

CALEDONIA HOUSING ASSOCIATION LIMITED
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2014

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 2014

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Bankers:

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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:

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

Solicitors:

Thorntons WS
Whitehall House
33 Yeaman Shore
Dundee
DD1 4BJ

TC Young
7 West George Street
Glasgow
G2 1BA

Harper McLeod
The Ca'd'oro
45 Gordon Street
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G1 3PE

CALEDONIA HOUSING ASSOCIATION
REPORT OF THE MANAGEMENT BOARD

31 MARCH 2014

The Management Board present their report and audited financial statements for the year to 31 March 2014.

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 2014 were as follows:

Mrs Helen Archibald (Co-opted 28/01/2014)
Mr Alistair Barrie
Mrs Penny Coburn
Mr Lindsay Darroch
Mr David Grant (Chairman appointed 17/09/2013)
Mr Robin Grant (Treasurer)
Mr Ian McLaren
Mrs Elaine O'Brien (Co-opted)
Mr Tom Potter (Vice Chairman appointed 17/09/2013)
Mr William Robertson
Mr Gavin Stewart
Mr Ian McMillan (Chairman, resigned 17/09/2013)
Mrs Elizabeth Brown (resigned 17/09/2013)

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.

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REPORT OF THE MANAGEMENT BOARD

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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 Co-operative and Community Benefit Societies Act 2014, the Housing Scotland Act 2010, 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.

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- (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 2014. 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 2014

REVIEW OF BUSINESS AND FUTURE DEVELOPMENTS

Caledonia Housing Association (CHA) is one of Scotland's leading providers of high quality affordable homes for people in housing need. With almost 4000 homes owned and managed across Tayside, Fife and the Highlands we are also one of Scotland's largest housing associations.

Last 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 Dunbarton. Our aim was to bring Cordale HA into the Caledonia Group as a subsidiary, thus retaining the identity, local offices and presence of this community based organisation. After extensive consultation with staff, tenants and members this process was completed and Cordale HA became a wholly owned subsidiary on 1 April 2014.

We have recognised the growing financial and structural pressures on Associations who wish to develop new housing and related services but as detailed below, we 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

Customer Excellence

We will deliver excellent services that are valued by our customers, aim to meet their needs and provide value for money

Business Growth

We will continue to provide new homes for our diverse customer group and will develop the range of services that we can offer to them

Business Sustainability

We will make our Association stronger for the future through effective governance, sound financial and risk management, investing in our homes and striving for continuous improvement

Investment in People

We will invest in the skills and knowledge of our staff team and Management Board to enable them to do their best for the Association

Development and Funding

Our current housing stock stands at 3850 with 112 homes being completed in 2013/14 and, looking forward we have another three new developments on site which will provide another 54 homes in 2014/15. This development programme is made possible by our ability and capacity to use our asset base to raise the necessary private finance.

In addition the Association has an active housing development programme and plans are at an advanced stage to develop sites in the Perth and Kinross area to deliver 45 homes in 2016 and our partnership with Cordale HA will see work begin on a major development of 51 homes in West Dunbarton.

Additional private finance will be required to fund our current and future development programme and we have devoted a large part of the year to securing this funding. The repercussions flowing from new regulations brought about as a result of the banking crisis has fundamentally changed the face of traditional High Street bank lending. Long term fixed rate debt on terms acceptable to most RSL's is difficult to arrange and as such Caledonia turned to the capital markets who are in a position to fill this gap.

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The Association has secured £15m fixed rate long term private finance by way of an aggregator capital market bond. This funding, when matched with Scottish Government grant, will be used to deliver our development programme as detailed above. Security for new borrowing will be provided by utilising the Association's unencumbered assets.

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 £1,726,528 in the year to 31 March 2014 (year to 31 March 2013 – surplus £2,381,364).

Operating Surplus

The Operating Surplus for the year to 31 March 2014 was £3,714,114 (year to 31 March 2013 £4,341,165).

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 2014, the Association had 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 2014 was 3.52%, which is below average for the social housing sector at this time.

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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 :

- The financial and social effects of welfare benefit reform.
- External influences on planned income and/or expenditure.
- The failure of business continuity systems.
- Compliance with new Scottish Government energy efficiency standards.

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	12/13 Actual
• Void Loss	<1%	0.61%	0.44%
• Re-let Performance	<20 Days	19.6 Days	18 Days
• Arrears Performance	<3.5%	4.27%	4.51%
• Profitability – Operating surplus	>26%	22.5%	23.9%
• Financial Covenant - Interest Cover	>130%	157.5%	217%
• Financial Covenant - Gearing	<40%	28.3%	28.85%

Indicators were set in the year to 31 March 2014 based on historic and benchmark material and the results will be used to inform our control mechanisms and targets in future years. Our Operations Department targets concerning void loss and days to re-let are within target. Arrears performance whilst being improved from last year still remains below target principally due to the timing of housing benefit payments and changes to the tenant profile. This performance indicator will be monitored closely as Government proposals for welfare benefit reform are rolled out.

Similarly whilst operating surplus is below expectations set at the beginning of the year the variance is due in the most part to an acceleration of our planned maintenance programme and management costs related to bringing Cordale HA into the Caledonia Group. Gearing and interest cover financial covenants set by our funders are well within target and as such this will enable us to fund future development in line with our Business Plan assumptions.

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. In this respect at March 2014 our stock was 91.5% compliant.

CALEDONIA HOUSING ASSOCIATION
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31 MARCH 2014

Rental Income

Annual increases in rent for existing properties and rent from new properties resulted in a 6% increase in rental income (2013 5.2%). 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 (2013: 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 (£8.49m) to minimise future financial risk. The current level of undesignated revenue reserves is £20.8m following a £1.80m transfer to designated reserves and the addition of a £1.72m revenue surplus.

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.

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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 David Grant (Chairman)



19 Aug. 2014

CALEDONIA HOUSING ASSOCIATION

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

We have audited the financial statements of Caledonia Housing Association Group RSL for the year ended 31 March 2014 (the "financial statements") 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 part 7 of the Co-operative and Community Benefit Societies Act 2014. 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 3, 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/auditscopeukprivate>

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 2014 and of its income and expenditure for the year then ended; and
- have been prepared in accordance with the requirements of the Co-operative and Community Benefit Societies Act 2014, the Co-operative and Community Benefit Societies (Group Accounts) Regulations 1969, Part 6 of the Housing (Scotland) Act 2010 and the 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 Co-operative and Community Benefit Societies Act 2014 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
Statutory Auditor
Chartered Accountants
139 Fountainbridge
Edinburgh
EH3 9GQ

Date *27 August* 2014

CALEDONIA HOUSING ASSOCIATION
INCOME & EXPENDITURE ACCOUNT
FOR THE YEAR ENDED 31 MARCH 2014

	Notes	Year to 31 March 2014	Year to 31 March 2013
		£	£
Turnover	2	16,994,860	16,749,196
Less: Operating Costs	2	<u>(13,280,746)</u>	<u>(12,408,031)</u>
Operating Surplus	2	3,714,114	4,341,165
(Loss) on sale of fixed assets	9	(17,205)	(33,919)
Interest receivable	6	14,255	31,258
Interest payable	5	<u>(1,984,636)</u>	<u>(1,957,140)</u>
Surplus for year	8b	<u>1,726,528</u>	<u>2,381,364</u>

In each of the years ended 31 March 2013 and 2014 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 2014

	Notes	31 March 2014 £	31 March 2013 £
Tangible Fixed Assets			
Housing properties			
- gross cost less depreciation	10a	244,189,658	238,556,383
Less: HAG	10a	(162,892,692)	(160,490,797)
Less: Other Capital Funding	10a	(6,801,795)	(6,722,636)
	10a	74,495,171	71,342,950
Other Fixed Assets	10b	1,090,680	1,134,038
		<u>75,585,851</u>	<u>72,476,988</u>
Investments			
Shares in Subsidiary Company	16	4	4
Fixed Asset Investments			
LIFT Loans	15	4,056,300	3,937,569
LIFT Grants	15	(4,026,331)	(3,937,569)
		<u>29,969</u>	<u>-</u>
Tangible Fixed Assets		<u>75,615,820</u>	<u>72,476,992</u>
Stock and Work in Progress	11	196,435	194,516
Debtors	12	1,369,005	1,447,637
Cash at bank and in hand		<u>3,231,744</u>	<u>4,374,966</u>
		4,797,184	6,017,119
Current Liabilities			
Creditors due within one year	13	(4,830,325)	(5,029,746)
Net Current (Liabilities)/Assets		<u>(33,141)</u>	<u>987,373</u>
Total Assets less Current Liabilities		75,582,679	73,464,365
Creditors due after more than one year	14	(52,966,278)	(52,574,475)
Net Assets		<u>22,616,401</u>	<u>20,889,890</u>
Capital Reserves			
Share capital	20	222	239
Designated reserves	8a	1,807,131	1,973,443
Revenue reserves	8b	20,809,048	18,916,208
		<u>22,616,401</u>	<u>20,889,890</u>

These financial statements were approved by the Management Board on 19 August 2014 and are authorised for issue and signed on their behalf by:

Chairman of the Management Board

Board Member

Secretary

Date 19 August 2014

[Handwritten signatures]

CALEDONIA HOUSING ASSOCIATION
CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 MARCH 2014

	Notes	31 March 2014	31 March 2013
		£	£
Net cash inflow from operating activities	21a	5,342,076	6,562,906
Return on investments and servicing of finance			
Interest received		14,255	31,258
Interest paid		(1,984,636)	(1,957,140)
		<u>(1,970,381)</u>	<u>(1,925,882)</u>
Investing activities			
Purchase of housing properties		(7,609,760)	(10,010,203)
Proceeds of sale of housing properties		15,404	44,091
Purchase of other fixed assets		<u>(152,619)</u>	<u>(92,485)</u>
Net cash outflow from investing		<u>(7,746,975)</u>	<u>(10,058,597)</u>
Net cash outflow before financing		<u>(4,375,280)</u>	<u>(5,421,573)</u>
Financing			
Housing association grant received		2,849,634	2,634,159
Other capital grants received		79,159	517,732
Loan principal received		1,600,019	3,169,371
Loan principal repayments		(1,296,737)	(1,570,261)
(Decrease) in share capital		<u>(17)</u>	<u>(25)</u>
Net cash inflow from financing		<u>3,232,058</u>	<u>4,750,976</u>
(Decrease) in cash and cash equivalents	21c	<u>(1,143,222)</u>	<u>(670,597)</u>

CALEDONIA HOUSING ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 MARCH 2014

1. Accounting Policies

The Association is registered with the Financial Conduct Authority under the Co-operative and Community Benefit Societies Act 2014. 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 of Servite Housing Association into Perthshire Housing Association 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 the Association completed the acquisition of £14,973,611 additional private finance on 13 May 2014 from GB Social Housing by way of a twenty five year aggregator bond secured by unencumbered housing assets. Any future borrowing will be provided by utilising the Association's unencumbered assets currently amounting to over 500 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 2014
(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 major components are 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 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 and FCA permission has been received.

CALEDONIA HOUSING ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 MARCH 2014
(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 $\frac{1}{3}$ % per annum on cost, and photocopiers which are depreciated at 20% per annum on cost.

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.

In accordance with SSAP 19, (i) investment properties are revalued annually by persons holding a recognised professional qualification and at least every five years by an external valuer; and the aggregate surplus or deficit is transferred to a revaluation reserve, and (ii) no depreciation or amortisation is provided in respect of freehold investment properties and leasehold investment properties.

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.

CALEDONIA HOUSING ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS
AS AT 31 MARCH 2014
(Continued)

(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.

(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 the Scottish Housing Regulator. Mortgage loans in the balance sheet include amounts due but not received.

(k) 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). The sums set aside represent the net present value of this liability

(l) 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 to minimise future financial risk.

(m) Operating lease commitments

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

(n) 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.

(o) VAT

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

CALEDONIA HOUSING ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 MARCH 2014
(Continued)

(p) 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.

(q) 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.

(r) 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.

(s) 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 2014
(Continued)

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

			31 March 2014	31 March 2013
	Turnover	Operating Costs	Operating Surplus	Operating Surplus
Income and expenditure from social lettings (note 3)	15,156,841	(11,552,315)	3,604,526	4,286,792
Income & expenditure from other activities (note 4)	1,838,019	(1,728,431)	109,588	54,373
Year to 31 March 2014 Total	16,994,860	(13,280,746)	3,714,114	4,341,165

CALEDONIA HOUSING ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 MARCH 2014
(Continued)

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

	General Needs	Supported	Shared Ownership Housing	31 March 2014 Total	31 March 2013 Total
	£	£	£	£	£
Rent receivable net of service charges	9,131,554	2,358,990	740,516	12,231,060	11,538,465
Service charges	915,228	1,883,581	182,291	2,981,100	2,902,783
Gross income from rents and service charges	10,046,782	4,242,571	922,807	15,212,160	14,441,248
Less Voids	(27,445)	(27,847)	(27)	(55,319)	(44,139)
Net income from rents and service charges	10,019,337	4,214,724	922,780	15,156,841	14,397,109
Grants from the Scottish Ministers					
Other revenue grants	-	-	-	-	11,967
Total turnover from social letting activities	10,019,337	4,214,724	922,780	15,156,841	14,409,076
Management and maintenance administration costs	2,601,183	1,094,211	239,569	3,934,963	3,497,357
Service costs	1,117,767	1,670,080	164,256	2,952,103	2,890,238
Planned and cyclical maintenance including major repairs costs	1,381,433	482,993	-	1,864,426	1,253,250
Reactive maintenance costs	867,630	249,089	-	1,116,719	1,132,465
Bad debts – rent and service charges	203,717	14,214	-	217,931	117,461
Depreciation of social housing	1,087,449	326,125	52,599	1,466,173	1,231,513
Operating costs for social letting activities	7,259,179	3,836,712	456,424	11,552,315	10,122,284
Operating surplus for social letting activities	2,760,158	378,012	466,356	3,604,526	4,286,792
Operating surplus for social letting activities for previous accounting period	3,062,945	744,920	478,927	4,286,792	

CALEDONIA HOUSING ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 MARCH 2014
(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 at 31 March 2014	Operating Surplus at 31 March 2013
	£	£	£	£	£	£	£	£	£
Care and repair of property	322,412	-	-	-	322,412	-	(317,277)	5,135	62,687
Development and construction of property activities	221,821	-	-	365,862	587,683	-	(507,978)	79,705	(13,788)
Support activities	-	-	422,498	-	422,498	-	(463,387)	(40,889)	(70,559)
Care activities (Home Help)	-	-	-	191,132	191,132	-	(190,127)	1,005	(589)
Housing with Care	-	-	-	88,020	88,020	-	(85,620)	2,400	-
Dundee Voluntary Action	-	-	-	30,745	30,745	-	(26,929)	3,816	-
Making Advice Work Project	-	-	-	26,088	26,088	-	(26,088)	-	-
Income from Office Lease	-	-	-	46,080	46,080	-	-	46,080	46,080
Agency management services	-	-	-	109,552	109,552	-	(98,597)	10,955	20,400
Shared ownership 1 st tranche sales	-	-	-	-	-	-	-	-	-
Other activities	-	-	-	13,809	13,809	-	(12,428)	1,381	10,142
Total from other activities at 31 March 2014	544,233	-	422,498	871,288	1,838,019	-	(1,728,431)	109,588	54,373
Total from other activities at 31 March 2013	543,625	-	398,889	1,397,606	2,340,120	-	(2,285,747)	54,373	

CALEDONIA HOUSING ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 MARCH 2014
(Continued)

5. Interest payable

	31 March 2014 £	31 March 2013 £
Housing Accommodation	1,817,343	1,810,415
Shared Ownership	206,540	212,704
	<u>2,023,883</u>	<u>2,023,119</u>
Less Interest Capitalised	(39,247)	(65,979)
	<u>1,984,636</u>	<u>1,957,140</u>

6. Interest receivable

	31 March 2014 £	31 March 2013 £
Bank and Building Society Interest	<u>14,255</u>	<u>31,258</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 2013 £	Transfer In £	Transfer Out £	At 31 March 2014 £
Past service defined benefit pension provision	1,973,443	-	(166,312)	1,807,131
	<u>1,973,443</u>	<u>-</u>	<u>(166,312)</u>	<u>1,807,131</u>

This reserve relates to the net present value of the Association's share of the past service defined pension provision. Transfers in the year reflect movements in the NPV.

CALEDONIA HOUSING ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 MARCH 2014
(Continued)

8. (b) Revenue Reserves

	31 March 2014 £	31 March 2013 £
Opening balance at 1 April	18,916,208	18,508,287
Surplus for year	1,726,528	2,381,364
Transfer to designated reserves	-	(1,973,443)
Transfer from designated reserves	166,312	-
Closing balance at 31 March	<u>20,809,048</u>	<u>18,916,208</u>

9. Loss on sale of Assets

	31 March 2014 £	31 March 2013 £
Shared Ownership Sales	53,021	24,929
Loss on disposal of replaced components	<u>(70,226)</u>	<u>(58,848)</u>
	<u>(17,205)</u>	<u>(33,919)</u>

CALEDONIA HOUSING ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 MARCH 2014
(Continued)

10. (a) Tangible Fixed Assets

	Housing Properties Held for Letting	Housing Properties In course of Construction	Completed Shared Ownership Properties	Housing Properties
Cost	£	£	£	£
At 31 March 2013	221,315,285	11,628,538	16,735,381	249,679,204
Additions	2,206,232	5,474,567	-	7,680,799
Disposals	(689,072)	-	(11,593)	(700,665)
Transfers	12,903,711	(12,903,711)	-	-
At 31 March 2014	235,736,156	4,199,394	16,723,788	256,659,338
Housing Association Grant				
At 31 March 2013	142,855,284	4,847,042	12,788,471	160,490,797
Additions	111,311	2,868,986	-	2,980,297
Disposals	(568,806)	-	(9,596)	(578,402)
Transfers	4,997,194	(4,997,194)	-	-
At 31 March 2014	147,394,983	2,718,834	12,778,875	162,892,692
Other Capital Grant				
At 31 March 2013	6,291,636	431,000	-	6,722,636
Additions	79,159	-	-	79,159
Transfers	431,000	(431,000)	-	-
At 31 March 2014	6,801,795	-	-	6,801,795
Depreciation				
At 31 March 2013	11,023,322	-	99,499	11,122,821
Charge for the year	1,413,574	-	52,599	1,466,173
Disposals	(119,314)	-	-	(119,314)
At 31 March 2014	12,317,582	-	152,098	12,469,680
NBV at 31 March 2014	69,221,796	1,480,560	3,792,815	74,495,171
NBV at 31 March 2013	61,145,043	6,350,496	3,847,411	71,342,950

CALEDONIA HOUSING ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 MARCH 2014
(Continued)

10. (b) Other Tangible Fixed Assets

Cost	Investment Property £	Office Furniture & Equipment £	Scheme Plant & Equipment £	Scheme Furniture Fittings & Equipment £	Office Accommodation £	Leasehold Property £	Motor Vehicles £	Other Fixed Assets £
At 31 March 2013	-	1,204,098	283,688	148,242	880,213	235,861	93,455	2,845,557
Addition	-	71,352	-	47,005	-	-	34,262	152,619
Transfers	354,305	-	-	-	(354,305)	-	-	-
Disposals	-	-	-	-	(50,908)	-	-	(50,908)
At 31 March 2014	354,305	1,275,450	283,688	195,247	475,000	235,861	127,717	2,947,267
Depreciation								
At 31 March 2013	-	1,069,617	187,845	108,003	82,573	202,833	60,648	1,711,519
Charge for the year	-	87,173	28,370	12,480	6,333	33,028	28,593	195,977
Disposals	-	-	-	-	(50,908)	-	-	(50,908)
At 31 March 2014	-	1,156,790	216,215	120,483	37,998	235,861	89,241	1,856,588
NBV at 31 March 2014	354,305	118,660	67,473	74,764	437,002	-	38,476	1,090,679
NBV at 31 March 2013	-	134,481	95,843	40,239	797,640	33,028	32,807	1,134,038

Development administration costs capitalised amount to £365,862 (2013: £335,830) for which Housing Association Grant amounting to £nil (2013: £11,966) was received in the year.

11. Stock and Work In Progress

Developments in progress for other Associations

	31 March 2014 £	31 March 2013 £
Cost	-	3,816,462
HAG	-	(3,779,862)
	-	36,600
Replacement Components	196,435	157,916
As at 31 March 2014	196,435	194,516

CALEDONIA HOUSING ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 MARCH 2014
(Continued)

12. Debtors

	31 March 2014 £	31 March 2013 £
Gross rents in arrears	664,921	638,707
Less bad debt provision	(303,094)	(174,836)
	<u>361,827</u>	<u>463,871</u>
Grants receivable	446,288	539,073
Other Debtors	134,888	-
Prepayments and accrued income	426,002	444,693
	<u>1,369,005</u>	<u>1,447,637</u>

13. Creditors due within one year

	31 March 2014 £	31 March 2013 £
Housing Loans (Note 14)	1,610,570	1,699,091
Trade creditors	332,399	242,744
Other taxes and Social Security	90,750	106,682
Rents in advance	197,933	252,295
Accruals and deferred income	2,556,407	2,644,189
Pensions	42,266	84,745
	<u>4,830,325</u>	<u>5,029,746</u>

14. Creditors due after more than one year

	31 March 2014 £	31 March 2013 £
Loans	<u>52,966,278</u>	<u>52,574,475</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 1.25% and 13.0% (31 March 2013: 0.75% and 13.0%) in instalments due as follows:

CALEDONIA HOUSING ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 MARCH 2014
(Continued)

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

	31 March 2014 £	31 March 2013 £
In one year or less (note 13)	1,610,570	1,693,861
Between one and two years	1,872,670	1,745,830
Between two and five years	5,987,130	5,576,392
In five years or more	45,106,478	45,257,483
	<u>54,576,848</u>	<u>54,273,566</u>

15. Current Assets - LIFT

As at 31 March 2014 6 LIFT properties were under construction. Construction costs incurred as at 31 March 2014 amount to £118,727, (2013: £Nil) for which Housing Association Grant amounting to £88,762, (2013: £Nil) was received in the year.

16. Investment in Subsidiary

	31 March 2014 £	31 March 2013 £
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. Caledonia Ventures and Servite Solutions have 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 Conduct Authority (FCA) from the completion of group accounts.

17. Employees

Staff costs during the period were as follows:

	31 March 2014 £	31 March 2013 £
Wages and salaries	3,726,181	3,459,517
Social security costs	299,807	278,766
Other pension costs	379,506	360,606
	<u>4,405,494</u>	<u>4,098,889</u>

CALEDONIA HOUSING ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 MARCH 2014
(Continued)

17. Employees (cont'd)

The average number of full time equivalent persons employed by the Association during the period was 145 (31 March 2013: 138).

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 2014 £	31 March 2013 £
Aggregate emoluments payable to directors (excluding pension contributions and benefits in kind)	<u>416,266</u>	<u>389,730</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 2014 No.	Year to 31 March 2013 No.
£60,000 to £70,000	2	5
£70,001 to £80,000	3	-
£80,001 to £90,000	-	1
£90,001 to £100,000	1	-
£100,000 to £110,000	-	-

	Year to 31 March 2014 £	Year to 31 March 2013 £
Emoluments payable to highest paid Executive Officer (excluding pension contributions)	88,300	83,080

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 £8,400 (2013: £7,878).

Total expenses reimbursed insofar as not chargeable to UK Income Tax.	<u>NIL</u>	<u>NIL</u>
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CALEDONIA HOUSING ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 MARCH 2014
(Continued)

18. 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 £166,921 (2013: £153,193). Contributions totalling £19,829 (2013: £18,288) 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 £124,050 (2013: £118,708) 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 £1,807,131. Member contributions were 8.5%. As at the balance sheet date there were 23 active members of the Scheme employed by the Association.

The last formal valuation of the Scheme was performed as at 30 September 2012 by a professionally qualified actuary using the Projected Unit Credit method. The market value of the Scheme's assets at the valuation date was £394 million. The valuation revealed a shortfall of assets compared to liabilities of £304 million, equivalent to a past service funding level of 56.4%.

The Scheme Actuary has prepared an Actuarial Report that provides an approximate update on the funding position of the Scheme as at 30 September 2013. 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 £470 million and indicated a decrease in the shortfall of assets compared to liabilities to approximately £272 million, equivalent to a past service funding level of 63%.

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 2014
(Continued)

2012 Valuation Assumptions			% pa
Investment return pre-retirement			5.3
Investment return post retirement – Non-pensioners			3.4
Investment return post retirement – Pensioners			3.4
Rate of salary increases			4.1
Rate of pension increases accrued pre 6 April 2005 in excess of GMP			2.0
Rate of pension increases accrued post 6 April 2005 (For leavers before 1 October 1993 pension increases are 5.0%)			1.7
Rate of price inflation			2.6

Mortality tables	
Non-Pensioners	44% of S1PMA (males) and S1PFA (females) projected using CMI_2011 with a long term improvement of 1.50% p.a. for males and 1.25% p.a. for females.
Pensioners	90% of S1PMA (males) and S1PFA (females) projected using CMI_2011 with a long term improvement of 1.50% p.a. for males and 1.25% p.a. for females.

Contribution Rates for Future Service (Payable from 1 April 2014)	%
CARE 1/60ths – total contribution employers and members	22.4

Additional deficit contributions are payable from 1 April 2014 amounting to £173,590 (2013 £124,050) and will increase by 3% per annum thereafter. Technical Provisions liabilities as at 30 September 2012 will be used as the reference point for calculating the additional contributions. Estimated employer's contributions for next financial year amounts to £275,818, (2014, £229,709).

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 2014
(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 Pensions Trust of the estimated employer debt on withdrawal from the Scottish Housing Associations' Pension Scheme based on the financial position of the Scheme as at 30 September 2013. As of this date the estimated employer debt for the Association was £4,699,274. This is shown in note 29 to these Financial Statements as a Contingent Liability.

CALEDONIA HOUSING ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 MARCH 2014
(Continued)

19. PAYMENTS TO MEMBERS & MANAGEMENT BOARD MEMBERS	31 March 2014 £	31 March 2013 £
Fees, remuneration or expenses payable to members of the Association who were neither members of the Management Board, nor employees of the Association	-	16
Fees, remuneration or expenses payable to members of the Management Board of the Association who were neither officers nor employees of the Association	689	593
Fees, remuneration or expenses paid to officers of the Association who were not employees	414	489
Payments or gifts made, or benefits granted to the persons referred to in Schedule 7 of the Housing (Scotland) Act 2010	-	-

20. Share Capital	31 March 2014 £	31 March 2013 £
Shares of £1 fully paid and issued at beginning of year	239	264
Shares issued during year	3	4
Shares cancelled in year	(20)	(29)
Shares issued at end of year	222	239

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

21. Notes to the Cash Flow Statement

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

	31 March 2014 £	31 March 2013 £
Operating surplus	3,714,114	4,341,165
(Increase)/Decrease in stock	(1,919)	182,499
Depreciation charge	1,662,150	1,461,375
Decrease in debtors	78,632	90,722
(Decrease)/Increase in creditors	(110,901)	487,145
	<u>5,342,076</u>	<u>6,562,906</u>

CALEDONIA HOUSING ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 MARCH 2014
(Continued)

21. Notes to the Cash Flow Statement (continued)

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

	31 March 2014	31 March 2013
	£	£
(Decrease) in cash	(1,143,222)	(670,597)
Loans received	(1,600,019)	(3,169,371)
Loans repaid	1,296,737	1,570,261
	<u>(1,446,504)</u>	<u>(2,269,707)</u>
Net debt at 1 April 2013	<u>(49,898,600)</u>	<u>(47,628,892)</u>
Net debt at 31 March 2014	<u>(51,345,104)</u>	<u>(49,898,600)</u>

(c) Analysis of Changes in net debt

	As at 31 March 2013	Cash Flow	As at 31 March 2014
	£	£	£
Cash at bank and in hand	4,374,966	(1,143,222)	3,231,744
Short term investments	-	-	-
Debt due within one year	(1,699,091)	88,521	(1,610,570)
Debt due after one year	(52,574,475)	(391,803)	(52,966,278)
	<u>(49,898,600)</u>	<u>(1,446,504)</u>	<u>(51,345,104)</u>

22. Capital Commitments

	31 March 2014	31 March 2013
	£	£
Expenditure authorised by the Management		
Board contracted less certified	<u>15,754,819</u>	<u>10,735,793</u>

CALEDONIA HOUSING ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 MARCH 2014
(Continued)

23. Housing Stock

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

	31 March 2014 No.	31 March 2013 No.
New Build	3,457	3,345
Shared Ownership	393	393
	<u>3,850</u>	<u>3,738</u>

24. Auditors' Remuneration

	31 March 2014 £	31 March 2013 £
The remuneration of the auditors	18,639	18,096
Remuneration of the entities related to the auditors	24,068	-
	<u>42,707</u>	<u>18,096</u>

25. Average Tenancy Rents

	31 March 2014 No.	31 March 2013 No.
Average annual tenancy rent	<u>3,341</u>	<u>3,242</u>
	No.	No.
Average number of tenancies	<u>3,457</u>	<u>3,345</u>
Percentage increase from previous year	<u>3.2%</u>	<u>4.0%</u>

CALEDONIA HOUSING ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 MARCH 2014
(Continued)

26. 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 a member of 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.

27. Financial Commitments

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

	Land and Buildings	
	2014	2013
	£	£
Between one and five years		
Annual charge to 31 March 2014	<u>63,412</u>	<u>62,000</u>

Operating lease payments are increasing to £64,000 for the remaining year. Expiry Date: 30 June 2017

28. Controlling Party

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

CALEDONIA HOUSING ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 MARCH 2014
(Continued)

29. 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 £4,699,274. At this time there is no intention to leave the scheme.

Housing Association Grant allocated to components (as detailed in Note 1 (i) (j)) 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 2014 was £3,059,193 (31 March 2013: £2,559,860).

30. Post Balance Sheet Events

Cordale Housing Association

As stated in the report of the Management Board on 1 April 2014 Cordale Housing Association became a wholly owned subsidiary of Caledonia Housing Association.

Additional Private Finance

The Association completed the acquisition of £14,973,611 additional private finance on 13 May 2014 from GB Social Housing by way of a twenty five year aggregator bond secured by unencumbered housing assets.

Scottish Housing Associations' Pension Scheme (SHAPS)

The Association closed the defined benefit pension scheme on the 30 June 2014. At this date all current members transferred to a defined contribution scheme.

