,434
Cash at bank and in hand		**5,461,451**	1,777,431
		16,379,126	2,490,865
Creditors: amounts falling due within one year	14	**(26,025,594)**	(12,302,144)
Net current liabilities		**(9,646,468)**	(9,811,279)
Total assets less current liabilities		**42,106,843**	35,167,066
Creditors: amounts falling due after more than one year	15	**22,714,208**	18,472,220
		22,714,208	18,472,220
Capital and reserves			
Called up share capital	17	**21**	21
Capital reserve	18	**6**	6
Designated reserves	19	**9,539,399**	7,853,696
Revenue reserve		**9,853,209**	8,841,123
Total funds	22	**19,392,635**	16,694,846
		42,106,843	35,167,066

The financial statements on pages 9 to 29 were approved by the Board of Management on 10 June 2010 and were signed on its behalf by:

J Baird
Chair

C T Hogg
Board Member

Clanmil Housing Association Limited

Cash flow statement for the year ended 31 March 2010

	Notes	**2010**	2009
		£	£
Net cash inflow from operating activities	23	**3,584,182**	3,035,147
Returns on investments and servicing of finance			
Interest received		**52,150**	39,637
Interest paid		**(667,020)**	(1,019,968)
		(614,870)	(980,331)
Capital expenditure			
Purchase and development of housing properties		**(37,894,063)**	(24,368,615)
Housing Association Grant and other grants		**25,645,918**	18,426,458
Voluntary Purchase Grant		**22,000**	-
Purchase of other tangible assets		**(49,902)**	(145,143)
Purchase of fixed asset investments		**(4,999)**	-
Receipts from disposal of housing properties		**-**	3,587,116
		(12,281,046)	(2,500,184)
Financing			
Loan advance		**38,226,000**	28,300,000
Loan principal repayments		**(24,537,914)**	(26,948,023)
		13,688,086	1,351,977
Increase in cash in the year	24 - 25	**4,376,352**	906,609

Notes to the financial statements for the year ended 31 March 2010

1 Accounting policies

These financial statements are prepared under the historical cost convention, and in accordance with applicable accounting standards and statement of recommended practice. The presentation of the accounts complies with the Registered Housing Associations (Accounting Requirements) Order (Northern Ireland) 1993.

Tangible fixed assets

Housing properties

Housing properties which include land are stated at cost including appropriate on costs.

Other housing properties

Other housing properties are stated as cost which is purchase price together with any incidental costs of acquisition. These properties are effectively purchased concurrently by the Association and participants and so are disclosed in fixed assets at the cost to the Association with the participants' net investment also disclosed in the housing properties note to the accounts.

The initial cost of the houses is not split between current and fixed assets since the Association and the participant effectively purchase their respective shares simultaneously. The circumstances of this type of transaction means that no gain nor loss will ever be made by the Association on first tranche sales and so the proceeds and costs are not shown in turnover or cost of sales. This allows the Association to present a true and fair view of the commercial reality behind such a co-ownership scenario.

Other fixed assets

Other fixed assets are stated at cost.

Housing Association Grant and other grants

Housing Association Grant and other grants received as a contribution towards the capital costs of housing properties are set against the capital cost of these properties. Housing Association Grant received against revenue expenditure is credited to revenue in the period in which the related expenditure is charged.

Such grants, although treated as a grant for accounting purposes, may be repayable under certain circumstances, primarily following the sale of housing property, but any amount repayable would be restricted to the net proceeds of the sale.

Depreciation

Housing properties

The Association's policy is to depreciate the cost over the remaining useful economic lives of the properties in accordance with the Statement of Recommended Practice for Accounting by Registered Social Landlords. The useful economic lives have been estimated at follows:

Sheltered housing	-	70 years
Non-sheltered housing	-	90 years

Other fixed assets

Depreciation of other fixed assets is charged on a straight-line basis over the estimated useful economic lives of the assets at the following annual rates:

Freehold buildings	-	2% on cost
Office furniture and fittings	-	10% to 20% on cost
Motor vehicles	-	25% on cost
Fixed assets related to property	-	10% on cost

Notes to the financial statements for the year ended 31 March 2010 (continued)

1 Accounting policies (continued)

Disposal proceeds fund

The net surpluses, after loan repayments, that arise from the sale of property to tenants under the voluntary purchase grant arrangements instituted by the Department for Social Development can be used by the Association to fund works on property that would not be eligible for housing association grant or in certain circumstances, attract loan finance. With effect from 1 October 2006 notional interest on the balance is included in the fund.

If the surpluses are not used within three years of their receipt they may be payable in part or in full to the Department for Social Development.

Transfer to designated reserves

Cyclical maintenance

The Association's obligations in respect of cyclical maintenance are reflected by way of amounts appropriated from revenue to designated reserves, such appropriation being based on maintenance allowances specified by the Department for Social Development. Cyclical maintenance expenditure is charged to revenue and amounts equivalent to this expenditure released from designated reserve to revenue reserve.

Major repairs

The amount appropriated to designated reserves in respect of major repairs is calculated in accordance with the Rent Surplus Fund (Northern Ireland) Determination 1992 in respect of traditionally funded schemes. An appropriation is also made in respect of mixed funded and Housing with Care schemes on the basis of planned maintenance. Expenditure when incurred is released from the accumulated designated reserve balance.

Scheme furniture and equipment

Included in the service charge to tenants is their contribution towards the cost of renewing scheme furniture and equipment. The Association holds these contributions from tenants in a designated reserve for furniture and equipment replacement against which renewals are charged. The contribution amounts are determined by reference to the current estimated cost of renewing these assets and their estimated useful lives.

Pensions

The Association participates in a defined benefit pension scheme for a number of employees. Contributions to this scheme are charged to income and expenditure when they fall due as referred to in note 28.

2 Analysis of turnover

Turnover and results relate to the Association’s main activity which is carried out in the United Kingdom. Turnover represents rental and service charge income and residential charges for Housing with Care, net of voids. It also includes income arising on the lease of a property to a related company, services provided to other Housing Associations and Special Needs Management Allowance (interim protection) received for the provision of housing with care.

3 Operating costs

	2010	2009
	£	£
Direct costs	**5,631,834**	5,187,901
Administrative expenses	**1,558,895**	1,414,711
Other operating income	**(19,776)**	(19,274)
	7,170,953	6,583,338

Clanmil Housing Association Limited

Notes to the financial statements for the year ended 31 March 2010 (continued)

4 Operating surplus

	2010	2009
	£	£
This is stated after charging/(crediting):		
Staff costs (note 5)	**2,820,856**	2,608,669
Depreciation	**379,117**	376,191
Release of capital grant	**(777)**	(777)
Auditors' remuneration		
– audit services	**7,725**	7,500
– non-audit services	**1,750**	1,824

5 Employee information

	2010	2009
	£	£
Staff costs		
Wages and salaries	**2,534,528**	2,342,648
Social security costs	**184,272**	176,491
Other pension costs	**102,056**	89,530
	2,820,856	2,608,669

	Number	Number
Average monthly number of persons employed by the Association during the year by activity		
Administration	**60**	56
Scheme co-ordinators and ancillary staff	**74**	69
Special needs	**58**	57
	192	182

6 Directors' emoluments

The remuneration of directors (defined as the Board of Management and the Chief Executive) of the Association during the year was:

	2010	2009
	£	£
Aggregate emoluments	**90,450**	87,815
Pension contributions to money purchase schemes	**9,594**	9,360
	100,044	97,175

Members of the Board of Management serve in a voluntary capacity and none were in receipt of emoluments during the year.

The Board and Committee members were reimbursed for expenses totalling £2,742 during the year.

Notes to the financial statements for the year ended 31 March 2010 (continued)

7 Transfer to disposal proceeds fund

	2010	2009
	£	£
Proceeds of disposal	**-**	92,941
Notional interest	**12,448**	32,168
Depreciation on properties disposed	**-**	(1,598)
Transfer to disposal proceeds fund (note 15)	**12,448**	123,511

Following guidance issued by the Department for Social Development the disposal proceed fund has been adjusted for notional interest and depreciation.

8 Interest receivable and similar income

	2010	2009
	£	£
Interest receivable	**51,846**	29,610

9 Interest payable and similar charges

	2010	2009
	£	£
Housing property loans	**567,300**	955,339
Interest payable/(receivable) to DSD re HAG received in advance	**79,365**	(197,474)
Bank interest and charges	**2,748**	2,582
	649,413	760,447

Notes to the financial statements for the year ended 31 March 2010 (continued)

10 Tangible fixed assets - housing properties

	Cost	Participants' Net Investment	2010 Association Investment	2009 Association Investment
	£	£	£	£
Cost				
At 1 April 2009	-	-	**175,186,138**	154,711,290
Additions	**364,257**	**174,010**	**36,981,925**	24,020,049
Disposals	-	-	**(54,048)**	(3,545,201)
At 31 March 2010	**364,257**	**174,010**	**212,114,015**	175,186,138
Housing Association Grant and other grants				
At 1 April 2009	-	-	**130,425,697**	114,498,048
Additions	-	-	**29,875,324**	18,492,117
Disposals	-	-	**(45,583)**	(2,564,468)
At 31 March 2010	-	-	**160,255,438**	130,425,697
Depreciation				
At 1 April 2009	-	-	**1,653,066**	1,411,234
Charge for the year	**998**	-	**243,514**	243,430
Disposals	-	-	-	(1,598)
At 31 March 2010	**998**	-	**1,896,580**	1,653,066
Net book value comprises				
- Freehold property			**32,555,978**	27,038,498
- Long leasehold property			**17,406,019**	16,068,877
			49,961,997	43,107,375
Net book value comprises:				
- Completed schemes			**49,609,062**	39,728,059
- Properties under construction			**352,935**	3,379,316
			49,961,997	43,107,375

Clanmil Housing Association Limited

Notes to the financial statements for the year ended 31 March 2010 (continued)

11 Other tangible fixed assets

	Freehold buildings £	Office furniture and equipment £	Fixed asset property £	Motor vehicles £	Total £
Cost					
At 1 April 2009	2,192,354	593,505	7,600	60,630	2,854,089
Additions	1,046	49,902	-	-	50,948
Disposals	-	(48,418)	-	-	(48,418)
At 31 March 2010	**2,193,400**	**594,989**	**7,600**	**60,630**	**2,856,619**
Depreciation					
At 1 April 2009	537,917	429,452	7,600	8,152	983,121
Charge for year	58,561	61,898	-	15,144	135,603
Disposals	-	(48,418)	-	-	(48,418)
At 31 March 2010	**596,478**	**442,932**	**7,600**	**23,296**	**1,070,306**
Net book value					
At 31 March 2010	**1,596,922**	**152,057**	**-**	**37,334**	**1,786,313**
At 31 March 2009	1,654,437	164,053	-	52,478	1,870,968

12 Investments

	2010 **Subsidiary Undertaking** **£**	2009 Subsidiary Undertaking £
Cost	**5,001**	2

The investment represents the Association's holding in wholly owned subsidiary companies, Clanmil Properties Limited and Milbreen Limited.

The Board of Management has not produced consolidated accounts on the grounds of materiality.

The Association also controls Skerry Court Management Services Limited and Curzon Management Company Limited which were dormant throughout the year and have a carrying value of £Nil (2009: £nil).

13 Debtors

	2010 **£**	2009 £
Amounts owed by NIHE re Housing Benefit and Supporting People funding	**94,202**	103,977
Other rental debtors	**98,556**	75,909
Housing Association Grant	**9,236,840**	156,090
Amounts owed by subsidiary undertaking	**25,826**	27,367
Amounts owed by related undertaking	**19,159**	80,946
Other debtors	**1,210,204**	109,555
Prepayments and accrued income	**232,888**	159,590
	10,917,675	713,434

Notes to the financial statements for the year ended 31 March 2010 (continued)

14 Creditors: amounts falling due within one year

	2010	2009
	£	£
Bank overdraft	-	692,332
Bank loans (Note 16)	9,780,765	600,276
DSD loans (Note 16)	66,569	59,845
Housing Association Grant in advance	13,175,880	7,809,782
Deferred historic building grant	30,438	31,215
Other creditors including tax and social security	717,163	600,971
Services equalisation account	271,595	313,344
Accruals and deferred income	1,983,184	1,949,768
Disposal proceeds fund	-	244,611
	26,025,594	12,302,144

15 Creditors: amounts falling due after more than one year

	2010	2009
	£	£
Bank loans (Note 16)	21,732,410	17,164,968
DSD loans (Note 16)	964,364	1,030,933
Disposal proceeds fund	17,434	276,319
	22,714,208	18,472,220

The surplus on the disposal proceeds fund must be used within three years of the sale of the property.

16 Loans

	2010	2009
	£	£
Bank loans - Housing property and other loans		
Less than one year, or on demand (Note 14)	9,780,765	600,276
Between one and two years	964,950	1,143,746
Between two and five years	2,945,798	3,674,944
After more than five years	17,821,662	12,346,278
	31,513,175	17,765,244

Security

The Northern Bank holds a mortgage over Northern Whig House as security for its variable rate bank loan.

The First Trust and Barclays loans are secured by way of mortgages upon the deeds of the related housing properties and bear interest at fixed and variable rates.

Notes to the financial statements for the year ended 31 March 2010 (continued)

16 Loans (continued)

	2010	2009
	£	£
Department for Social Development - Housing Property Loans		
Less than one year (Note 14)	**66,569**	59,845
Between one and two years	**74,071**	66,569
Between two and five years	**245,510**	195,193
After more than five years	**644,783**	769,171
	1,030,933	1,090,778

Security

The loans from the Department for Social Development bear interest at rates ranging between 8.50% and 15.375%.

17 Called up share capital

	2010	2009
	£	£
Ordinary shares of £1 each, fully paid		
At 1 April 2009 and **31 March 2010**	**21**	21

18 Capital reserve

	2010	2009
	£	£
At 1 April 2009 and **31 March 2010**	**6**	6

Notes to the financial statements for the year ended 31 March 2010 (continued)

19 Designated reserves

	Major repairs £	**Cyclical repairs £**	**Furniture replacement £**	**Bequests £**	**Total £**
At 1 April 2009	7,005,861	578,171	234,605	35,059	7,853,696
Appropriations from/(to) revenue reserve:					
- transfer from rent surplus fund	294,889	-	-	-	294,889
- provided	2,161,613	297,759	44,022	-	2,503,394
- expenditure on repairs	(708,305)	(371,495)	(36,440)	-	(1,116,240)
- interest and other income received	-	-	-	3,660	3,660
Sub-total	1,748,197	(73,736)	7,582	3,660	1,685,703
At 31 March 2010	**8,754,058**	**504,435**	**242,187**	**38,719**	**9,539,399**

20 Rent surplus fund

	2010 £	2009 £
Net relevant income	**368,612**	383,693
Appropriation to major repairs reserve	**(294,889)**	(306,954)
Retained in revenue reserve	**(73,723)**	(76,739)
	-	-

Clanmil Housing Association Limited

Notes to the financial statements for the year ended 31 March 2010 (continued)

21 Turnover, operating surplus and surplus for the year

	2010						2009		
	Turnover £	**Operating costs £**	**Operating surplus £**	**Interest receivable £**	**Interest payable £**	**Surplus for the year**	Turnover £	Operating surplus £	Surplus for the year £
Income and expenditure from lettings									
Housing accommodation	**8,567,835**	**(5,367,909)**	**3,199,926**	**-**	**(646,665)**	**2,553,261**	7,551,322	2,694,474	1,936,609
Special needs accommodation	**1,710,161**	**(1,602,283)**	**107,878**	**-**	**-**	**107,878**	1,641,162	129,704	129,704
	10,277,996	**(6,970,192)**	**3,307,804**	**-**	**(646,665)**	**2,661,139**	9,192,484	2,824,178	2,066,313
Other income and expenditure	**200,761**	**(200,761)**	**-**	**-**	**-**	**-**	215,032	-	-
Total	**10,478,757**	**(7,170,953)**	**3,307,804**	**-**	**(646,665)**	**2,661,139**	9,407,516	2,824,178	2,066,313
Interest receivable	**-**	**-**	**-**	**51,846**	**-**	**51,846**	-	-	29,610
Interest payable	**-**	**-**	**-**	**-**	**(2,748)**	**(2,748)**	-	-	(2,582)
	10,478,757	**(7,170,953)**	**3,307,804**	**51,846**	**(649,413)**	**2,710,237**	9,407,516	2,834,178	2,093,341
Surplus arising from sales of other fixed assets	**-**	**-**	**-**	**-**	**-**	**-**	5,679	-	5,679
Surplus arising from sales of housing property	**-**	**-**	**-**	**-**	**-**	**-**	92,941	-	92,941
Transfer to disposal proceeds fund	**(12,448)**	**-**	**-**	**-**	**-**	**(12,448)**	(123,511)	-	(123,511)
	10,466,309	**(7,170,953)**	**3,307,804**	**51,846**	**(649,413)**	**2,697,789**	9,382,625	2,824,178	2,068,450

Clanmil Housing Association Limited

Notes to the financial statements for the year ended 31 March 2010 (continued)

22 Reconciliation of movements in funds

	2010	2009
	£	£
Surplus on ordinary activities	**2,697,789**	2,068,450
Opening funds	**16,694,846**	14,626,396
Closing funds	**19,392,635**	16,694,846

23 Net cash inflow from operating activities

	2010	2009
	£	£
Operating surplus	**3,307,804**	2,824,178
Movement in service charges equalisation account	**(41,749)**	(118,269)
Depreciation charge	**379,118**	376,191
Release of capital grant	**(777)**	(777)
Deficit on disposal of fixed assets	**8,465**	5,679
Decrease in provisions for liabilities and charges	**-**	(203,394)
(Increase)/decrease in debtors	**(4,611)**	324,325
Decrease in creditors	**(64,068)**	(172,786)
Net cash inflow from operating activities	**3,584,182**	3,035,147

24 Analysis of net debt

	1 April 2009	**Cash flow**	**Non-cash changes**	**31 March 2010**
	£	**£**	**£**	**£**
Cash at bank and in hand	1,777,431	**3,684,020**	**-**	**5,461,451**
Bank overdraft	(692,332)	**692,332**	**-**	**-**
	1,085,099	**4,376,352**	**-**	**5,461,451**
Debt due after one year	(18,195,901)	**(5,711,188)**	**1,210,315**	**(22,696,774)**
Debt due within one year	(660,121)	**(7,976,898)**	**(1,210,315)**	**(9,847,334)**
	(17,770,923)	**(9,311,734)**	**-**	**(27,082,657)**

Notes to the financial statements for the year ended 31 March 2010 (continued)

25 Reconciliation of net cash flow to movement in net debt

	2010	2009
	£	£
Increase in cash in financial year	**4,376,352**	906,609
Repayment of loans	**24,537,914**	26,948,023
New loans	**(38,226,000)**	(28,300,000)
Movement in net debt in the year	**(9,311,734)**	(445,368)
Net debt at 1 April 2009	**(17,770,923)**	(17,325,555)
Net debt at 31 March 2010	**(27,082,657)**	(17,770,923)

26 Particulars of lettings

	2010	2009
	£	£
Rent and service charges	**10,618,779**	9,433,479
Less: rent losses from bad debts and voids	**(478,362)**	(378,574)
	10,140,417	9,054,905
Grants from government departments and other agencies:		
- Special needs management allowance (interim protection)	**137,579**	137,579
	10,277,996	9,192,484

Clanmil Housing Association Limited

Notes to the financial statements for the year ended 31 March 2010 (continued)

27 Service income, Department for Social Development allowances, and operating costs

	2010				2009			
	Service income £	**DSD allowances £**	**Operating costs £**	**Surplus/ (deficit) for the year £**	Service income £	DSD allowances £	Operating costs £	Surplus/ (deficit) for the year £
Housing accommodation 2,215 units (2009 - 1,972 units)								
Services	**1,989,228**	**-**	**2,041,415**	**(52,187)**	1,792,065	-	1,932,265	(140,200)
Management	**-**	**774,852**	**806,031**	**(31,179)**	-	697,958	746,449	(48,491)
Maintenance	**-**	**1,405,407**	**1,280,006**	**125,401**	-	1,240,360	1,063,312	177,048
Special needs accommodation 109 units (2009 - 109 units)								
Services	**587,281**	**-**	**1,166,553**	**(579,272)**	560,683	-	1,083,516	(522,833)
Management	**-**	**161,267**	**301,752**	**(140,485)**	-	160,713	283,569	(122,856)
Maintenance	**-**	**64,087**	**110,158**	**(46,071)**	-	53,627	100,554	(46,927)
	2,576,509	**2,405,613**	**5,705,915**	**(723,793)**	2,352,748	2,152,658	5,209,665	(704,259)
Rent surplus fund			**73,723**				76,739	
Major repairs provisions			**1,821,920**				1,741,892	
			7,601,558				7,028,296	
Housing accommodation			**5,972,358**				5,510,059	
Special needs accommodation			**1,629,200**				1,518,237	
			7,601,558				7,028,296	

Notes to the financial statements for the year ended 31 March 2010 (continued)

28 Pension commitments

The Association participates in the Social Housing Pension Scheme (SHPS). The Scheme is funded and is contracted out of the state scheme.

SHPS is a multi-employer defined benefit scheme. Employer participation in the Scheme is subject to adherence with the employer responsibilities and obligations as set out in the "SHPS House Policies and Rules Employer Guide".

The Scheme operated a single benefit structure, final salary with a 1/60th accrual rate until 31 March 2007. From April 2007 there are three benefit structures available, namely:

Final salary with a 1/60th accrual rate.

Final salary with a 1/70th accrual rate.

Career average revalued earnings with a 1/60th accrual rate.

An employer can elect to operate different benefit structures for their active members (as at the first day of April in any given year) and their new entrants. An employer can only operate one open benefit structure at any one time. An open benefit structure is one which new entrants are able to join.

The Association has elected to operate the final salary with a 1/60th accrual rate for active members and new entrants.

The Trustee commissions an actuarial valuation of the Scheme every 3 years. The main purpose of the valuation is to determine the financial position of the Scheme in order to determine the level of future contributions required, in respect of each benefit structure, so that the Scheme can meet its pension obligations as they fall due. From April 2007 the split of the total contribution rate between member and employer is set at individual employer level, subject to the employer paying no less than 50% of the total contribution rate.

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

During the accounting period the Association paid contributions at the rate of 14.1%. Member contributions varied between 6.4% and 8.4% dependent on their age.

As at the balance sheet date there were 29 active members of the Scheme employed by the Association. The annual pensionable payroll in respect of these members was £687,392. The Association continues to offer membership of the Scheme to its employees.

It is not possible in the normal course of events to identify on a consistent and reasonable basis the share of underlying assets and liabilities belonging to individual participating employers. This is because the scheme is a multi employer scheme where the scheme assets are co-mingled for investment purposes, and benefits are paid from total scheme assets. Accordingly, due to the nature of the Scheme, the accounting charge for the period under FRS17 represents the employer contribution payable.

Notes to the financial statements for the year ended 31 March 2010 (continued)

28 Pension commitments (continued)

The last formal valuation of the Scheme was performed as at 30 September 2008 by a professionally qualified actuary using the Projected Unit Method. The market value of the Scheme's assets at the valuation date was £1,527 million. The valuation revealed a shortfall of assets compared with the value of liabilities of £663 million, equivalent to a past service funding level of 70%.

The financial assumptions underlying the valuation as at 30 September 2008 were as follows:

		% pa
-	Investment return pre retirement	7.8
-	Investment return post retirement	4.8
-	Rate of salary increases to 30 September 2010	5.0
-	Rate of salary increases from 1 October 2010	4.0
-	Rate of pension increases	2.5
-	Rate of price inflation	3.2

Expenses for death in service insurance, administration and PPF levy are included in the contribution rate.

The valuation was carried out using the following demographic assumptions:

Mortality pre retirement – PA92 Year of Birth, long cohort projection, minimum improvement 1 %p.a.

Mortality post retirement – 90% S1PA Year of Birth, long cohort projection, minimum improvement 1% p.a.

The long-term joint contribution rates that will apply from April 2010 required from employers and members to meet the cost of future benefit accrual were assessed at:

Benefit structure	Long-term joint contribution rate (% of pensionable salaries)
Final salary with a 1/60th accrual rate	17.8
Final salary with a 1/70th accrual rate	15.4
Career average revalued earnings with a 1/60th accrual rate	14.9

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

Following consideration of the results of the actuarial valuation it was agreed that the shortfall of £663 million would be dealt with by the payment of deficit contributions of 7.5% of pensionable salaries, increasing each year in line with salary growth assumptions, from 1 April 2010 to 30 September 2020, dropping to 3.1% from 1 October 2020 to 30 September 2023. Pensionable earnings at 30 September 2008 are used as the reference point for calculating these deficit contributions. These deficit contributions are in addition to the long-term joint contribution rates set out in the table above.

Employers that participate in the Scheme on a non-contributory basis pay a joint contribution rate (i.e. a combined employer and employee rate).

Employers that have closed the Scheme to new entrants are required to pay an additional employer contribution loading of 3.0% to reflect the higher costs of a closed arrangement.

Notes to the financial statements for the year ended 31 March 2010 (continued)

28 Pension commitments (continued)

A small number of employers are required to contribute at a different rate to reflect the amortisation of a surplus or deficit on the transfer of assets and past service liabilities from another pension scheme into the SHPS Scheme.

Employers joining the Scheme after 1 October 2002 that do not transfer any past service liabilities to the Scheme pay contributions at the ongoing future service contribution rate. This rate is reviewed at each valuation and applies until the second valuation after the date of joining the Scheme, at which point the standard employer contribution rate is payable. Contribution rates are changed on the 1 April that falls 18 months after the valuation date.

A copy of the recovery plan, setting out the level of deficit contributions payable and the period for which they will be payable, must be sent to the Pensions Regulator. The Regulator has the power under Part 3 of the Pensions Act 2004 to issue scheme funding directions where it believes that the actuarial valuation assumptions and / or recovery plan are inappropriate. For example the Regulator could require that the Trustee strengthens the actuarial assumptions (which would increase the scheme liabilities and hence impact on the recovery plan) or impose a schedule of contributions on the Scheme (which would effectively amend the terms of the recovery plan). The Regulator has reviewed the recovery plan for the SHPS Scheme and confirmed that, in respect of the September 2005 actuarial valuation, it does not propose to issue any scheme funding directions under Part 3 of the Pensions Act 2004. A copy of the recovery plan in respect of the September 2008 valuation will be forwarded to the Regulator in due course.

The next full actuarial valuation will be carried out as at 30 September 2011 and the results will be available late 2012.

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

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

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

The Association has been notified by the Pensions Trust of the estimated employer debt on withdrawal from the Social Housing Pension Scheme based on the financial position of the Scheme as at 30 September 2008. As of this date the estimated employer debt for the Association was £2,285,000.

29 Contingent liabilities

Clanmil Housing Association Limited has provided a letter of comfort to First Trust Bank whereby it agrees to ensure that Clanmil Housing Association Ireland Limited is in a position to discharge its liabilities to the bank and comply with its obligations under the bank's facility agreement. Clanmil Housing Association Limited shall not be rendered liable to First Trust Bank as guarantor, indemnitor or on any matter whatsoever in relation to any obligations or liabilities that Clanmil Housing Association Ireland Limited may have with First Trust Bank.

Notes to the financial statements for the year ended 31 March 2010 (continued)

30 Capital commitments - Housing Properties

	2010	2009
	£	£
Capital expenditure		
Contracted for but not provided in the financial statements	**21,396,661**	10,561,646

The Association anticipates that this expenditure will be funded by Housing Association Grant from the Department for Social Development and by private finance, both external and internal.

31 Financial commitments

At 31 March 2010 the company had an annual commitment under a non-cancellable operating lease expiring as follows:

	Property	Property
	2010	2009
	£	£
After five years	**114,856**	114,856

Notes to the financial statements for the year ended 31 March 2010 (continued)

32 Related party disclosures

Details of the Association’s subsidiaries are disclosed in Note 12. In addition to the subsidiaries, Clanmil Housing Association Ireland Limited is deemed to be a related undertaking by virtue of the fact that Clanmil Housing Association Limited has controlling voting rights over Clanmil Housing Association Ireland Limited. The balances with the subsidiaries and related undertakings at the year end were as follows:

	2010	2009
	£	£
Amounts owed by subsidiary undertaking		
Clanmil Properties Limited	**25,826**	27,367
Amounts owed by related undertaking		
Clanmil Housing Association Ireland Limited	**19,159**	80,946

Transactions between these related parties during the year were as follows:

	2010	2009
	£	£
Clanmil Properties Limited		
Rent charge from Clanmil Housing Association Limited to Clanmil Properties Limited	**112,625**	112,625
Management and administration charge from Clanmil Housing Association Limited to Clanmil Properties Limited	**2,750**	2,750
Contribution from Clanmil Properties Limited to Clanmil Housing Association Limited in respect of the insurance of Northern Whig House	**2,583**	2,583
Gift aid donation from Clanmil Properties Limited to Clanmil Housing Association Limited	**25,662**	26,687
Rent and service charges from Clanmil Properties Limited to Clanmil Housing Association Limited	**101,500**	101,500
Clanmil Housing Association Ireland Limited		
Management and administration charge from Clanmil Housing Association Limited to Clanmil Housing Association Ireland Limited	**12,887**	27,406
Unsecured loan repaid to Clanmil Housing Association Limited by Clanmil Housing Association Ireland Limited	**(20,882)**	(6,906)
Loan interest charged by Clanmil Housing Association Limited to Clanmil Housing Association Ireland Limited	**155**	307