

CALEDONIA HOUSING ASSOCIATION LIMITED
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2013

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 2013

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Bank of Scotland
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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:

Baker Tilly UK Audit LLP
First Floor, Quay 2
139 Fountainbridge
Edinburgh
EH3

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 2013

The Management Board present their report and audited financial statements for the year to 31 March 2013.

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.

Members of the Management Board

The Members of the Management Board of the Association during the year to 31 March 2013 were as follows:

Mr Alistair Barrie
Mrs Elizabeth Brown
Mrs Penny Coburn
Mr Lindsay Darroch
Mr David Grant
Mr Robin Grant (Treasurer)
Mr Ian Green (Co-opted, resigned 29/01/2013)
Mr Mike Johnston (Co-opted, died 27/04/2012)
Mr Ian McLaren
Mr Ian McMillan (Chairman)
Mr Ken Martin (resigned 29/04/2012)
Mrs Elaine O'Brien (Co-opted)
Mr Tom Potter
Mr Ian Purvis (resigned 18/09/2012)
Mr William Robertson (Vice Chairman)
Mr Gavin Stewart (Co-opted)

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 2013

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 enable them 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 Determination of Accounting Requirements April 2012 and the RSL Statement of Recommended Practice 2010. 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.

CALEDONIA HOUSING ASSOCIATION

REPORT OF THE MANAGEMENT BOARD

31 MARCH 2013

- (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.
- (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 2013 . 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 2013

REVIEW OF BUSINESS AND FUTURE DEVELOPMENTS

As Caledonia HA was formed by a merger of Perthshire HA and Servite HA in October 2011, the year to 31st March 2013 is our first full year of operation. We set out to achieve full integration of the two organisations within a two year period and the Board are pleased to report that at the time of writing we are ahead of our integration plan.

In terms of our commitments at the time of our merger we have realised the predicted financial savings but more importantly increased the level of services available to tenants and the wider community. As noted below we have introduced a range of new services and they will be supplemented by improved methods of communication utilising our new customer services centre and enhanced computer technology to allow our staff and customers easy access on line information.

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.

Strategic Objectives

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 contributes to the achievement of our business ambitions.

Capacity

Our current housing stock stands at 3738 with 23 homes being completed in 2012/13 and, looking forward we have another six new developments on site which will provide another 76 homes in 2013/14 under the Scottish Government's innovation fund programme. This development programme is made possible by our ability and capacity to use our asset base raise the necessary private finance.

Future Development and Funding

The Association currently has an active housing development programme and plans are at an advanced stage to develop sites in Perth and Inverness to deliver 66 homes in 2015 and our partnership with Cordale HA noted below may see work begin on a major development of 55 homes in West Dumbarton. Additional private finance will be required to fund our development programme and to this end we have secured in-principle offers of finance from high street Banks and more structured finance from organisations working in capital markets. Security for new borrowing will be provided by utilising the Association's unencumbered assets currently amounting to over 1000 housing units.

CALEDONIA HOUSING ASSOCIATION
REPORT OF THE MANAGEMENT BOARD

31 MARCH 2013

New Partnership

During the year Caledonia HA was selected as preferred partner by Cordale HA a registered social landlord and Charity owning and managing 520 houses in Renton in West Dumbarton. Our aim is to bring Cordale HA into the Caledonia Group as a subsidiary, thus retaining the identity, local offices and presence of this community based organisation. Working closely with the Scottish Housing Regulator, the Scottish Government, West Dumbarton Council and current Funders the work to obtain the various consents and preparation of the business case is on-going. This process is scheduled to be finalised by the Autumn of 2013.

Additional Services

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.

FINANCIAL REVIEW AND PERFORMANCE

Caledonia Housing Association made a surplus of £2,381,364 in the 12 month period to 31st March 2013 (year to 31 March 2012 – surplus £1,629,977).

Operating Surplus

The Operating Surplus for the 12 months to 31 March 2013 was £4,341,165 (year to 31 March 2012 £3,711,861).

The Management Board has plans under consideration for reinvestment of the balance of funds to meet the Association's objectives.

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 2013, the Association has a balance of fixed and variable rate finance funding which is being reviewed as part of the appraisal and selection process for the acquisition of a new private finance facility. The Weighted Average Cost of Capital (WACC) as at 31 March 2013 was 3.52%, which is below average for the social housing sector at this time.

CALEDONIA HOUSING ASSOCIATION
REPORT OF THE MANAGEMENT BOARD
31 MARCH 2013

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. Actions to mitigate existing and emerging risks are reviewed regularly by the Audit Committee and reported to the Management Board.

The Management Board has determined that the key risks facing the Association are :

- Welfare benefit reform
- External influences on planned income and/or expenditure
- Falling levels of housing association grant
- Availability of private finance
- Increasing levels of deficit funding for SHAPS pension scheme

Performance

The Association monitors corporate performance in terms of finance, operations, business services and asset management. A range of financial and non-financial ratios and indicators are produced on a quarterly basis which are used to monitor how the organisation is performing and more importantly initiate corrective action in under-performing areas. In addition to this departmental monthly performance indicators are produced for the whole Association and reviewed by the operational management team:

Indicator	Target	Actual	11/12 Actual
• Stock turnover	<12.0%	9.850%	9.75%
• Re-let Performance	<20 Days	18 Days	17 Days
• Arrears Performance	<2.5%	4.51%	3.97%
• Profitability – Operating surplus	=>25.0%	23.9%	25.2%
• Reactive Repairs Completion Time – Emergency	=>99.0%	98.9%	98.6%
• Reactive Repairs Completion Time – Urgent	=>97.0%	98.4%	98.3%
• Reactive Repairs Completion Time – Routine	=>98.0%	97.8%	98.0%

Indicators were set in the year to 31st March 2013 based on historic and benchmark material and the results will be used to inform our control mechanisms and targets in future years. Reactive repairs completion times were either on target or very close to target as a result of our new approved contractors list coupled with the introduction of a system of scheduled rates. Operating surplus was below expectations due to a series of one-off items of expenditure related to our recent merger. Overall arrears performance was well below target but on analysis the principal reason was an increase in technical arrears brought about by late payment of housing benefit.

Sensitivity analysis has been carried out on our five and thirty year plans to ensure the Association's long term viability and a stock condition survey completed to inform asset management decisions and ensure compliance with Scottish Housing Quality Standards by 2015.

CALEDONIA HOUSING ASSOCIATION
REPORT OF THE MANAGEMENT BOARD
31 MARCH 2013

Rental Income

Annual increases in rent for existing properties and rent from new properties resulted in a 5.2% increase in rental income (2012 7.9%). 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 (2012: 30 days).

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 undertaken analysis of our stock to determine the amount of work required to comply with the 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 £18.9m following a £1.97m transfer to designated reserves and the addition of a £2.38m revenue surplus. The changes adopted last year as a result of component accounting mean that there is no longer a requirement for reserves designated for major repairs.

Designated Reserves

The designation reflects the Association's anticipated future liability to meet the cost of pension deficit payments made to SHAPS (Scottish Housing Association Pension Scheme). An amount of £173,589 per annum increasing at 3% per annum is payable from April 2014 for fourteen years. The sums set aside represent the net present value of this liability.

CALEDONIA HOUSING ASSOCIATION
REPORT OF THE MANAGEMENT BOARD

31 MARCH 2013

HUMAN RESOURCES

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

A resolution for the reappointment of Baker Tilly UK Audit LLP as auditors of the Association will be proposed at the Annual General Meeting.

By order of the Management Board



Mr Ian McMillan (Chairman)

27 August 2013

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 2013 on pages 2 to 37. 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 Financial Reporting Council's website at [http://www.frc.org.uk/Our-Work/Codes-Standards/Audit-and-assurance/Standards-and-guidance/Standards-and-guidance-for-auditors/Scope-of-audit/UK-Private-Sector-Entity-\(issued-1-December-2010\).aspx](http://www.frc.org.uk/Our-Work/Codes-Standards/Audit-and-assurance/Standards-and-guidance/Standards-and-guidance-for-auditors/Scope-of-audit/UK-Private-Sector-Entity-(issued-1-December-2010).aspx)

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 2013 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, Part 6 of the Housing (Scotland) Act 2010 and the Registered Social Landlords Determination of Accounting Requirements April 2012.

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.

Baker Tilly UK Audit LLP

Baker Tilly UK Audit LLP
First Floor, Quay 2
139 Fountainbridge
Edinburgh
EH3

Date *30 August* 2013

CALEDONIA HOUSING ASSOCIATION
INCOME & EXPENDITURE ACCOUNT
FOR THE YEAR ENDED 31 MARCH 2013

	Notes	Year to 31 March 2013	Year to 31 March 2012
		£	£
Turnover	2	16,749,196	16,215,580
Less: Operating Costs	2	<u>(12,408,031)</u>	<u>(12,503,719)</u>
Operating Surplus	2	4,341,165	3,711,861
(Loss) on sale of fixed assets	9	(33,919)	(10,073)
Exceptional item	10	-	(159,926)
Interest receivable	6	31,258	38,587
Interest payable	5	<u>(1,957,140)</u>	<u>(1,950,472)</u>
Surplus for year	8b	<u>2,381,364</u>	<u>1,629,977</u>

In each of the years ended 31 March 2012 and 2013 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.

CALEDONIA HOUSING ASSOCIATION

BALANCE SHEET

AS AT 31 MARCH 2013

	Notes	31 March 2013 £	31 March 2012 £
Tangible Fixed Assets			
Housing properties			
- gross cost less depreciation	11a	238,556,383	230,411,163
Less: HAG	11a	(160,490,797)	(158,412,097)
Less: Other Capital Funding	11a	(6,722,636)	(6,204,904)
	11a	71,342,950	64,794,162
Other Fixed Assets	11b	1,134,038	1,271,414
		<u>72,476,988</u>	<u>67,065,576</u>
Investments			
Shares in Subsidiary Company	17	4	4
Fixed Asset Investments			
LIFT Loans	16	3,937,569	3,937,569
LIFT Grants	16	(3,937,569)	(3,937,569)
		<u>-</u>	<u>-</u>
Tangible Fixed Assets		<u>72,476,992</u>	<u>67,065,580</u>
Stock and Work in Progress	12	194,516	377,015
Debtors	13	1,447,637	1,538,359
Cash at bank and in hand		4,374,966	5,045,563
		<u>6,017,119</u>	<u>6,960,937</u>
Current Liabilities			
Creditors due within one year	14	(5,029,746)	(4,345,891)
Net Current Assets		<u>987,373</u>	<u>2,615,046</u>
Total Assets less Current Liabilities		73,464,365	69,680,626
Creditors due after more than one year	15	(52,574,475)	(51,172,075)
Net Assets		<u>20,889,890</u>	<u>18,508,551</u>
Capital Reserves			
Share capital	22	239	264
Designated reserves	8a	1,973,443	-
Revenue reserves	8b	18,916,208	18,508,287
		<u>20,889,890</u>	<u>18,508,551</u>

CALEDONIA HOUSING ASSOCIATION

BALANCE SHEET

AS AT 31 MARCH 2013
(Continued)

These financial statements were approved by the Management Board on 27/08/13 and are authorised for issue and signed on their behalf by:

Chairman of the Management Board

[Signature]

Board Member

[Signature]

Secretary

[Signature]

Date 27 August.....2013

CALEDONIA HOUSING ASSOCIATION
CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 MARCH 2013

	Notes	31 March 2013	31 March 2012
		£	£
Net cash inflow from operating activities	23a	6,562,906	4,318,194
Return on investments and servicing of finance			
Interest received	31,258		16,315
Interest paid	(1,957,140)	(1,925,882)	(1,926,179)
			(1,909,864)
Investing activities			
Purchase of housing properties	(10,010,203)		(4,509,919)
Proceeds of sale of housing properties	44,091		31,666
Purchase of other fixed assets	(92,485)		(182,585)
Proceeds from sale of other fixed	-		9,647
Net cash outflow from investing		(10,058,597)	(4,651,191)
Net cash outflow before financing		(5,421,573)	(2,242,861)
Financing			
Housing association grant received	2,634,159		3,915,592
Other capital grants received	517,732		-
Loan principal received	3,169,371		1,401,995
Loan principal repayments	(1,570,261)		(1,150,629)
(Decrease)/Increase in share capital	(25)		41
Net cash inflow from financing		4,750,976	4,166,999
(Decrease)/Increase in cash and cash equivalents	23c	(670,597)	1,924,138

CALEDONIA HOUSING ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 MARCH 2013

1. Accounting Policies

The Association is an Industrial and Provident Society and is registered with the Financial Conduct 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 Social landlords Determination of Accounting Requirements - April 2012. The Association has formal authority from the Financial Conduct Authority to exclude its subsidiaries from inclusion or consolidation into group accounts due to the immateriality of the amounts involved.

(a) Basis of Accounting

The financial statements are prepared under the historical cost convention. Following the Transfer of Engagements in 2011, the amalgamation has been treated as a merger with the appropriate accounting treatments being applied.

(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 Review of Business and Future Developments and Financial Review. The Review of Business and Future Developments and Financial Review also includes a review of the financial position of the association, its cash flows, liquidity position and borrowing facilities. As a result additional private finance will be required to fund our development programme and to this end we have secured in-principle offers of traditional finance from high street Banks and more structured arrangements from organisations working in capital markets. Security for new borrowing will be provided by utilising the Association's unencumbered assets currently amounting to over 1000 housing units.

The Association's financial projections demonstrate that the Association has sufficient financial resources to ensure that it meets its commitments in the short, medium and longer 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) 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.

(d) 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 2013

(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 last year 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(i). 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.

(e) 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.

(f) 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 2013

(Continued)

(g) **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.

(h) **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. Office property leased to a third party is not currently depreciated.

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.

(i) **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 2013
(Continued)

(j) 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.

(k) Operating lease commitments

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

(l) 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.

(m) VAT

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

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

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. 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.

(o) 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 2013
(Continued)

(p) 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.

(q) Stock and Work in Progress

Stocks and work in progress are stated at the lower of cost and net realisable value. Component replacement programmes not completed in the year are held within WIP and transferred to fixed assets on completion. 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 2013
(Continued)

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

			31 March 2013	31 March 2012
	Turnover	Operating Costs	Operating Surplus	Operating Surplus
Income and expenditure from social lettings (note 3)	14,409,076	(10,122,284)	4,286,792	3,668,191
Income & expenditure from other activities (note 4)	2,340,120	(2,285,747)	54,373	43,670
Year to 31 March 2013 Total	16,749,196	(12,408,031)	4,341,165	3,711,861

CALEDONIA HOUSING ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 MARCH 2013
(Continued)

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

				31 March 2013	31 March 2012 As restated Total
	General Needs	Supported	Shared Ownership Housing	Total	
	£	£	£	£	£
Rent receivable net of service charges	8,535,818	2,293,803	708,844	11,538,465	10,969,558
Service charges	860,307	1,883,277	159,199	2,902,783	2,844,978
Gross income from rents and service charges	9,396,125	4,177,080	868,043	14,441,248	13,814,536
Less Voids	(20,140)	(23,563)	(436)	(44,139)	(34,337)
Net income from rents and service charges	9,375,985	4,153,517	867,607	14,397,109	13,780,199
Grants from the Scottish Ministers	-	-	-	-	-
Other revenue grants	11,967	-	-	11,967	65,325
Total turnover from social letting activities	9,387,952	4,153,517	867,607	14,409,076	13,845,524
Management and maintenance administration costs	2,278,635	1,003,769	214,953	3,497,357	3,734,167
Service costs	1,057,323	1,672,076	160,839	2,890,238	2,784,906
Planned and cyclical maintenance including major repairs costs	1,042,444	210,806	-	1,253,250	1,203,607
Reactive maintenance costs	905,288	227,177	-	1,132,465	1,156,007
Bad debts – rent and service charges	100,372	12,398	4,691	117,461	105,232
Depreciation of social housing	940,945	282,371	8,197	1,231,513	1,193,414
Operating costs for social letting activities	6,325,007	3,408,597	388,680	10,122,284	10,177,333
Operating surplus for social letting activities	3,062,945	744,920	478,927	4,286,792	3,668,191
Operating surplus for social letting activities for previous accounting period	2,763,047	464,143	441,001	3,668,191	

CALEDONIA HOUSING ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 MARCH 2013
(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 2013	Operating Surplus/ (Deficit) 31 March 2012
	£	£	£	£	£	£	£	£	£
Wider role activities undertaken to support community	-	-	-	-	-	-	-	-	3,226
Care and repair of property	385,372	-	-	-	385,372	-	(322,685)	62,687	13,354
Development and construction of property activities	158,253	-	-	335,830	494,083	-	(507,871)	(13,788)	(12,049)
Support activities	-	-	398,889	-	398,889	-	(469,448)	(70,559)	(25,999)
Care activities (Home Help)	-	-	-	180,289	180,289	-	(180,878)	(589)	3,476
Agency management services – RSLs	-	-	-	203,991	203,991	-	(183,591)	20,400	9,660
Shared ownership 1 st tranche sales	-	-	-	530,000	530,000	-	(530,000)	-	-
Income from Office Lease	-	-	-	46,080	46,080	-	-	46,080	46,080
Other activities	-	-	-	101,416	101,416	-	(91,274)	10,142	5,922
Total from other activities at 31 March 2013	543,625	-	398,889	1,397,606	2,340,120	-	(2,285,747)	54,373	43,670
Total from other activities at 31 March 2012	713,044	-	436,837	1,220,175	2,370,056	-	(2,326,386)	43,670	

CALEDONIA HOUSING ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS
AS AT 31 MARCH 2013
(Continued)

5. Interest payable

	31 March 2013 £	31 March 2012 £
Housing Accommodation	1,810,415	1,763,182
Shared Ownership	212,704	200,314
	<u>2,023,119</u>	<u>1,963,496</u>
Less Interest Capitalised	(65,979)	(12,754)
	<u>1,957,140</u>	<u>1,950,472</u>

6. Interest receivable

	31 March 2013 £	31 March 2012 £
Bank and Building Society Interest	<u>31,258</u>	<u>38,587</u>

7. Taxation

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

8. (a) Reserves

Designated Reserves

	At 31 March 2012 £	Transfer In £	Transfer Out £	At 31 March 2013 £
Past service defined benefit pension provision	-	1,973,443	-	1,973,443
	<u>-</u>	<u>1,973,443</u>	<u>-</u>	<u>1,973,443</u>

An amount of £1,973,443 has been transferred to designated reserves, this amount relates to the net present value of the Association's share of the past service defined pension provision.

CALEDONIA HOUSING ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 MARCH 2013
(Continued)

8. (b) Revenue Reserves

	31 March 2013 £	31 March 2012 £
Opening balance at 1 April 2012	18,508,287	6,665,948
Surplus for year	2,381,364	1,629,977
Transfer to designated reserves	(1,973,443)	-
Transfer from designated reserves	-	10,212,362
Closing balance at 31 March 2013	<u>18,926,208</u>	<u>18,508,287</u>

9. Loss on sale of Assets

	31 March 2013 £	31 March 2012 £
Sale of Motor Vehicle	-	11,08
Shared Ownership Sales	24,929	-
Loss on disposal of replaced components	(58,848)	(21,15)
	<u>(33,919)</u>	<u>(10,07)</u>

10. Exceptional items - Redundancy costs

Exceptional costs totalling £159,926 were recognised in the financial statements to 31 March 2012. This was due to several members of staff opting for voluntary redundancy prior to the merger in October 2012 as part of the restructure.

	31 March 2013 £	31 March 2012 £
Redundancy on merger	-	(159,926)
	<u>-</u>	<u>(159,926)</u>

CALEDONIA HOUSING ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS
AS AT 31 MARCH 2013
(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 2012	219,932,621	3,660,309	15,525,092	1,278,577	240,396,599
Addition	1,521,807	8,477,998	-	10,398	10,010,203
Disposals	(648,912)	-	(78,686)	-	(727,598)
Transfers	509,769	(509,769)	1,288,975	(1,288,975)	-
At 31 March 2013	221,315,285	11,628,538	16,735,381	-	249,679,204
Housing Association Grant					
At 31 March 2012	143,168,352	2,395,750	12,116,527	731,468	158,412,097
Additions	-	2,634,159	-	-	2,634,159
Disposals	(495,935)	-	(59,524)	-	(555,459)
Transfers	182,867	(182,867)	731,468	(731,468)	-
At 31 March 2013	142,855,284	4,847,042	12,788,471	-	160,490,797
Other Capital Grant					
At 31 March 2012	6,204,904	-	-	-	6,204,904
Additions	86,732	431,000	-	-	517,732
Disposals	-	-	-	-	-
At 31 March 2013	6,291,636	431,000	-	-	6,722,636
Depreciation					
At 31 March 2012	9,894,134	-	91,302	-	9,985,436
Charge for the year	1,223,317	-	8,197	-	1,231,514
Disposals	(94,129)	-	-	-	(94,129)
At 31 March 2013	11,023,322	-	99,499	-	11,122,821
NBV at 31 March 2013	61,145,043	6,350,496	3,847,411	-	71,342,950
<hr/>					
NBV at 31 March 2012	60,665,231	1,264,559	3,317,263	547,109	65,794,162

CALEDONIA HOUSING ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 MARCH 2013
(Continued)

11. (b) Other Tangible Fixed Assets

Cost	Office Furniture & Equipment £	Scheme Plant & Equipment £	Scheme Furniture Fittings & Equipment £	Office Accommodation £	Leasehold Property £	Motor Vehicles £	Other Fixed Assets £
At 31 March 2012	1,132,791	283,688	127,064	880,213	235,861	93,455	2,753,072
Addition	71,307	-	21,178	-	-	-	92,485
Disposals	-	-	-	-	-	-	-
At 31 March 2013	1,204,098	283,688	148,242	880,213	235,861	93,455	2,845,557
Depreciation							
At 31 March 2012	935,211	159,476	100,305	76,240	169,806	40,620	1,481,658
Charge for the year	134,406	28,369	7698	6,333	33,027	20,028	229,861
Disposals	-	-	-	-	-	-	-
At 31 March 2013	1,069,617	187,845	108,003	82,573	202,833	60,648	1,711,519
NBV at 31 March 2013	134,481	95,843	40,239	797,640	33,028	32,807	1,134,038
NBV at 31 March 2012	197,580	124,212	26,759	803,973	66,055	52,835	1,271,414

Development administration costs capitalised amount to £335,830 (2012: £166,095) for which Housing Association Grant amounting to £11,966 (2012: £65,325) was received in the year.

12. Stock and Work In Progress

Developments in progress for other Associations

	31 March 2013 £	31 March 2012 £
Cost	3,816,462	3,804,370
HAG	(3,779,862)	(3,779,862)
	<u>6,600</u>	<u>24,508</u>
Shared Ownership Construction – First tranche estimate	-	352,507
Replacement Components	157,916	-
As at 31 March 2013	<u>194,516</u>	<u>377,015</u>

CALEDONIA HOUSING ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 MARCH 2013
(Continued)

13. Debtors

	31 March 2013 £	31 March 2012 £
Gross rents in arrears	638,707	640,817
Less bad debt provision	(174,836)	(50,902)
	<u>463,871</u>	<u>589,915</u>
Grants receivable	539,073	416,273
Prepayments and accrued income	444,693	532,171
	<u>1,447,637</u>	<u>1,538,359</u>

14. Creditors due within one year

	31 March 2013 £	31 March 2012 £
Housing Loans (Note 15)	1,699,091	1,502,381
Trade creditors	242,744	132,286
Other taxes and Social Security	106,682	7,078
Rents in advance	252,295	108,007
Accruals and deferred income	2,644,189	2,556,702
Pensions	84,745	39,437
	<u>5,029,746</u>	<u>4,345,891</u>

15. Creditors due after more than one year

	31 March 2013 £	31 March 2012 £
Loans	<u>52,574,475</u>	<u>51,172,075</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 2012: 0.75% and 13.0%) in instalments due as follows:

CALEDONIA HOUSING ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS
AS AT 31 MARCH 2013
(Continued)

15. Creditors due after more than one year (contd)

	31 March 2013 £	31 March 2012 £
In one year or less (note 14)	1,693,861	1,502,381
Between one and two years	1,745,830	1,535,114
Between two and five years	5,576,392	5,013,108
In five years or more	45,257,483	44,623,853
	<u>54,273,566</u>	<u>52,674,456</u>

16. Current Assets - LIFT

As at 31 March 2013 no LIFT properties were under construction

17. Investment in Subsidiary

	31 March 2013 £	31 March 2012 £
Cost – Caledonia Ventures (formerly known as Servite Ventures)	2	2
Cost – Servite Solutions	2	2
	<u>4</u>	<u>4</u>

The investment in subsidiary companies relates to Servite Solutions Limited and Caledonia 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 Caledonia 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.

18. Employees

	31 March 2013 £	31 March 2012 £
Staff costs during the period were as follows:		
Wages and salaries	3,459,517	3,822,541
Social security costs	278,766	282,311
Other pension costs	360,606	359,177
	<u>4,098,889</u>	<u>4,464,029</u>

CALEDONIA HOUSING ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 MARCH 2013
(Continued)

19. Employees (cont'd)

The average number of full time equivalent persons employed by the Association during the period was 138 (31 March 2012: 151).

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 2013 £	31 March 2012 £
Aggregate emoluments payable to directors (including pension contributions and benefits in kind)	<u>437,078</u>	<u>463,349</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 2013 No	Year to 31 March 2012 No
£60,000 to £70,000	5	5
£70,001 to £80,000	-	1
£80,001 to £100,000	1	-
£100,000 to £110,000	-	-

	Year to 31 March 2013 £	Year to 31 March 2012 £
Emoluments payable to highest paid Executive Officer (excluding pension contributions)	93,512	78,800

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 £7,878 (2012: £7,703).

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 2013
(Continued)

20. 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 £153,193 (2012: £149,143). Contributions totalling £18,288 (2012: £17,820) 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 1 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 1 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. The Association also paid £118,708, (2012:£113,592) as a contribution for past service deficits as part of a fifteen year recovery plan. This plan is designed to redress the shortfall in assets as detailed below and the Association's share of this liability has a net present value of £1,973,443. Member contributions were 8.5%. As at the balance sheet date there were 25 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%. N.B. The Scheme's 30 September 2012 valuation is currently in progress and will be finalised by 31 December 2013. The results of the 2012 valuation will be included in the 2014 Disclosure Note.

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 2013
(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 2012)	%
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 2012, 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 2013
(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 2012. As of this date the estimated employer debt for the Association was £5,094,596. This is shown in note 31 to these Financial Statements as a Contingent Liability.

CALEDONIA HOUSING ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 MARCH 2013
(Continued)

21. PAYMENTS TO MEMBERS & MANAGEMENT BOARD MEMBERS	31 March 2013 £	31 March 2012 £
Fees, remuneration or expenses payable to members of the Association who were neither members of the Management Board, nor employees of the Association	16	312
Fees, remuneration or expenses payable to members of the Management Board of the Association who were neither officers nor employees of the Association	593	270
Fees, remuneration or expenses paid to officers of the Association who were not employees	489	-
Payments or gifts made, or benefits granted to the persons referred to in Schedule 7 of the Housing (Scotland) Act 2010	-	-

22. Share Capital	31 March 2013 £	31 March 2012 £
Shares of £1 fully paid and issued at beginning of year	264	223
Shares issued during year	4	48
Shares cancelled in year	(29)	(7)
Shares issued at end of year	239	264

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

23. Notes to the Cash Flow Statement

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

	31 March 2013 £	31 March 2012 £
Operating surplus	4,341,165	3,711,861
(Increase)/Decrease in stock	182,499	-
Depreciation charge	1,461,375	1,432,598
Decrease in debtors	90,722	478,454
Increase/(Decrease) in creditors	487,145	(1,135,793)
Redundancy costs exceptional item	-	(159,926)
	<u>6,562,906</u>	<u>4,318,194</u>

CALEDONIA HOUSING ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 MARCH 2013
(Continued)

23. Notes to the Cash Flow Statement (continued)

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

	31 March 2013	31 March 2012
	£	£
(Decrease)/Increase in cash	(670,597)	1,924,138
Loans received	(3,169,371)	(1,401,995)
Loans repaid	1,570,261	1,150,629
	<u>(2,269,707)</u>	<u>1,672,772</u>
Net debt at 1 April 2012	<u>(47,628,892)</u>	<u>(49,301,664)</u>
Net debt at 31 March 2013	<u>(49,898,600)</u>	<u>(47,628,892)</u>

(c) Analysis of Changes in net debt

	As at 31 March 2012	Cash Flow	As at 31 March 2013
	£	£	£
Cash at bank and in hand	5,045,563	(670,597)	4,374,966
Short term investments	-	-	-
Debt due within one year	(1,502,381)	(196,710)	(1,699,091)
Debt due after one year	(51,172,075)	(1,402,400)	(52,574,475)
	<u>(47,628,893)</u>	<u>(2,269,707)</u>	<u>(49,898,600)</u>

24. Capital Commitments

	31 March 2013	31 March 2012
	£	£
Expenditure authorised by the Committee of Management contracted less certified	<u>10,735,793</u>	<u>8,452,182</u>

Of the amount contracted for at 31 March 2013, £9,328,634 relates to construction of properties and £1,407,159 relates to replacement of components.

CALEDONIA HOUSING ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 MARCH 2013
(Continued)

25. Housing Stock

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

	31 March 2013 £	31 March 2012 £
New Build	3,345	3,336
Shared Ownership	393	379
	<u>3,738</u>	<u>3,715</u>

26. Auditors' Remuneration

	31 March 2013 £	31 March 2012 £
The remuneration of the auditors	18,096	21,632
Remuneration of the entities related to the auditors	-	9,914
	<u>18,096</u>	<u>31,546</u>

27. Average Tenancy Rents

	31 March 2013 £	31 March 2012 £
Average annual tenancy rent	<u>3,242</u>	<u>3,116</u>
	No.	No.
Average number of tenancies	<u>3,345</u>	<u>3,336</u>
Percentage increase from previous year	<u>4.0%</u>	<u>4.5%</u>

CALEDONIA HOUSING ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 MARCH 2013
(Continued)

28. Related Parties

The following Members of the Management Board of Caledonia Housing Association are also directors of Caledonia Ventures Ltd (formerly 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.

29. Financial Commitments

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

	Land and Buildings	
	2013	2012
	£	£
Between one and five years		
Annual charge to 31/03/13	<u>62,000</u>	<u>62,000</u>

Operating lease payments are increasing to £64,000 for the remaining year. Expiry Date: 30/06/2019

30. Controlling Party

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

CALEDONIA HOUSING ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 MARCH 2013
(Continued)

31. 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 £5,094,596. 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 2013 was £2,559,860 (31 March 2012: £2,063,725).