



Sustainable homes, flexible services, vibrant communities

Annual Accounts

2011/12

CALEDONIA HOUSING ASSOCIATION LIMITED
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2012

Registered Housing Association No HEP 224

Financial Services Authority No 2343 R (S)

Charity No. SCO13988

CALEDONIA HOUSING ASSOCIATION

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2012

Contents

	Page
Report of Management Board	3 - 9
Auditors' Reports	10 - 11
Income and Expenditure Account	12
Balance Sheet	13 -14
Cash Flow Statement	15
Notes to the Financial Statements	16 – 41

Bankers:

Bank of Scotland
2 West Marketgait
Dundee
DD1 1QN

The Royal Bank of Scotland PLC
12 Dunkeld Road
Perth PH1 5RB

Registered Office:

5 South St Johns Place
Perth
PH1 5SU

Auditors:

Findlay & Company
11 Dudhope Terrace
Dundee
DD3 6TS

Solicitors:

Thorntons WS
Whitehall House
33 Yeaman Shore
Dundee
DD1 4BJ

McCash & Hunter
25 South Methven Street
Perth
PH1 5ES

Miller Gerrard
13 High Street
Blairgowrie
PH10 6ET

CALEDONIA HOUSING ASSOCIATION
REPORT OF THE MANAGEMENT BOARD
31 MARCH 2012

The Management Board present their report and audited financial statements for the year to 31 March 2012.

Principal Activity

The principal activity of the Association is to build, improve and manage affordable housing and related amenities for those in need by reason of age, ill-health, disability, financial hardship or other disadvantage. The Management Board has plans under consideration for reinvestment of the balance of funds to meet the Association's objectives.

Members of the Management Board

The Members of the Management Board of the Association during the year to 31 March 2012 were as follows:

Mr Alistair Barrie
Mrs Elizabeth Brown
Mrs Penny Coburn
Mr Lindsay Darroch
Mr David Grant
Mr Robin Grant (Treasurer)
Mr Mike Johnston (Died 27/04/12)
Mr Ian McLaren
Mr Ian McMillan (Chairman)
Mr Ken Martin (Resigned 29/04/12)
Mr Tom Potter
Mr Ian Purvis
Mr William Robertson (Vice Chairman)
Mr Gavin Stewart

Senior Staff Members

Julie Cosgrove - Chief Executive

Tim Calderbank - Operations Director
Ron Hunter - Finance Director / Company Secretary
Andrew Kilpatrick - Asset Management Director
Garry Savage - Business Services Director
Lawrie West - Integration Director

STRUCTURE, GOVERNANCE AND MANAGEMENT

THE MANAGEMENT BOARD, CHIEF EXECUTIVE AND DIRECTORS

Each member of the Management Board holds one fully paid share of £1 in the Association. The Chief Executive and other Directors of the Association hold no interest in the Association's share capital and although not having the legal status of Directors, they act within the authority delegated by the Board. The members of the Management Board are unpaid. The governance arrangements include a Management Board with additional Committees for Audit and Remuneration.

CALEDONIA HOUSING ASSOCIATION
REPORT OF THE MANAGEMENT BOARD

31 MARCH 2012

Recruitment and training of Board members

Vacancies on the Management Board are filled from members of the community who have a commitment to the furtherance of social housing and the aims and objectives of the Association. Members are drawn from a wide range of backgrounds and experience to maintain the necessary mix of skills required to govern and control a complex organisation.

All Board members receive initial induction training and are then eligible to attend internal and external training events which not only build on existing experience but provide an opportunity to develop new skills.

STATEMENT OF MANAGEMENT BOARD'S RESPONSIBILITIES

Housing association legislation requires the Management Board to prepare Financial Statements for each Financial year which give a true and fair view of the state of affairs of the Association and of the income and expenditure of the Association for that period. In preparing those Financial Statements, the Management Board are required to:

- i) Select suitable accounting policies and then apply them consistently.
- ii) Make judgements and estimates that are reasonable and prudent.
- iii) State whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the Financial Statements.
- iv) Prepare the Financial Statements on a going concern basis unless it is inappropriate to presume that the Association will continue in business.

The Management Board is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Association and to ensure that the Financial Statements comply with the Industrial and Provident Societies Acts 1965 to 2002, the Housing Scotland Act 2010 and the Registered Social Landlords Accounting Requirements (Scotland) Order 2007. They are also responsible for safeguarding the assets of the Association and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

STATEMENT ON INTERNAL FINANCIAL CONTROLS

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

- (i) The reliability of financial information used within the Association or for publication.
- (ii) The maintenance of proper accounting records, and
- (iii) The safeguarding of assets against unauthorised use or disposal.

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

- (i) 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.
- (ii) Experienced and suitably qualified staff take responsibility for important business functions. The Association has appraisal procedures and training & development programmes in place to maintain standards of performance.

CALEDONIA HOUSING ASSOCIATION
REPORT OF THE MANAGEMENT BOARD

31 MARCH 2012

- (iii) Cash flow forecasts and budgets are prepared which allow the Board and management to monitor the key financial risks with quarterly management accounts prepared promptly, providing relevant, reliable and up-to-date financial and other information. Significant variances from budgets are investigated as appropriate. Long term financial plans are considered by the Management Board in January each year and further reviewed during the year as required. This demonstrates forward planning and reporting to ensure a sound and viable financial position.
- (iv) All significant new initiatives, major commitments and investment projects are subject to formal appraisal techniques and authorisation procedures, through the Management Board.
- (v) The Audit Committee has the responsibility of reviewing the internal financial and other controls of the Association and will review reports from management, from the internal auditors and from the external Auditors. In addition the Audit Committee reviews the Association's corporate risk map at each meeting to monitor and mitigate assessed key risks.
- (vi) Formal procedures have been established for instituting appropriate action to correct weaknesses identified from the above reports.

The Management Board has reviewed the effectiveness of the system of internal financial control in existence in the Association for the year ended 31 March 2012 and until 30 June 2012. No weaknesses were found in internal financial controls which resulted in material losses, contingencies, or uncertainties which require disclosure in the Financial Statements or in the auditor's report on the Financial Statements.

In so far as the Board are aware:

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

CALEDONIA HOUSING ASSOCIATION
REPORT OF THE MANAGEMENT BOARD
31 MARCH 2012

REVIEW OF BUSINESS AND FUTURE DEVELOPMENTS

In 2011/12, the Management Boards of Servite Housing Association and Perthshire Housing Association undertook a comprehensive review of each Association's strategic direction and business objectives. After extensive consultation with staff, tenants and residents and the appropriate regulatory bodies the members approved a merger of the two Associations effective from the 1st October 2011. Both Associations were well established and well respected organisations operating primarily within Tayside, with some further assets and activity in Fife and the Highlands.

Our merger on the 1 October 2011 addresses and allows the new organisation to make a positive impact on a number of national and local policy objectives. It will facilitate improvements in the quality of services and generate efficiencies across the new Association and improve customer services for all tenants and residents and will assist in promoting greater efficiency in the procurement of affordable housing. The merger is the logical conclusion of much of the historic collaborative and partnership working between the two organisations.

We have recognised the growing financial and structural pressures on Associations who wish to develop new housing and related services but consider that we have the commitment and skills, financial capacity and flexible structure which will permit us to continue to provide a range of new housing and tenant services.

Capacity

Our current housing stock stands at 3715 with 28 homes being completed in 2011/12 and, looking forward we have been awarded funding for six new developments providing in excess of 100 homes due to complete in 2012/13 under the Scottish Government's innovation fund programme. This development is made possible by our ability and capacity to use our asset base raise the necessary private finance

We now offer a range of additional services to our tenants including, welfare benefit advice, care and repair, and home help all of which can be accessed by contacting our new customer services centre based in our Perth offices.

In Essence our Strategic Objectives are

To ensure the provision of further affordable and other new housing, built to high design and energy efficiency standards

To provide or procure high quality services that meet the diverse needs of residents and applicants

To improve and sustain the performance of service delivery, and to provide a wide range of person-centred specialist services

To address the efficiencies agenda, exploiting opportunities to maintain and grow the business

To ensure the long term viability and sustainability of the business

To create a larger, stronger and more robust registered social landlord (RSL), with greater influence amongst key stakeholders and in the market in general.

To achieve streamlined, rationalised and effective structures, management systems, policies and practices that contribute to the achievement of our business ambitions.

CALEDONIA HOUSING ASSOCIATION
REPORT OF THE MANAGEMENT BOARD
31 MARCH 2012

FINANCIAL REVIEW

Caledonia Housing Association made a surplus of £1,789,903 excluding exceptional items in the 12 month period to 31st March 2012 (year to 31 March 2011 – surplus restated £1,797,421 excluding exceptional items). Following the introduction of the RSL SORP 2010, the Association has implemented component accounting, and complied with the requirements to account for negative goodwill arising on non-exchange transactions, as a credit to the income and expenditure account in the year of acquisition. As a result of the changes brought about by the SORP 2010 and the detailed guidance of the Technical Notes, the Association has adopted new accounting policies, which has resulted in a prior period adjustment of (£552,337). The 2011 comparative figures have been restated. This is further explained in Note 34 to the financial statements.

Operating Surplus

The Operating Surplus for the 12 months to 31 March 2012 was £3,711,861 (year to 31 March 2011 restated: £3,598,066).

Treasury Management

There is a comprehensive Treasury Management Strategy and Policy in place. The main aim of the Strategy is to control the borrowing and investment activity risks to the Association. At 31 March 2012, the Association has a balance of fixed and variable rate finance funding which will be reviewed in the light of new restated lending agreements put in place as a result of the merger. The Weighted Average Cost of Capital (WACC) as at 31 March 2012 was 3.52%, which is below average for the social housing sector at this time. In addition the Board of Management is conscious of the fact that changes to accounting policy introduced as a result of SORP 2010 and the general financial climate have emphasised the need for rigorous cash management. Detailed cash flows are monitored regularly as part of management reporting systems and levels of liquidity are a key performance indicator.

Risk Management

Caledonia HA has a comprehensive risk management policy in place which details how corporate risks are identified, assessed in terms of importance and the steps taken in mitigation. The resultant risk map is reviewed in detail by the Audit Committee, informs the internal audit needs assessment and is discussed at Management Board meetings.

Rental Income

Annual increases in rent for existing properties and rent from new properties resulted in a 7.9% increase in rental income. Rents and services charges are set to recover current and future costs and proposed increases are subject to tenant consultation.

Credit Payment Policy

The Association's policy concerning the payment of its trade creditors complies with the Confederation of British Industry guidelines. The average payment period is 30 days.

CALEDONIA HOUSING ASSOCIATION
REPORT OF THE MANAGEMENT BOARD

31 MARCH 2012

Maintenance Policy

The Association's policies encompass reactive, cyclical and planned maintenance. Reactive repairs are carried out by contractors who have been subject to a selection process which examines cost, experience and capacity. Subsequent repairs are then monitored in terms of contractor and Association performance. Planned and cyclical maintenance is carried out in accordance with our life cycle programme modified where necessary by inspection. The resultant works are normally awarded after formal tendering procedures have been applied.

We have recently undertaken analysis of our stock to determine the amount of work required to comply with the recently announced Scottish Housing Quality Standards. The results of this analysis have been incorporated into our planned maintenance programme to ensure that we meet the required standards within the set deadlines

Reserves Policies

The Association was committed to generating sufficient reserves to pursue its core objectives and to meet the following requirements.

- keeping rents as affordable as possible;
- maintaining the Association's properties in a good state of repair;
- financing loan repayments;
- providing a cushion against risk and future uncertainties; and
- subsidising new services or developments.

Revenue Reserves

The Association has determined that it is appropriate to hold revenue reserves equivalent to a minimum of six months turnover net of LIFT property sales (£8.11m) to minimise future financial risk as part of its treasury management policy. The current level of undesignated revenue reserves is £18.46m following a net £10,21m transfer from designated reserves and the addition of a £1.66m revenue surplus. The changes adopted as a result of component accounting mean that there is no longer a requirement for reserves designated for major repairs.

CALEDONIA HOUSING ASSOCIATION
REPORT OF THE MANAGEMENT BOARD
31 MARCH 2012

DISABLED EMPLOYEES

Applications for employment by disabled persons are given full and fair consideration for all vacancies in accordance with their particular aptitudes and abilities. In the event of employees becoming disabled, every effort is made to retrain them in order that their employment with the Association may continue. It is the policy of the Association that training and career development should be available to all employees.

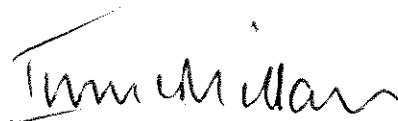
EMPLOYEE INVOLVEMENT AND HEALTH & SAFETY

The Association takes seriously its responsibilities to employees and provides employees with information on matters of concern to them. The Association consults employees or their representatives on a range of issues related to their terms and conditions of employment, including health and safety, so that their views may be taken into account in making decisions likely to affect their interests.

AUDITORS

In line with guidance issued by the Scottish Housing Regulator on the appointment of external auditors, the Board of Management intends that the external audit service is put out to tender during 2012/13.

By order of the Management Board



Mr Ian McMillan (Chairman)

.....18/9/.....2012

CALEDONIA HOUSING ASSOCIATION

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CALEDONIA HOUSING ASSOCIATION

We have audited the financial statements of Caledonia Housing Association for the year ended 31 March 2011 on pages 12 to 41. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the Association's members as a body, in accordance with section 9 of the Friendly and Industrial and Provident Societies Act 1968. Our audit work has been undertaken so that we might state to the Association's members those matters we are required to state to them in an 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 and the Association's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Board and auditor

As explained more fully in the Board's Responsibilities Statement set out on page 4, the Board are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/private.cfm.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Association's affairs as at 31 March 2012 and of its income and expenditure for the period then ended; and
- have been prepared in accordance with the requirements of the Industrial and Provident Societies Acts 1965 to 2002, Schedule 7 of the Housing (Scotland) Act 2001 and the Registered Social Landlords Accounting Requirements (Scotland) Order 2007.

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 requires 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 of the Association; or
- we have not received all the information and explanations we require for our audit.


ALEXANDER SQUIRES, CA (SENIOR STATUTORY AUDITOR)

For and on behalf of
FINDLAY & COMPANY
CHARTED ACCOUNTANTS & STATUTORY AUDITORS
11 DUDHOPE TERRACE
DUNDEE DD3 6TS

Date...18th. September...2012

CALEDONIA HOUSING ASSOCIATION

AUDITORS' REPORT ON CORPORATE GOVERNANCE MATTERS

Corporate Governance

In addition to our audit of the financial statements, we have reviewed the Management Board's statement on page 16 concerning the Association's compliance with the information required by the section on Internal Financial Control within SFHA's publication "Raising Standards in Housing".

Basis of Opinion

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

Opinion

In our opinion the statement on internal financial control on page 16 has provided the disclosures required by the section on Internal Financial Control within SFHA's publication "Raising Standards in Housing" and is consistent with the information which came to our attention as a result of our audit work on the financial statements.



ALEXANDER SQUIRES, CA (SENIOR STATUTORY AUDITOR)

For and on behalf of

FINDLAY & COMPANY

CHARTED ACCOUNTANTS & STATUTORY AUDITORS

11 DUDHOPE TERRACE

DUNDEE

DD3 6TS

Date...18th. September...2012

CALEDONIA HOUSING ASSOCIATION
INCOME & EXPENDITURE ACCOUNT
FOR THE YEAR ENDED 31 MARCH 2012

	Notes	Year to 31 March 2012 £	Year to 31 March 2011 As restated £
Turnover	2	16,215,580	15,788,144
Less: Operating Costs	2	<u>(12,503,719)</u>	<u>(12,190,078)</u>
Operating Surplus	2	3,711,861	3,598,066
(Loss)/Gain on sale of fixed assets	9	(10,073)	(11,183)
Exceptional item	10b	(159,926)	842,385
Interest receivable	6	38,587	18,489
Interest payable	5	<u>(1,950,472)</u>	<u>(1,807,951)</u>
Surplus for period/year	8 (b)	<u>1,629,977</u>	<u>2,639,806</u>

In each of the years ended 31 March 2011 and 2012 the only gain or loss recognised by the Association was the surplus or deficit for the year. All of the activities undertaken by the Association were continuing activities and the reported surplus or deficit was determined under the historical cost convention.

**STATEMENT OF TOTAL RECOGNISED SURPLUSES AND DEFICITS FOR THE YEAR ENDED
31 MARCH 2012**

		Year to 31 March 2012 £	Year to 31 March 2011 As restated £
Surplus for the period/year		1,629,977	2,639,806
Prior Period Adjustment	34c	<u>(552,337)</u>	-
Total surpluses and deficits recognised since the last reporting period		<u>1,077,640</u>	<u>2,639,806</u>

CALEDONIA HOUSING ASSOCIATION

BALANCE SHEET

AS AT 31 MARCH 2012

	Notes	31 March 2012 £	As Restated 31 March 2011 £
Tangible Fixed Assets			
Housing properties - gross cost less depreciation	11a	230,411,163	226,707,015
Less: HAG	11a	(158,412,097)	(155,730,874)
Less: Other Capital Funding	11a	(6,204,904)	(6,181,030)
		65,794,162	64,795,111
Other Fixed Assets	11b	1,271,414	1,328,660
		<u>67,065,576</u>	<u>66,124,371</u>
Investments			
Shares in Subsidiary Company	18	4	4
Fixed Asset Investments			
LIFT Loans		3,937,569	3,337,695
LIFT Grants		(3,937,569)	(3,337,695)
		-	-
Tangible Fixed Assets		<u>67,065,580</u>	<u>66,124,375</u>
Current Assets			
LIFT Property			792,665
Cost	17	-	(410,828)
Less: HAG		-	381,837
Stock and Work in Progress	12	377,015	157,022
Debtors	13	1,538,359	2,443,316
Cash at bank and in hand		5,045,563	3,121,426
		<u>6,960,937</u>	<u>5,721,764</u>
Current Liabilities			
Creditors due within one year	14	(4,345,891)	(4,123,317)
Net Current (Liabilities)/Assets		<u>2,615,046</u>	<u>1,980,283</u>
Total Assets less Current Liabilities		69,680,626	68,104,658
Creditors due after more than one year	15	(51,172,075)	(51,064,125)
Provision for Liabilities and Charges		-	(162,000)
Net Assets		<u>18,508,551</u>	<u>16,878,533</u>
Capital Reserves			
Share capital	23	264	223
Designated reserves	8a	-	10,212,362
Revenue reserves	8b	18,508,287	6,665,948
		<u>18,508,551</u>	<u>16,878,533</u>

CALEDONIA HOUSING ASSOCIATION

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2012

These financial statements were approved by the Management Board on and are authorised for issue and signed on their behalf by:

Chairman of the Management Board

Treasurer

Secretary

Date... 18th September... 2012

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.....

CALEDONIA HOUSING ASSOCIATION
CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 MARCH 2012

	Notes	31 March 2012	31 March 2011 As restated
		£	£
Net cash inflow from operating activities	24a	4,318,194	4,497,204
Return on investments and servicing of finance			
Interest received		16,315	18,489
Interest paid		(1,926,179)	(1,976,007)
		<u>(1,909,864)</u>	<u>(1,957,518)</u>
Investing activities			
Purchase of housing properties		(4,509,919)	(13,533,735)
Proceeds of sale of housing properties		31,666	817,498
Purchase of other fixed assets		(182,585)	(156,711)
Proceeds from sale of other fixed		<u>9,647</u>	<u>8,791</u>
Net cash outflow from investing		<u>(4,651,191)</u>	<u>(12,864,157)</u>
Net cash outflow before financing		<u>(2,242,861)</u>	<u>(10,324,471)</u>
Financing			
Housing association grant received		3,915,592	7,379,149
Other capital grants received			201,869
Loan principal received		1,401,995	3,631,533
Loan principal repayments		(1,150,629)	(1,071,841)
Increase in share capital		<u>41</u>	<u>24</u>
Net cash inflow from financing		<u>4,166,999</u>	<u>10,140,734</u>
Increase in cash and cash equivalents	24c	<u><u>1,924,138</u></u>	<u><u>(18,737)</u></u>

CALEDONIA HOUSING ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS
AS AT 31 MARCH 2012

1. Accounting Policies

The Association is an Industrial and Provident Society and is registered with the Financial Services Authority under the Industrial and Provident Societies Acts 1965. The financial statements have been prepared in accordance with applicable Accounting Standards and the Statement of Recommended Practice (SORP), "Accounting by Registered Social Housing Providers, Update 2010". They also comply with the Registered Housing Association (Accounting Requirements) (Scotland) Order 2007. The Association has formal authority from the Financial Services Authority to exclude its subsidiaries from inclusion or consolidation into group accounts due to the immateriality of the amounts involved.

(a) Basis of Accounting

On 1 October 2011 Servite Housing Association transferred its engagements, assets and liabilities to Perthshire Housing Association (which subsequently changed its name to Caledonia Housing Association). The Association's financial projections do not indicate any going concern issues in respect of the assets, liabilities and activities transferred by Servite.

(b) Going Concern

The Association's business activities, together with the factors likely to affect its future development, performance and position are set out within the Operating and Financial Review. The Operation and Financial Review also includes a review of the financial position of the association, its cash flows, liquidity position and borrowing facilities.

The Association's financial projections demonstrate that the Association has considerable financial resources to ensure that it meets its commitments in the short, medium and long-term. Therefore, the Management Board believes that the Association is well placed to manage its business risks successfully despite the current uncertain economic outlook.

The Management Board has a reasonable expectation that the Association has adequate resources to continue in operational existence for the foreseeable future. For this reason, the going concern basis has been adopted in these financial statements.

(c) Accounting Convention

The financial statements are prepared under the historical cost convention. Following the Transfer of Engagements, the amalgamation has been treated as a merger with the appropriate accounting treatments being applied.

(d) Turnover

Turnover represents rents, service charges and revenue grants receivable in respect of tenanted properties, amounts receivable from the sale of housing accommodation and amounts invoiced in respect of the provision of services.

(e) Fixed Assets – Housing Land and Buildings

Housing Properties are stated at cost less social housing and other public grants less accumulated depreciation.

Works to existing properties will generally be capitalised under the following circumstances:

CALEDONIA HOUSING ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS
AS AT 31 MARCH 2012
(Continued)

- (i) Where a component of the housing property that has been treated separately for depreciation purposes and depreciated over its useful economic life is replaced or restored; or
- (ii) Where the subsequent expenditure provides an enhancement of the economic benefits of the tangible fixed assets in excess of the previously assessed standard of performance. Such enhancement can occur if the improvements result in an increase in rental income, a material reduction in future maintenance costs or a significant extension of the life of the property.

Works to existing properties which fail to meet the above criteria are charged to the Income and Expenditure account.

The adoption of component accounting during the period represents a change in accounting policy. Previously the major components of the Association's housing properties were deemed to be land and buildings. The major components are now deemed to be Land, Structure, Roofs, Windows, Kitchens, Bathrooms, Lifts, Warden Call/Fire Alarm and Central Heating. Each component has a substantially different economic life and is depreciated over this individual life. Depreciation rates are shown in Note 1(h). The new accounting policy is compliant with the SORP 2010.

Impairment is calculated as the difference between the carrying value of income generating units and the estimated value in use at the date an impairment loss is recognised. Value in use represents the net present value of expected future cash flows from these units. Impairment of assets would be recognised in the Income and Expenditure account.

(f) Sales of Housing Properties

Properties are disposed of under the appropriate legislation and guidance. All costs, first tranche sales, and grants relating to the share of property sold are removed from the financial statements at the date of sale. Any grants received that cannot be repaid from the proceeds of sale are abated and the grants removed from the financial statements.

(g) Consolidation

These financial statements present information about the Association as an individual undertaking and not about its group, due to the fact that subsidiaries have not traded.

CALEDONIA HOUSING ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 MARCH 2012
(Continued)

(h) Capitalised Development Overheads and Development Interest

Costs which are directly attributable to bringing housing properties into working condition are included in housing properties cost. Directly attributable costs include direct labour cost of the Association and incremental costs which would have been avoided only if the property had not been constructed or acquired. All other development costs are written off to the Income and Expenditure Account in the period in which it occurs.

Interest charges incurred on the financing of housing properties are capitalised up to the date of practical completion. Interest charges arising after that date are charged to the Income and Expenditure Account.

(i) Depreciation

Depreciation is charged on a straight line basis over the expected economic useful lives of each major component that makes up the housing property as follows:

Land	Not depreciated
Structure	Over 75 years
Roof	Over 65 years
Windows	Over 35 years
Kitchen	Over 20 years
Bathroom	Over 30 years
Central Heating- Individual Boilers	Over 20 years
Central Heating- Common Plant	Over 30 years
Lifts	Over 20 years
Warden Call/ Fire Alarm	Over 20 years

Scheme plant and equipment is depreciated at 10% per annum on cost.

Office Furniture and Equipment is depreciated at 10% per annum on cost, with the exception of computer equipment which is depreciated at 33 1/3% per annum on cost, and photocopiers which are depreciated at 20% per annum.

Motor Vehicles are depreciated at 25% per annum on cost.

Office Premises are depreciated on a straight line basis over the expected remaining useful life. It is assumed to have an estimated useful life of 75 years. The Association has carried out the necessary impairment review to ensure properties are not shown at an amount exceeding their recoverable amount.

A full year's depreciation is charged on these assets in the year of purchase, but no charge is made in the year of disposal.

(j) Housing Association Grant (HAG) and other grants

Grants for capital expenditure are deducted from the cost of the fixed assets to which they relate as they become receivable. HAG is repayable under certain circumstances, primarily following a sale of a property but will normally be restricted to net proceeds of sale. Grants received in advance of the relevant expenditure are included in short-term creditors and represent amounts to be utilised in the next accounting period.

Grants for revenue expenditure are credited to the Income and Expenditure Account as they become receivable.

CALEDONIA HOUSING ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 MARCH 2012
(Continued)

(k) Housing Loans

Mortgage loans on housing land and properties are advanced under the terms of individual mortgage deeds in respect of each property or housing scheme. Advances are available only in respect of these developments that have been given approval for Housing Association Grant by Scottish Housing Regulator. Mortgage loans in the balance sheet include amounts due but not received.

(l) Operating lease commitments

Rentals paid under operating leases are charged to the Income and Expenditure Account on a straight line basis.

(m) Pensions

The Association operates both a Defined Contribution and a Defined Benefit pension scheme. Both are held separately from the Association and administered independently. Contributions payable to the Defined Contribution Scheme are charged to the Income and Expenditure Account so as to spread the cost of pension over the service lives of employees in the Scheme.

The cost of the Defined Benefit Scheme is written off on an accruals basis.

(n) VAT

Whilst being VAT Registered, most of the Association's income is exempt for VAT purposes. Expenditure is therefore shown inclusive of VAT.

(o) Low-cost Initiative for First-Time Buyers – LIFT (Formally undertaken under Homestake)

LIFT transactions are classified within the accounts as a Current Asset with the cost of the property and HAG receivable shown separately. LIFT income received from sales is included within turnover and the expenses are included as Cost of Sales to reflect the level of activity undertaken. During the development of LIFT properties the costs and HAG received are shown in the Balance Sheet as a Current Asset, once sold they are reported as a Fixed Asset Investment at nil net book value. The Current Asset treatment reflects the risks to the Association until a sale is achieved.

(p) Business Combinations

For non-exchange transactions, relating to the acquisition of other entities, the fair value of the gifted assets and liabilities are recognised as a gain or loss in the Income and Expenditure Account in the year of the transaction.

CALEDONIA HOUSING ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 MARCH 2012

(Continued)

(q) Shared Ownership

Proceeds from first tranche disposals of shared ownership properties are accounted for in the Income and Expenditure account of the period in which the disposal occurs, with any surpluses on disposal recognised in the Income & Expenditure account as turnover. The cost of disposal of first tranche disposals is included within cost of sales. The first tranche element of any unsold properties is shown as a current asset. The remainder of costs are recorded within fixed assets and subsequent disposals are accounted for through the disposal of fixed assets.

(r) Stock and Work in Progress

Stocks and work in progress are stated at the lower of cost and net realisable value. Developments in Progress for other Associations are included in WIP at cost, net of any related HAG. Shared Ownership Development costs for estimated first tranche sales are included in WIP.

CALEDONIA HOUSING ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 MARCH 2012
(Continued)

2. Particulars of turnover, operating surplus and surplus for the financial period by class of business

			31 March 2012	31 March 2011
	Turnover	Operating Costs	Operating Surplus/(Deficit)	Operating Surplus/ (Deficit) as restated
Income and expenditure from social lettings (note 3)	13,845,524	(10,177,333)	3,668,191	3,819,136
Income & expenditure from other activities (note 4)	2,370,056	(2,326,386)	43,670	(221,070)
Period to 31 March 2012 Total	16,215,580	(12,503,719)	3,711,861	3,598,066
Year to 31 March 2011 Total As Restated	15,788,144	(12,190,078)	3,598,066	

CALEDONIA HOUSING ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS
AS AT 31 MARCH 2012
(Continued)

3. Particulars of turnover, operating costs and operating surplus or deficit from social letting activities

	General Needs	Supported	Shared Ownership Housing	31 March 2012 Total	31 March 2011 As restated Total
Rent receivable net of service charges	8,212,219	2,101,173	656,166	10,969,558	10,166,088
Service charges	835,122	1,880,467	129,389	2,844,978	2,745,991
Gross income from rents and service charges	9,047,341	3,981,640	785,555	13,814,536	12,912,079
Less Voids	(22,507)	(11,830)	-	(34,337)	(62,505)
Net income from rents and service charges	9,024,834	3,969,811	785,555	13,780,199	12,849,574
Grants from the Scottish Ministers	-	-	-	-	-
Other revenue grants	65,325	-	-	65,325	120,721
Total turnover from social letting activities	9,090,159	3,969,811	785,555	13,845,524	12,970,295
Management and maintenance administration costs	2,445,555	1,075,742	212,870	3,734,167	2,602,595
Service costs	1,034,585	1,626,834	123,487	2,784,906	3,001,877
Planned and cyclical maintenance including major repairs costs	868,362	335,245	-	1,203,607	1,017,185
Reactive maintenance costs	955,247	200,760	-	1,156,007	1,325,825
Bad debts – rent and service charges	97,300	7,932	-	105,232	53,282
Depreciation of social housing	926,063	259,154	8,197	1,193,414	1,150,395
Operating costs for social letting activities	6,327,112	3,505,667	344,554	10,177,333	9,151,159
Operating surplus for social letting activities	2,763,047	464,143	441,001	3,668,191	3,819,136
Operating surplus for social letting activities for previous accounting period- as restated	3,525,576	(22,896)	316,456	3,819,136	

CALEDONIA HOUSING ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 MARCH 2012
(Continued)

4. Particulars of turnover, operating costs and operating surplus or deficit from other activities

	Grants from Scottish Ministers	Other revenue grants	Supporting income	Other income	Total turnover	Operating costs – bad debts	Other operating costs	Operating Surplus/ (Deficit) at 31 March 2012	Operating Surplus/ (Deficit) 31 March 2011
	£	£	£	£	£	£	£	£	£
Wider role activities undertaken to support community	-	-	-	32,263	32,263	-	(29,037)	3,226	(4,588)
Care and repair of property	315,742	-	-	-	315,742	-	(302,388)	13,354	6,962
Factoring	-	-	-	-	-	-	-	-	-
Development and construction of property activities	397,302	-	-	-	397,302	-	(409,351)	(12,049)	(269,494)
Support activities	-	-	436,837	-	436,837	-	(462,836)	(25,999)	(35,001)
Care activities (Home Help)	-	-	-	184,428	184,428	-	(180,952)	3,476	8,896
Agency management services – RSLs	-	-	-	96,605	96,605	-	(86,945)	9,660	-
Other agency/management services	-	-	-	-	-	-	-	-	23,237
Developments for sale to RSLs (LIFT)	-	-	-	798,926	798,926	-	(798,926)	-	-
Developments and improvements for sale to non RSLs	-	-	-	-	-	-	-	-	-
Income from Office Lease	-	-	-	46,080	46,080	-	-	46,080	45,200
Other activities	-	-	-	61,873	61,873	-	(55,951)	5,922	3,718
Total from other activities at 31 March 2012	713,044	-	436,837	1,220,175	2,370,056	-	(2,326,386)	43,670	(221,070)
Total from other activities – 31 March 2011	506,836	-	450,610	1,860,403	2,817,849	-	(3,038,919)	(221,070)	

CALEDONIA HOUSING ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 MARCH 2012
(Continued)

5. Interest payable

	31 March 2012 £	31 March 2011 £
Housing Accommodation	1,763,182	1,692,658
Shared Ownership	200,314	171,846
	<u>1,963,496</u>	<u>1,864,504</u>
Less Interest Capitalised	<u>(12,754)</u>	<u>(56,553)</u>
	<u>1,950,472</u>	<u>1,807,951</u>

6. Interest receivable

	31 March 2012 £	31 March 2011 £
Bank and Building Society Interest	<u>38,587</u>	<u>18,489</u>

7. Taxation

The Association has charitable status for taxation purposes and all income falls within the charitable exemptions.

8. Reserves

(a) Designated Reserves

	At 31 March 2011 As restated £	Transfer In £	Transfer Out £	At 31 March 2012
Major repairs reserve	10,100,148	-	(10,100,148)	
Future replacements	<u>112,214</u>	-	<u>(112,214)</u>	-
Designated reserves	<u>10,212,362</u>	-	<u>10,212,362</u>	-

CALEDONIA HOUSING ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS
AS AT 31 MARCH 2012
(Continued)

8(b) Revenue Reserves

	31 March 2012 £	31 March 2011 As restated £
Opening balance at 1 April as originally reported	5,782,215	3,900,852
Prior Period Adjustment (note 34c)	883,733	-
At 1 April as restated	6,665,948	3,900,852
Surplus for period/year	1,629,977	2,639,806
Transfer to designated reserves	-	(2,328,000)
Transfer from designated reserves	10,212,362	2,453,320
Closing balance at 31 March 2012	<u>18,508,287</u>	<u>6,665,948</u>

9 (Loss)/Gain on sale of Asset

	31 March 2012 £	31 March 2011 £
Sale of Motor Vehicle	11,082	6,000
Shared Ownership	-	(17,183)
Loss on disposal of replaced components	(21,155)	-
	<u>(10,073)</u>	<u>(11,183)</u>

CALEDONIA HOUSING ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS
AS AT 31 MARCH 2012
(Continued)

10 (a) Exceptional Items - Negative goodwill – 31 March 2011

As detailed in Note 34b, as a result of the new requirement of the SORP 2010, to show the negative goodwill arising on the acquisition of non-exchange transactions as a credit to the Income and Expenditure account in the year of acquisition, a prior period adjustment has arisen. On 24 May 2010 Bowerswell Memorial Homes (Perth) Limited transferred engagements to Servite Housing Association, which had been accounted for originally as negative goodwill in the balance sheet, this is now shown as exceptional income in the year to 31 March 2011 restated accounts.

	£
Fixed assets at fair value	757,570
Current assets	1,917
Cash	293,366
Liabilities	(48,268)
Net Assets	<u>1,004,485</u>
Share Capital	(100)
Negative goodwill on acquisition recognised Note 34(b)	<u>1,004,385</u>

10 (b) Exceptional items - Redundancy costs – Period to 30 September 2011

Exceptional costs totalling £159,926 have been recognised in the financial statements to 31 March 2012 and £162,000 accrued at 31 March 2011. This has arisen due to seventeen members of staff opting for voluntary redundancy prior to the merger as part of the restructure.

	31 March 2012 £	31 March 2011 £
Exceptional items		
Negative goodwill 10a	-	1,004,385
Redundancy on merger 10b	<u>(159,926)</u>	<u>(162,000)</u>
	<u>(159,926)</u>	<u>842,385</u>

CALEDONIA HOUSING ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS
AS AT 31 MARCH 2012
(Continued)

11 (a) Tangible Fixed Assets

	Housing Properties Held for Letting	Housing Properties In course of Construction	Completed Shared Ownership Properties	Shared Ownership Properties In course of Construction	Housing Properties
Cost	£	£	£	£	£
At 31 March 2011	207,848,041	9,020,766	15,608,224	202,218	232,679,249
Prior Period adjustment (note 34a)	8,540,279	(5,535,781)	-		3,004,498
As restated	216,338,320	3,484,385	15,608,224	202,218	235,683,147
Addition	1,879,821	2,409,255	-	1,076,359	5,365,435
Disposals	(568,851)	-	(83,132)		(651,983)
Transfers	2,233,331	(2,233,331)	-		-
At 31 March 2012	219,932,621	3,660,309	15,525,092	1,278,577	240,396,599
Housing Association Grant					
At 31 March 2011	138,565,368	6,438,572	12,179,075	248,002	157,431,017
Prior Period adjustment (note 34a)	2,492,013	(4,192,156)	-		(1,700,143)
As restated	141,057,381	2,246,416	12,179,075	248,002	155,730,874
Additions	1,202,445	1,421,446	-	483,466	3,107,357
Disposals	(363,586)	-	(62,548)		(426,134)
Transfers	1,272,112	(1,272,112)	-		-
At 31 March 2012	143,168,352	2,395,750	12,116,527	731,468	158,412,097
Other Capital Grant					
At 31 March 2011	5,956,529	(224,501)	-		5,732,028
Prior Period adjustment (note 34a)	224,501	224,501	-		449,002
As restated	6,181,030	-	-		6,181,030
Additions	23,874	-	-		23,874
Disposals	-	-	-		-
At 31 March 2012	6,204,904	-	-		6,204,904
Depreciation					
At 31 March 2011	3,818,037	-	83,105		3,901,142
Prior Period adjustment (note 34a)	5,074,990	-	-		5,074,990
As restated	8,893,027	-	83,105		8,976,132
Charge for the year	1,185,217	-	8,197		1,193,414
Disposals	(184,110)	-	-		(184,110)
At 31 March 2012	9,894,134	-	91,302		9,985,436
NBV at 31 March 2012	60,665,231	1,264,559	3,317,263	547,109	65,794,162
NBV at 31 March 2011	60,256,881	1,238,570	3,346,044	(45,784)	64,795,711

**CALEDONIA HOUSING ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS
AS AT 31 MARCH 2012
(Continued)**

11 (b) Other Tangible Fixed Assets

Cost	Office Furniture & Equipment £	Scheme Plant & Equipment £	Scheme Furniture Fittings & Equipment £	Office Accommodation £	Motor Vehicles £	Other Fixed Assets
At 31 March 2011	1,067,582	283,688	105,232	1,117,803	89,645	2,663,950
Addition	109,553	-	21,832	-	51,200	182,585
Disposals	(44,344)	-	-	(1,729)	(47,390)	(93,463)
At 31 March 2012	1,132,791	283,688	127,064	1,116,074	93,455	2,753,072
Depreciation						
At 31 March 2011	842,710	131,107	94,724	206,686	60,063	1,335,290
Charge for the year	136,845	28,369	5,581	39,360	20,029	230,184
Disposals	(44,344)	-	-	-	(39,472)	(83,816)
At 31 March 2012	935,211	159,476	100,305	246,046	40,620	1,481,658
NBV at 31 March 2012	197,580	124,212	26,759	870,028	52,835	1,271,414
NBV at 31 March 2011	224,872	152,581	10,508	911,117	29,582	1,328,660

Development administration costs capitalised amount to £166,095 (2011: £345,589) for which Housing Association Grant amounting to £65,325 (2011: £211,218) was received in the year.

12 Stock and Work In Progress

Developments in progress for other Associations

	31 March 2012 £	31 March 2011 £
Cost	3,804,370	3,053,048
HAG	(3,779,862)	(2,963,432)
	24,508	89,616
Shared Ownership Construction – First tranche estimate	352,507	67,406
	<u>377,015</u>	<u>157,022</u>

CALEDONIA HOUSING ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 MARCH 2012
(Continued)

13. Debtors

	31 March 2012	31 March 2011 As restated
	£	£
Gross rents in arrears	640,817	566,906
Less bad debt provision	(50,902)	(66,008)
	<u>589,915</u>	<u>500,898</u>
Grants receivable	416,273	1,026,892
Prepayments and accrued income	532,171	915,526
	<u>1,538,359</u>	<u>2,443,316</u>

14. Creditors due within one year

	31 March 2012	31 March 2011
	£	£
Housing Loans (Note 15)	1,502,381	1,358,964
Trade creditors	132,286	
Other taxes and Social Security	7,078	58,462
Rents in advance	108,007	191,348
Accruals and deferred income	2,566,702	1,888,673
Pensions	39,437	17,624
	<u>4,345,891</u>	<u>4,123,317</u>

15. Creditors due after more than one year

	31 March 2012	31 March 2011
	£	£
Loans	<u>51,172,075</u>	<u>51,064,125</u>

Loans and development overdrafts are secured by specific charges on the Association's properties. Loans and development overdrafts are repayable at rates of interest of between 0.75% and 13.0% (31 March 2011: 0.75% and 13.0%) in instalments due as follows:

CALEDONIA HOUSING ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 MARCH 2012
(Continued)

16. Creditors due after more than one year (cont.)

	31 March 2012	31 March 2011
	£	£
In one year or less (note 14)	1,502,381	1,358,964
Between one and two years	1,535,114	1,426,012
Between two and five years	5,013,108	4,735,606
In five years or more	44,623,853	44,902,508
	<u>52,674,456</u>	<u>52,423,090</u>

17. Current Assets - LIFT

As at 31 March 2012 no properties were under construction.

18. Investment in Subsidiary	31 March 2012	31 March 2011
	£	£
Cost – Servite Ventures	2	2
Cost – Servite Solutions	<u>2</u>	<u>2</u>
	<u>4</u>	<u>4</u>

The investment in subsidiary companies relates to Servite Solutions Limited and Servite Ventures Limited, which are wholly owned subsidiaries of the Association which are limited by share capital. Authorised share capital is 1,000 £1 shares for both Servite Ventures and Servite Solutions with issued share capital of 2 £1 shares in each. Both companies were dormant during the financial year and exemption has been granted by the Financial Services Authority (FSA) from the completion of group accounts.

19. Employees

Staff costs during the period were as follows:

	31 March 2012	31 March 2011
	£	£
Wages and salaries	3,822,541	3,578,216
Social security costs	282,311	292,217
Other pension costs	<u>359,177</u>	<u>303,311</u>
	<u>4,464,029</u>	<u>4,335,744</u>

Included within the balance above of £4,464,029 is exceptional redundancy costs of £159,926 (2011 - £162,000) (see note 10b).

CALEDONIA HOUSING ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 MARCH 2012
(Continued)

20. Employees (cont'd)

The average number of full time equivalent persons employed by the Association during the period was 151 (31 March 2011: 156).

The Directors are defined as the members of the Management Board, the Chief Executive and any other person reporting directly to the Chief Executive or the Management Board whose total emoluments exceed £60,000 per annum.

	31 March 2012 £	31 March 2011 £
Aggregate emoluments payable to directors (including pension contributions and benefits in kind)	<u>463,349</u>	<u>403,381</u>

The number of Directors, including the highest paid Director, who received emoluments (including pension contributions) in the following ranges was as follows:

	Year to 31 March 2012 No	Year to 31 March 2011 No
£60,000 to £70,000	5	6
£70,001 to £80,000	1	2

	Year to 31 March 2012 £	Year to 31 March 2011 £
Emoluments payable to highest paid Executive Officer (excluding pension contributions)	78,800	77,984

The Chief Executive is an ordinary member of the Association's pension scheme described below. No enhanced or special terms apply to memberships and there are no other pension arrangements to which the Association contributes. The Association's contributions for the Chief Executive in the period amounted to £7,703 (2011: £7,623).

Total expenses reimbursed insofar as not chargeable to UK Income Tax.	<u>NIL</u>	<u>NIL</u>
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No member of the Management Board received any emoluments in respect of their services to the Association.

CALEDONIA HOUSING ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS
AS AT 31 MARCH 2012
(Continued)

21. Pensions

The Association operates both a Defined Contribution Pension Scheme and a Defined Benefit Pension Scheme. The assets of both schemes are held separately from the Association in an independently administered fund. In relation to the Defined Contribution Scheme, the pension cost charge represents the contributions payable by the Association to the fund and amounted to £149,143 (2011: £152,235). Contributions totalling £17,820 (2011: £17,624) were payable to the fund at the year end and are included in creditors.

In addition Caledonia Housing Association Ltd ("The Association") participates in the Scottish Housing Associations' Pension Scheme ("the scheme"). The Scheme is funded and is contracted-out of the State Pension scheme and is now closed to new members.

From 01 April 2011, existing members transferred to a Career average re-valued earnings (CARE) scheme with a 1/60th accrual rate benefit structure. The Association closed the Scheme to new members from 01 April 2011.

During the accounting period the Association paid contributions at the rate of 8.6% of pensionable salaries plus an additional 3.5% levy as a result of closing the scheme to new members. Member contributions were 8.5%. As at the balance sheet date there were 26 active members of the Scheme employed by the Association.

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%.

The Scheme Actuary has prepared an Actuarial Report that provides an approximate update on the funding position of the Scheme as at 30 September 2011. Such a report is required by legislation for years in which a full actuarial valuation is not carried out. The funding update revealed an increase in the assets of the Scheme to £341 million and indicated an increase in the shortfall of assets compared to liabilities to approximately £207 million, equivalent to a past service funding level of 62.2%.

The key valuation assumptions used to determine the assets and liabilities of the SFHA Pension Scheme are:

CALEDONIA HOUSING ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 MARCH 2012
(Continued)

2009 Valuation Assumptions			% pa
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 accrued pre 6 April 2005 in excess of GMP			2.9
Rate of pension increases accrued post 6 April 2005 (For leavers before 1 October 1993 pension increases are 5.0%)			2.2
Rate of price inflation			3.0

Mortality tables	
Non-Pensioners	SAPS (S1PA) All Pensioners Year of Birth Long Cohort with 1% p.a. minimum improvement
Pensioners	SAPS (S1PA) All Pensioners Year of Birth Long Cohort with 1% p.a. minimum improvement

Contribution Rates for Future Service (Payable from 1 April 2011)	%
CARE 1/60ths – total contribution employers and members	17.1
Additional rate for deficit contributions*	10.4

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

If an actuarial valuation reveals a shortfall of assets compared to liabilities the Trustees must prepare a recovery plan setting out the steps to be taken to make up the shortfall. Following consideration of the results of the valuation at 2009 it was agreed that the shortfall of £160 million would be dealt with by splitting the contributions into past deficit and future contributions. With effect from 01 April 2011, the past service deficit contribution of 10.4% will be met by the employer, while the contribution for future service will now be split equally between employers and members.

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 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.

CALEDONIA HOUSING ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 MARCH 2012
(Continued)

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 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.

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

The Association has been notified by the SHAPS of the estimated employer debt on withdrawal from the SFHA Scheme based on the financial position of the Scheme as at 30 September 2011. As of this date the estimated employer debt for the Association was £4,857,621. This is shown in note 33 to these Financial Statements as a Contingent Liability.

CALEDONIA HOUSING ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 MARCH 2012
(Continued)

22. PAYMENTS TO MEMBERS & MANAGEMENT BOARD MEMBERS	31 March 2012 £	31 March 2011 £
Fees, remuneration or expenses payable to members of the Association who were neither members of the Management Board, nor employees of the Association	<u>312</u>	<u>609</u>
Fees, remuneration or expenses payable to members of the Management Board of the Association who were neither officers nor employees of the Association	<u>270</u>	<u>269</u>
Fees, remuneration or expenses paid to officers of the Association who were not employees	<u>-</u>	<u>-</u>
Payments or gifts made, or benefits granted to the persons referred to in Schedule 7 of the Housing (Scotland) Act 2010	<u>-</u>	<u>-</u>

23. Share Capital

	31 March 2012 £	31 March 2011 £
Shares of £1 fully paid and issued at beginning of year	223	199
Shares issued during year	48	35
Shares cancelled in year	<u>(7)</u>	<u>(11)</u>
Shares issued at end of year	<u>264</u>	<u>223</u>

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

24. Notes to the Cash Flow Statement

(a) Reconciliation of surplus to net cash inflow from operating activities

	31 March 2012 £	31 March 2011 As restated £
Operating surplus	3,711,861	3,495,410
Depreciation charge	1,423,598	1,055,379
(Increase)/Decrease in debtors	478,454	437,170
Increase in creditors	(1,135,793)	(490,755)
Less: redundancy costs exceptional item	<u>(159,926)</u>	<u>-</u>
	<u>4,318,194</u>	<u>4,497,204</u>

CALEDONIA HOUSING ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 MARCH 2012
(Continued)

24. Notes to the Cash Flow Statement (continued)

(b) Reconciliation of net cash flow to movement in net debt

	31 March 2012	31 March 2011
	£	£
Increase in cash	1,924,138	(183,737)
Loans received	(1,401,995)	(3,361,533)
Loans repaid	1,150,629	1,071,841
	<u>1,672,772</u>	<u>(2,743,429)</u>
Net debt at 1 April 2011	<u>(49,301,664)</u>	<u>(46,558,235)</u>
Net debt at 31 March 2012	<u>(47,628,892)</u>	<u>(49,301,664)</u>

(c) Analysis of Changes in net debt

	As at 31 March 2011	Cash Flow	As at 31 March 2012
	£	£	£
Cash at bank and in hand	2,121,426	1,924,138	5,045,564
Short term investments	1,000,000	-	-
Debt due within one year	(1,358,964)	(143,417)	(1,502,381)
Debt due after one year	(51,064,126)	(107,979)	(51,172,105)
	<u>(49,301,664)</u>	<u>1,672,772</u>	<u>(47,628,922)</u>

25. Capital Commitments

	31 March 2012	31 March 2011
	£	£
Expenditure authorised by the Committee of Management contracted less certified	<u>8,452,182</u>	<u>6,317,682</u>

Of the amount contracted for at 31 March 2012, £6,900,349 relates to construction of properties and £1,551,833 relates to replacement of components.

CALEDONIA HOUSING ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS
AS AT 31 MARCH 2012
(Continued)

26. Housing Stock

The number of units in Management at 31st March was as follows

	31 March 2012 No.	31 March 2011 No.
New Build	3,336	3,308
Shared Ownership	<u>379</u>	<u>383</u>
	<u>3,715</u>	<u>3,691</u>

27. Auditors' Remuneration

	31 March 2012 £	31 March 2011 £
The remuneration of the auditors (including Expenses and excluding VAT)	21,632	23,083
Remuneration of the entities related to the auditors	<u>9,914</u>	<u>21,661</u>
	<u>31,546</u>	<u>44,744</u>

28. Average Tenancy Rents

	31 March 2012 £	31 March 2011 £
Average annual tenancy rent	<u>2,876</u>	<u>2,993</u>
	No	No
Average number of tenancies	<u>3,336</u>	<u>3,238</u>
Percentage increase from previous year	<u>4.5%</u>	<u>4.0%</u>

CALEDONIA HOUSING ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 MARCH 2012
(Continued)

29. Related Parties

The following Members of the Management Board of Servite Housing Association are also directors of Servite Ventures Ltd:-

Mr A Barrie
Mr W Robertson

The Association is also part shareholder in Upper Dens Landscaping Limited, which is a company limited by guarantee. There are four Directors appointed two of which are employees of the Association. During the period there were no material transactions between the Association and Upper Dens Landscaping Limited.

Some board members are also tenants of the Association. The tenancies are under normal tenancy agreements and arrears are pursued in the same manner as other tenancies.

Some board members are employees of related local authorities and other related public or commercial entities. Any transactions with these related parties are made at arm's length, on normal commercial terms and board members cannot use their position to their advantage.

30. Financial Commitments

The Association has Annual Commitments under non-cancellable operating leases as follows:

	Land and Buildings	
	2012 £	2011 £
Between one and five years		
Annual charge to 30/06/12	<u>62,000</u>	<u>62,000</u>

Remaining at £62,000 for one year and increasing to £64,000 for the remaining year.
Expiry Date: 30/06/2014

31. Controlling Party

The Board of Management do not believe there to be any one controlling party in Caledonia Housing Association.

CALEDONIA HOUSING ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 MARCH 2012
(Continued)

32. Contingent Liabilities

The Association participates in a multi-employer pension scheme. Should the Association leave the scheme, the amount of the employer debt has been calculated as £4,857,621. At this time there is no intention to leave the scheme.

Housing Association Grant allocated to components (as detailed in Note 1 (j) (k)) that have subsequently been replaced by the Association are recognised in the Income and Expenditure account, with the cost of the replacement and any additional funding for this replacement being capitalised. The recycled grant recognised in the Income and Expenditure account at 31 March 2012 was £2,063,725 (31 March 2011: £1,700,139).

33. Reconciliation of Funds

	Year to 31 March 2012 £	Year to 31 March 2011 as restated £
At 1 April as originally reported	17,783,128	14,238,703
Prior Period Adjustment (Note 34a)	<u>(904,595)</u>	<u>-</u>
At 1 April as restated	16,878,533	14,238,727
Surplus for period	1,629,977	2,639,806
New Shares Issued	48	35
Furniture Reserves	(44,445)	-
Shares Cancelled	<u>(7)</u>	<u>(11)</u>
Net Changes in Funds	1,585,573	2,639,806
At 31 March 2012	<u>18,464,106</u>	<u>16,878,533</u>

34 (a). Prior Period Adjustment- Component Accounting

Following the implementation of the Statement of Recommended Practice – Accounting by Registered Social Housing providers – Update 2010 (SORP 2010), the Association has implemented component accounting. As a result of the changes brought about by the SORP 2010 and the detailed guidance of the Technical Notes, the Association has adopted a new accounting policy, which has resulted in a prior period adjustment.

The principle of component accounting is to account separately for each major component of a property asset with substantially different useful economic lives, and to depreciate them over their individual useful economic life. This change in accounting policy has resulted in major works expenditure written off in prior years being capitalised, and an additional depreciation charge now being recognised.

CALEDONIA HOUSING ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 MARCH 2012
(Continued)

34 (a). Prior Period Adjustment- Component Accounting (continued)

The effect of this change in accounting policy on the 31 March 2011 financial statements is shown below. 31 March 2011 opening reserves have been decreased by £ (1,353,324) of which £4,471,043 relates to increased depreciation, £1,417,576 relates to major repairs previously written off to the Income and Expenditure Account now capitalised as components and £1,700,143 relates to HAG now allocated across components.

A prior period adjustment was also recognised to reallocate Homestake stock to Housing Properties as at 31 March 2010 as this had previously been misallocated. Housing Properties were increased by £534,247, Homestake stock reduced by £696,341 and a HAG debtor of £162,094 was recognised.

Effect on 31 March 2011 financial statements of implementing component accounting:

	£
Increase depreciation charge	(602,903)
Decreased major works charged against income	<u>1,051,630</u>
Increase in surplus for the year	<u>448,727</u>

In summary the overall effect on the financial statements as at 31 March 2011 has been to:

Increase fixed asset cost	3,004,498
Decrease fixed asset HAG (note 27)	1,700,143
Increase fixed asset depreciation	(5,074,990)
Decrease Home stake Stock balance	(696,341)
Increase in HAG Debtor	<u>162,094</u>

Net movement – increase due to component accounting and reallocation of Homestake stock	<u>(904,595)</u>
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CALEDONIA HOUSING ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 MARCH 2012
(Continued)

34 (b). Prior Period Adjustment- Negative Goodwill

As a result of complying with the new requirement in SORP 2010 to show negative goodwill arising on non-exchange transactions, as a credit to the income and expenditure account in the year of acquisition, a prior period adjustment has arisen. Negative goodwill which arose in 2007 following the acquisition of engagements from Soroptomists, net of its amortisation in the period since that date, has been credited to opening revenue reserves as a prior period adjustment. The negative goodwill that arose from the acquisition of Bowerswell in 2010 has been credited to the Income and Expenditure account in 2011, as detailed in Note 10a.

The effect of this change in accounting policy on the 31 March 2011 financial statements is shown below.

31 March 2011 opening reserves have been increased by £800,987, of which £852,114 relates to original gain on the acquisition of the Soroptomists treated as negative goodwill and £51,129 relates to release of negative goodwill now reversed.

Effect on 31 March 2011 financial statements:	£
Increase in exceptional income	1,004,385
Decrease release of negative goodwill re Soroptomists	<u>(17,042)</u>
Increase in surplus for year	<u>987,343</u>

34 (c). Summary of Effects of Prior Period Adjustment on Revenue Reserves

	Component Accounting (Note 34a) £	Negative Goodwill (Note 34b) £	Total £
Effect on 31 March 2011 Op Operating Reserves (1,353,324)		800,987	(552,337)
Effect on 31 March 2011 Surplus	<u>448,727</u>	<u>987,343</u>	<u>1,436,070</u>
Total Prior Period Adjustment Effect	<u>(904,597)</u>	<u>1,788,330</u>	<u>883,733</u>