

# **Caledonia Housing Association Limited**

## **Report of the Management Board and Consolidated Financial Statements Year ended 31 March 2016**

### **Registration Particulars:**

Financial Conduct Authority

Registered Number 2343 R (S)

Scottish Housing Regulator

Registered Number HEP 224

The Scottish Charity Register

Charity Number SCO13988

**CALEDONIA HOUSING ASSOCIATION LIMITED**  
**REPORT OF THE MANAGEMENT BOARD AND CONSOLIDATED FINANCIAL**  
**STATEMENTS**

**For the year ended 31 March 2016**

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# CALEDONIA HOUSING ASSOCIATION LIMITED

## ADVISERS

**For the year ended 31 March 2016**

**Registered Office:**

5 South St Johns Place  
Perth  
PH1 5SU

**Auditors:**

RSM UK Audit LLP (formerly Baker Tilly UK Audit LLP)  
First Floor, Quay 2  
139 Fountainbridge  
Edinburgh  
EH3 9QG

**Bankers:**

Bank of Scotland  
2 West Marketgait  
Dundee  
DD1 1QN

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

**Solicitors:**

Thorntons WS  
Whitehall Road  
33 Yeaman Shore  
Dundee  
DD1 4BJ

TC Young  
7 West George Street  
Glasgow  
G2 1BA

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

# **CALEDONIA HOUSING ASSOCIATION LIMITED**

## **REPORT OF THE MANAGEMENT BOARD**

### **The Management Board and Executive Officers**

The Members of the Management Board of the Association during the year to 31 March 2016 were as follows:

Mrs Helen Archibald  
Mrs Penny Coburn (Vice Chair)  
Mr Lindsay Darroch – (re-appointed 15/09/15)  
Mr David Grant (Chairman)  
Mr Robin Grant (Treasurer) – (resigned 16/03/16)  
Mr Ian Gray  
Mr Martin Harkness – (appointed 15/09/15)  
Mr Hugh Levins – (appointed 15/09/15)  
Mr Raymond Low (resigned 23/02/16)  
Mrs Lorna McCurrach – (appointed 15/09/15)  
Mr Ian McLaren – (resigned 15/09/15)  
Mrs Elaine O'Brien  
Mr Tom Potter (Vice Chairman) – (resigned 15/09/15)  
Mr William Robertson – (resigned 15/09/15)  
Mr Gavin Stewart

### **Senior Staff Members**

Julie Cosgrove	Chief Executive
Tim Calderbank	Operations Director
Ron Hunter	Finance Director / Company Secretary
Andrew Kilpatrick	Asset Management Director
Garry Savage	Business Services Director
Lawrie West	Integration Director - (retired April 2016)
Barry Johnstone	Area Director

## **STRUCTURE, GOVERNANCE AND MANAGEMENT**

### **PRINCIPAL ACTIVITY**

The principal activity of the Association is to build, improve and manage affordable housing and related amenities for those in need by reason of age, ill-health, disability, financial hardship or other disadvantage.

### **THE MANAGEMENT BOARD, 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.

### **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.

# CALEDONIA HOUSING ASSOCIATION LIMITED

## REPORT OF THE MANAGEMENT BOARD

### STATEMENT OF MANAGEMENT BOARD'S RESPONSIBILITIES

The Co-operative and Community Benefits Societies Act 2014 and Registered Social 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 Group and 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 and the Registered Social Landlords Determination of Accounting Requirements April 2014 and the Statement of Recommended Practice for Registered Social Landlords 2014. They are also responsible for safeguarding the assets of the Association and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

### STATEMENT ON INTERNAL FINANCIAL CONTROLS

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

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

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

- (i) Formal policies and procedures are in place including the documentation of key systems and rules relating to the delegation of authorities which allow the monitoring of controls and restrict the unauthorised use of the Association's assets.
- (ii) Experienced and suitably qualified staff take responsibility for important business functions. The Association has appraisal procedures and training & development programmes in place to maintain standards of performance.
- (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.

# CALEDONIA HOUSING ASSOCIATION LIMITED

## REPORT OF THE MANAGEMENT BOARD

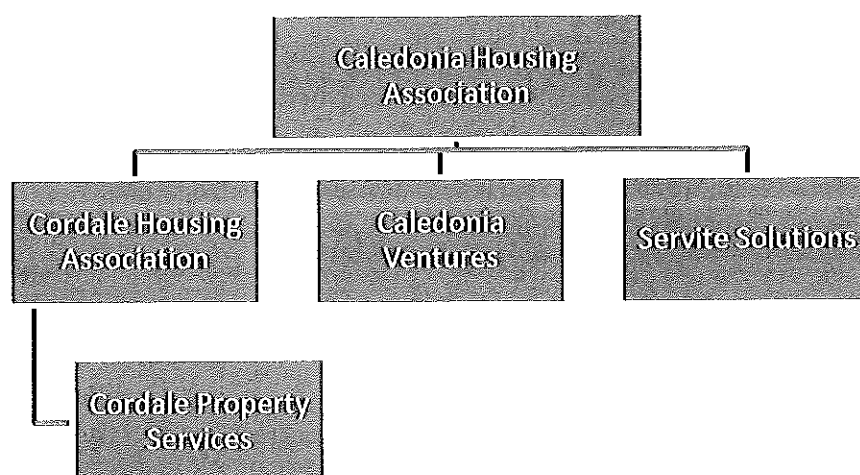
- (vi) Formal procedures have been established for instituting appropriate action to correct weaknesses identified from the above reports.

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 2016. 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.

As 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.

## GROUP STRUCTURE



The Caledonia Group comprises

### 1. Caledonia Housing Association

A registered social landlord registered under the Co-operative and Community Benefits Societies Act 2014 and Scottish charity and 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 also one of Scotland's largest Housing Associations.

# CALEDONIA HOUSING ASSOCIATION LIMITED

## REPORT OF THE MANAGEMENT BOARD

### Caledonia Housing Association Limited

#### 2. Cordale Housing Association

A registered social landlord and Scottish charity owning and managing 520 high quality affordable homes in Renton West Dunbartonshire for people in housing need. The Association became a wholly owned subsidiary of Caledonia on 1<sup>st</sup> April 2014

#### 3. Caledonia Ventures

A non-charitable private company limited by shares and wholly owned subsidiary of Caledonia Housing Association. Established to provide non-core services for the Group but currently dormant.

#### 4. Servite Solutions

A non-charitable private company limited by shares and wholly owned subsidiary of Caledonia Housing Association. Established to provide non-core services for the Group but currently dormant.

#### 5. Cordale Property Services

A non-charitable private company limited by shares and wholly owned subsidiary of Cordale Housing Association. Established originally to provide development services to the Housing Association but now owns and manages commercial property.

## REVIEW OF BUSINESS AND FUTURE DEVELOPMENTS

The financial statements reflect the introduction of Financial Reporting Standard 102 ('FRS 102') and the Statement of Recommended Practice for registered social landlords 2014 for the first time. Comparative figures have been updated accordingly. See note 32 to the financial statements for further detail.

### Financial Review

The Caledonia Group ("Caledonia" or the "Group") achieved an operating surplus for the year of £5.1m (year to 31<sup>st</sup> March 2015 - £5.4m). The Group made a net surplus of £2.1m in the 12 month period to 31<sup>st</sup> March 2016 (year to 31<sup>st</sup> March 2015 - £1.6m), the increase is due to our results for the year to 31<sup>st</sup> March 2015 being re-stated under FRS 102 regulations whereby the fixed rate loan breakage costs are now accounted for in the consolidated statement of comprehensive income. Turnover increased by 5.6% to £25.01m and operating costs increased by 8.7% to £19.8m whilst income from social letting activities rose by 2.85% (£0.51m) reflecting rent increases applied in April 2015 and rents received from new build completions during the year. The turnover from other activities rose by 58.2% due to increased Care and Repair and Stage 3 Adaptions grant income.

Included in operating costs is the expenditure on reactive, cyclical and planned maintenance the cost of which was £3.3m (2015 £2.8m). Total investment on all maintenance activities was £5.7m (2015 £5.5m) £2.4m of which was treated as capital expenditure. Annual expenditure on planned maintenance is derived from a 30 year life cycle costing consultant's report designed to ensure that all housing properties are maintained to a specific standard, thereby continuing to extend the useful life of the properties. Despite this significant investment Caledonia is required by the Statement of Recommended Practice to depreciate its housing properties and retained surpluses are calculated after providing £5.4m (2015 £5.3m) for depreciation.

At 31<sup>st</sup> March 2016 the Group's total reserves amounted to £30.2m an increase of £2.1m from 2015. The increase in reserves is solely attributed to the surpluses achieved and in addition to providing funds for re-development are a necessary hedge against risk.

The Group has in place a £20m revolving credit facility (£9m drawn) which when matched with Scottish Government grant is used to deliver our development programme. Security for new borrowing has been provided by utilising the Association's unencumbered housing assets.

# CALEDONIA HOUSING ASSOCIATION LIMITED

## REPORT OF THE MANAGEMENT BOARD

### Caledonia Housing Association Limited

#### Bellsmyre Housing Association

On the 1<sup>st</sup> April 2016 Bellsmyre Housing Association a registered social landlord based in West Dunbartonshire became a wholly owned subsidiary of Caledonia Housing Association. This partnership which brings an additional 592 socially rented general needs homes and 485 factored properties into the Group was formed after successful tenants and members ballots. The Association plans to re-finance a small amount of debt and embark on a major investment programme designed to improve existing housing stock.

#### 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 2016, 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.

#### 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.
- A serious incident resulting from failure of Health & Safety Regulations
- The failure of business continuity systems.
- Compliance with new Scottish Government energy efficiency standards.
- Changes to the funding for support services to older people.

#### 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:

Indicators for Caledonia Housing Association	Target	Actual	14/15 Actual
• Void Loss	<0.5%	0.51%	0.42%
• Re-let Performance	<18 Days	17.4 Days	18.5 Days
• Arrears Performance	<4.0%	4.66%	4.59%
• Profitability – Operating surplus	>22%	22%	27.2%
• Financial Covenant - Interest Cover	>115%	122%	142%
• Financial Covenant – Gearing	<40%	29%	29.0%

Indicators in line with the ARC definitions were set for the year to 31<sup>st</sup> March 2016 based on historic and benchmark material and the results will be used to inform our control mechanisms and targets in future years. Whilst most of these indicators have been controlled at or below target rent arrears remains a challenge. Arrears performance is below target principally due to increased former tenant arrears which are either written off or provided for. These performance indicators in our operations department will be monitored closely as Government proposals for welfare benefit reform are rolled out.

Operating surplus is on target for the year and gearing and interest cover financial covenants set by our funders have been met. The Association's financial strength as demonstrated in these results will enable us to fund future business plan priorities.



# CALEDONIA HOUSING ASSOCIATION LIMITED

## REPORT OF THE MANAGEMENT BOARD

### Caledonia Housing Association Limited

Indicators for Cordale Housing Association	Target	Actual	Actual 14/15
• Void Loss	<0.5%	0.3%	0.19%
• Re-let Performance	<10 Days	8.4 Days	11.6 Days
• Arrears Performance	<4.0%	4.5%	4.66%
• Profitability – Operating surplus	>30%	22.0%	20.8%
• Financial Covenant - Interest Cover	>200%	227%	242.1%
• Financial Covenant - Gearing	<30%	18%	18.2%

Indicators in line with ARC definitions were set for the year to 31<sup>st</sup> March 2016 based on historic and benchmark material and the variance against target will be used to inform our control mechanisms and targets in future years. Much of the year to 31<sup>st</sup> March 2016 was taken up integrating stand-alone policies and procedures with those of the Caledonia Group and in this respect it is pleasing to note that despite this increased workload the Association has met or where not met is just under target for most key ratios whilst the important financial covenants were well met. Arrears performance whilst being improved from last year still remains below target principally due to the timing of housing benefit payments and the integration of changes to the Association's control mechanisms. This performance indicator will be monitored closely as Government proposals for welfare benefit reform are rolled out. Similarly whilst operating surplus appears below target this is indicative of FRS 102 accounting changes not applied to the target but subsequently incorporated in actual results and as such does not reflect a decrease in profitability.

Sensitivity analysis has been carried out on the Group's and Association's five and thirty year plans to ensure long term viability and a stock condition survey completed to inform asset management strategy. Plans are in hand to carry out the work required to ensure compliance with EESSH regulations by the due date in 2020.

#### Rental Income

Annual increases in rent for existing properties and rent from new properties resulted in a 2.2% increase in rental income (2015 2.7%). Rents and services charges are set to recover current and future costs and any 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 (2015: 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 and tenant satisfaction. 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 EESSH 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.

# CALEDONIA HOUSING ASSOCIATION LIMITED

## REPORT OF THE MANAGEMENT BOARD

### Caledonia Housing Association Limited

- 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
- establishing 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 (£10.67m) to minimise future financial risk. The current level of undesignated revenue reserves is £26.7M following the addition of a £1.7M revenue surplus.

#### HUMAN RESOURCES

##### Equity and Diversity re Employment

All applicants for employment are given full and fair consideration for all vacancies in accordance with their particular aptitudes and abilities. We will ensure respect, fairness and understanding and at all times value and embrace diversity and eliminate discrimination.

##### 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 RSM UK Audit LLP (formerly 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)

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16 | 8 | 2016

# CALEDONIA HOUSING ASSOCIATION LIMITED

## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF

### Caledonia Housing Association Limited

We have audited the group and parent association financial statements of Caledonia Housing Association Limited for the year ended 31 March 2016 (the "financial statements") on pages 11 to 16. 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), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

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 pages 3 to 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/auditscopeukprivate>

#### Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and Association's affairs as at 31 March 2016 and of the income and expenditure of the Group and the income and expenditure of the Association for the year then ended;
- 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 – December 2014.

#### 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.

*RSM UK Audit LLP*

**RSM UK AUDIT LLP (formerly BAKER TILLY UK AUDIT LLP)**

Statutory Auditors  
Chartered Accountants  
First Floor, Quay 2  
139 Fountainbridge  
Edinburgh  
EH3 9QG

Date: *18 August 2016*

## CALEDONIA HOUSING ASSOCIATION LIMITED

### Independent Auditor's report to the members of Caledonia Housing Association Limited on Corporate Governance matters for the year ended 31 March 2016

In addition to our audit of the Financial Statements, we have reviewed your statement on pages 3 to 4 concerning the Association's compliance with the information required by the Regulatory Standards for systemically important RSLs in respect of internal financial controls contained within the publication "Our Regulatory Framework" and associated Regulatory Advisory Notes which are issued by the Scottish Housing Regulator.

#### Basis of Opinion

We carried out our review having regard to the requirements to corporate governance matters within Bulletin 2006/5 issued by the Financial Reporting Council through enquiry of certain members of the Management Committee and Officers of the Association and examination of relevant documents. The Bulletin does not require us to review the effectiveness of the Association's procedures for ensuring compliance with the guidance notes, nor to investigate the appropriateness of the reason given for non-compliance.

#### Opinion

In our opinion the Statement on Internal Financial Control on pages 3 to 4 has provided the disclosures required by the relevant Regulatory Standards for systemically important RSLs within the publication "Our Regulatory Framework" and associated Regulatory Advisory Notes issued by the Scottish Housing Regulator in respect of internal financial controls and is consistent with the information which came to our attention as a result of our audit work on the Financial Statements.

*RSM UK Audit LLP*

**RSM UK AUDIT LLP (formerly BAKER TILLY UK AUDIT LLP)**

Statutory Auditors

Chartered Accountants

First Floor, Quay 2

139 Fountainbridge

Edinburgh

EH3 9QG

Date: *18 August 2016*

**CALEDONIA HOUSING ASSOCIATION LIMITED**  
**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

**For the year ended 31 March 2016**

	<i>Note</i>	<b>2016</b>	<b>2015</b>
		<b>£</b>	<b>£</b>
Turnover	2,3,4a	25,010,488	23,681,631
Operating expenditure	2,3,4a	(19,827,814)	(18,240,146)
<b>Operating surplus</b>	<b>2</b>	<b>5,182,674</b>	<b>5,441,485</b>
(Loss) on disposal of fixed assets		(76,393)	(68,133)
(Loss) on disposal of fixed asset investments		-	(13,774)
		<b>5,106,281</b>	<b>5,359,578</b>
Interest receivable	8	23,494	29,650
Interest payable and financing costs	9	(3,000,905)	(3,747,036)
<b>Surplus for the year</b>		<b>2,128,870</b>	<b>1,642,192</b>
<b>Total comprehensive income for the year</b>		<b>2,128,870</b>	<b>1,642,192</b>

All figures relate to continuing operations.

The accompanying notes form part of these financial statements.

**CALEDONIA HOUSING ASSOCIATION LIMITED**  
**HOUSING ASSOCIATION STATEMENT OF COMPREHENSIVE INCOME**  
**For the year ended 31 March 2016**

	<i>Note</i>	<b>2016</b>	<b>2015</b>
		<b>£</b>	<b>£</b>
<b>Turnover</b>	<i>2,3,4</i>	<b>21,609,650</b>	<b>20,266,728</b>
<b>Operating costs</b>	<i>2,3,4</i>	<b>(17,184,087)</b>	<b>(15,540,026)</b>
<b>Operating surplus</b>	<i>2</i>	<b>4,425,563</b>	<b>4,726,702</b>
<b>(Loss) on disposal of fixed assets</b>		<b>(10,072)</b>	<b>68,133</b>
		<b>4,415,491</b>	<b>4,658,569</b>
<b>Interest receivable</b>	<i>8</i>	<b>22,460</b>	<b>28,656</b>
<b>Interest payable</b>	<i>9</i>	<b>(2,643,525)</b>	<b>(3,408,884)</b>
<b>Surplus for the year and total comprehensive income for the year</b>		<b>1,794,426</b>	<b>1,278,341</b>

All figures relate to continuing operations.

The accompanying notes form part of these statements.

**CALEDONIA HOUSING ASSOCIATION LIMITED**

**CONSOLIDATED AND HOUSING ASSOCIATION STATEMENT OF FINANCIAL POSITION**

**As at 31 March 2016**

	<i>Note</i>	<b>2016</b>		<b>2015</b>	
		<b>GROUP</b>	<b>ASSOCIATION</b>	<b>GROUP</b>	<b>ASSOCIATION</b>
		<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
<b>Fixed assets</b>					
Housing properties	11,12	267,159,541	225,678,266	260,496,637	217,664,820
Other fixed assets	13,14	930,875	904,670	952,783	927,219
Investment property	15	1,074,305	354,305	1,074,305	354,305
Investments in subsidiaries	16	104	4	104	4
		<hr/>	<hr/>	<hr/>	<hr/>
		269,164,825	226,937,245	262,523,829	218,946,348
		<hr/>	<hr/>	<hr/>	<hr/>
<b>Current assets</b>					
Stock and work in progress	17	-	-	28,825	28,825
Trade and other debtors	18	1,657,123	1,676,219	1,956,871	1,871,505
Cash and cash equivalents		5,011,137	2,734,020	5,908,671	3,817,844
		<hr/>	<hr/>	<hr/>	<hr/>
<b>Current liabilities</b>		6,668,260	4,410,239	7,894,367	5,718,174
Creditors: amounts falling due within one year	19	(10,317,590)	(8,606,875)	(8,894,612)	(7,207,103)
		<hr/>	<hr/>	<hr/>	<hr/>
<b>Net current liabilities</b>		(3,649,330)	(4,196,636)	(1,000,245)	(1,488,929)
		<hr/>	<hr/>	<hr/>	<hr/>
<b>Total assets less current Liabilities</b>		265,515,495	222,740,609	261,523,584	217,457,419
Creditors: amounts falling due after more than one year	20	(232,620,558)	(194,428,984)	(230,584,500)	(190,806,211)
Provisions for liabilities					
Pension provision	27	(2,723,000)	(2,100,000)	(2,896,000)	(2,234,000)
		<hr/>	<hr/>	<hr/>	<hr/>
<b>Net assets</b>		30,171,937	26,211,625	28,043,084	24,417,208
		<hr/>	<hr/>	<hr/>	<hr/>
<b>Capital and reserves</b>					
Share capital	23	455	202	472	211
Revenue reserve		30,171,482	26,211,423	28,042,612	24,416,997
		<hr/>	<hr/>	<hr/>	<hr/>
		30,171,937	26,211,625	28,043,084	24,417,208
		<hr/>	<hr/>	<hr/>	<hr/>

These financial statements on pages 11 to 49 were approved and authorised for issue by the Management Board on 16 August 2016 and were signed on their behalf:

Chairman of the Management Board

Board Member

Secretary

**CALEDONIA HOUSING ASSOCIATION LIMITED**

**CONSOLIDATED AND HOUSING ASSOCIATION STATEMENT OF CHANGES IN RESERVES**

**As at 31 March 2016**

<b>Group</b>	<b>Share Capital</b>	<b>Income and expenditure reserve</b>	<b>Total</b>
	<b>£</b>	<b>£</b>	<b>£</b>
<b>Balance at 1 April 2014</b>	567	26,400,420	26,400,987
Issued in the year	18		18
Cancelled in the year	(113)		(113)
Surplus for the year	-	1,642,192	1,642,192
	<hr/>	<hr/>	<hr/>
<b>Balance as at 31 March 2015</b>	472	28,042,612	28,043,084
Issued in the year	8	-	8
Cancelled in the year	(25)	-	(25)
Surplus for the year	-	2,128,870	2,128,870
	<hr/>	<hr/>	<hr/>
<b>Balance at 31 March 2016</b>	455	30,171,482	30,171,937

<b>Association</b>	<b>Share Capital</b>	<b>Income and expenditure reserve</b>	<b>Total</b>
	<b>£</b>	<b>£</b>	<b>£</b>
<b>Balance at 1 April 2014</b>	222	23,138,656	23,138,878
Issued in the year	13	-	13
Cancelled in the year	(24)	-	(24)
Surplus for the year	-	1,278,341	1,278,341
	<hr/>	<hr/>	<hr/>
<b>Balance as at 31 March 2015</b>	211	24,416,997	24,417,208
Issued in the year	7	-	7
Cancelled in the year	(16)	-	(16)
Surplus for the year	-	1,794,426	1,794,426
	<hr/>	<hr/>	<hr/>
<b>Balance at 31 March 2016</b>	202	26,211,423	26,211,625



**CALEDONIA HOUSING ASSOCIATION LIMITED**

**CONSOLIDATED STATEMENT OF CASHFLOWS**

**For the year ended 31 March 2016**

	Notes	2016 £	2015 £
Net cash generated from operating activities	25	7,890,043	7,491,555
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
Purchase of tangible fixed assets		(12,337,295)	(8,920,158)
Proceeds from sale of tangible fixed assets		850,056	70,188
Grants received		4,024,653	3,253,552
Grants repaid		(260,725)	(28,107)
Interest received		23,494	29,650
		<hr/>	<hr/>
<b>NET CASH FROM/(USED IN) INVESTING ACTIVITIES</b>		<b>(7,699,817)</b>	<b>(5,594,875)</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
Interest paid		(2,992,106)	(3,455,586)
Interest element of finance lease rental payments		-	-
New secured loans		2,207,340	2,512,578
Repayments of borrowings		(302,994)	(183,754)
Capital element of finance lease rental payments		-	-
Withdrawal from deposits		-	-
		<hr/>	<hr/>
<b>NET CASH FROM/(USED IN) FINANCING ACTIVITIES</b>		<b>(1,087,760)</b>	<b>(1,126,762)</b>
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>		<b>(897,534)</b>	<b>769,918</b>
		<hr/>	<hr/>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>		<b>5,908,671</b>	<b>5,138,753</b>
		<hr/>	<hr/>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	25	<b>5,011,137</b>	<b>5,908,671</b>
		<hr/> <hr/>	<hr/> <hr/>

**CALEDONIA HOUSING ASSOCIATION LIMITED**  
**HOUSING ASSOCIATION STATEMENT OF CASHFLOWS**

**For the year ended 31 March 2016**

	Notes	2016 £	2015 £
Net cash generated from operating activities	25	6,749,088	6,441,373
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
Purchase of tangible fixed assets		(12,069,300)	(8,574,706)
Proceeds from sale of tangible fixed assets		807,426	70,188
Grants received		4,024,653	3,253,552
Grants repaid		(190,765)	(28,107)
Interest received		22,460	28,656
<b>NET CASH FROM/(USED IN) INVESTING ACTIVITIES</b>		<b>(7,405,526)</b>	<b>(5,250,417)</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
Interest paid		(2,634,726)	(3,117,434)
Interest element of finance lease rental payments		-	-
New secured loans		2,207,340	2,512,578
Repayments of borrowings		-	-
Capital element of finance lease rental payments		-	-
Withdrawal from deposits		-	-
<b>NET CASH FROM/(USED IN) FINANCING ACTIVITIES</b>		<b>(427,386)</b>	<b>(604,856)</b>
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>		<b>(1,083,824)</b>	<b>586,100</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>		<b>3,817,844</b>	<b>3,231,744</b>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	25	<b>2,734,020</b>	<b>3,817,844</b>

# CALEDONIA HOUSING ASSOCIATION LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2016

### 1. Accounting policies

#### Legal Status

The Association is registered under the Co-operative and Community Benefit Societies Act 2014 with the Financial Conduct Authority and is registered with the Scottish Housing Regulator under the Housing (Scotland) Act 2010. Its registered office is in Perth as detailed on page 1.

The Association's principal activities are 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.

Caledonia Housing Association Limited is a Public Benefit Entity.

#### Basis of preparation

These financial statements have been prepared in accordance with UK Generally Accepted Accounting Practice (UK GAAP) including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102"), the Housing SORP 2014 "Statement of Recommended Practice for Registered Housing Providers" and they comply with the Determination of Accounting Requirements 2014, and under the historical cost convention, modified to include certain financial instruments at fair value.

The financial statements are prepared in Sterling (£) and rounded to the nearest whole pound.

#### *Critical accounting estimates and areas of judgement*

Preparation of the financial statements requires management to make critical judgements and estimates concerning the future. Estimates and judgements are continually evaluated and are based on historical experience, advice from qualified experts and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The resulting accounting estimates and assumptions will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are included below (Note – we have included examples below – this list is not exhaustive).

- Valuation of Housing Property - see Tangible Fixed Assets
- Useful lives of Housing Property- see Depreciation and Impairment
- Components of Housing Properties - see Depreciation and Impairment
- The measurement of the recoverable amount of assets for impairment reviews - see Depreciation and Impairment
- Recoverable amount of rent arrears and other debtors - see Financial Instruments.
- Government Grants – See Government Grants

#### Shared Ownership – Allocation of Costs

Shared ownership properties are split proportionally between fixed assets and current assets based on the element relating to expected first tranche sales. The first tranche proportion is classed as a current asset and related sales proceeds are included in turnover.

#### Valuation of Investment Property

Investment properties consist of commercial properties and properties not held for social benefit. These properties are initially measured at cost and subsequently measured at fair value whilst a reliable measure of fair value is available without undue cost or effort. Changes in fair value are recognised in income and expenditure.

The Companies Act 2006 requires all properties to be depreciated. However, this requirement conflicts with the generally accepted accounting principle set out in FRS 102. The Management Committee consider that, because investment properties are not held for consumption, but for their investment potential, to depreciate them would not give a true and fair view.

# CALEDONIA HOUSING ASSOCIATION LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### For the year ended 31 March 2016

If this departure from the Companies Act 2006 had not been made in order to give a true and fair view, the surplus/deficit for the financial year would have been reduced by depreciation. However the amount of depreciation cannot reasonably be quantified because depreciation is only one of many factors reflected in the annual valuation and the amount relating to the depreciation of the property cannot be separately identified. This departure however is only due to the trading subsidiary as all other entities are registered under the Co-operative and Community Benefit Societies Act 2014.

#### **Pension**

##### **Obligations under a defined benefit pension scheme**

The rate used to discount the past service deficit defined benefit obligations to their present value is based upon market yields for high quality corporate bonds with terms consistent with those of the benefit obligations. Our commitment to the SHAPS of £2.4m for the next 12 years has been discounted at a rate of 2.29% amounting to a net present value of £2.1m at 31 March 16.

#### **Defined contribution plans**

For defined contribution schemes the amount charged to income and expenditure is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments.

#### **Defined benefit plans**

The Association participates in a funded multi-employer defined benefit scheme, the Scottish Housing Association Pension Scheme (SHAPS). The SHAPS contributions are recognised in income and expenditure in the period to which they relate as there is insufficient information available to use defined benefit accounting. A liability is recognised for contributions arising from an agreement with the multi-employer plan that determines how the RSL

#### **Change in accounting policy**

These financial statements are the first financial statements of Caledonia Housing Association Limited prepared in accordance with Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (FRS 102). The financial statements of Caledonia Housing Association Limited for the year ended 31 March 2015 were prepared in accordance with previous UK GAAP. Some of the FRS 102 recognition, measurement, presentation and disclosure requirements and accounting policy choices differ from previous UK GAAP.

Consequently, the directors have amended certain accounting policies to comply with FRS 102. Comparative figures have been restated to reflect the adjustments made. Reconciliations and descriptions of the effect of the transition to FRS 102 on; (i) reserves at the date of transition to FRS 102; (ii) reserves at the end of the comparative period; and (iii) income or expenditure for the comparative period reported under previous UK GAAP are given in note 32.

#### **Government grants**

Government grants include grants receivable from the Scottish Government, local authorities and other government bodies. Government grants are recognised at the fair value of the asset received or receivable when there is reasonable assurance that the grant conditions will be met and the grants will be received.

Government grants received for housing properties are recognised in income over the useful economic life of the structure of the asset and, where applicable, the individual components of the structure (excluding land) on a pro-rata basis under the accruals model.

On disposal of an asset for which government grant was received, if there is no obligation to repay the grant, then any unamortised grant remaining is derecognised as a liability and recognised as income. Where there is a requirement to repay a grant a liability is included in the Statement of Financial Position to recognise this obligation.

#### **Other grants**

Grants received from non-government sources are recognised using the performance model. Grants are recognised as income when the associated performance conditions are met.

# CALEDONIA HOUSING ASSOCIATION LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2016

### 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.

### Basis of consolidation

The Group financial statements consolidate the results of Caledonia Housing Association Limited and Cordale Housing Association Limited using merger accounting. The results of Cordale Property Services Limited a subsidiary of Cordale Housing Association are not consolidated due to immateriality.

### 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 secured additional private finance of £14,973,611 on the 13<sup>th</sup> 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.

### Turnover & Revenue Recognition

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.

### Fixed Assets – Housing Land and Buildings

Housing properties are properties for the provision of social housing or to otherwise provide social benefit and are principally properties available for rent and shared ownership.

Completed housing and shared ownership properties are stated at cost less accumulated depreciation and impairment losses.

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

- (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. The accounting policy is compliant with the SORP 2014.

# CALEDONIA HOUSING ASSOCIATION LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2016

### Impairment of fixed assets

An assessment is made at each reporting date of whether there are indications that a fixed asset (including housing properties) may be impaired or that an impairment loss previously recognised has fully or partially reversed. If such indications exist, the RSL estimates the recoverable amount of the asset.

Shortfalls between the carrying value of fixed assets and their recoverable amounts, being the higher of fair value less costs to sell and value-in-use of the asset based on its service potential, are recognised as impairment losses in the income and expenditure account.

Recognised impairment losses are reversed if, and only if, the reasons for the impairment loss have ceased to apply. Reversals of impairment losses are recognised in income and expenditure. On reversal of an impairment loss, the depreciation or amortisation is adjusted to allocate the asset's revised carrying amount (less any residual value) over its remaining useful life.

### 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.

### Capitalised Development Overheads and Borrowing Costs

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 and then amortised thereafter over the remaining loan term. Interest charges arising after that date are charged to the Income and Expenditure Account.

### Depreciation of Housing Properties

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

### Depreciation of Other Fixed Assets

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 33.3% per annum on cost, and photocopiers which are depreciated at 20% per annum.

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

# **CALEDONIA HOUSING ASSOCIATION LIMITED**

## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**For the year ended 31 March 2016**

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

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

In accordance with FRS 102, (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.

### **Deposits and liquid resources**

Cash comprises cash in hand and deposits repayable on demand less overdrafts repayable on demand. Liquid resources are current asset investments that are disposable without curtailing or disrupting the business and are readily convertible into known amounts of cash at or close to their carrying value.

### **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.

### **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.

### **Operating lease commitments**

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

### **Retirement Benefits**

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. Difference between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments.

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

### **VAT**

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

### **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 the cost is reported as a Fixed Asset Investment and the related grant is shown as deferred income. 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.

### **Shared Ownership**

# CALEDONIA HOUSING ASSOCIATION LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2016

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.

### 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.

### Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense.

Employees are entitled to carry forward up to 5 days of any unused holiday entitlement at the reporting date. The cost of any unused entitlement is recognised in the period in which the employee's services are received.

The best estimate of the expenditure required to settle an obligation for termination benefits is recognised immediately as an expense when Caledonia is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

### Financial Instruments

The Association has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102, in full, to all of its financial instruments.

Financial assets and financial liabilities are recognised when the Association becomes a party to the contractual provisions of the instrument, and are offset only when the Association currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

### *Financial assets*

#### *Debtors*

Debtors which are receivable within one year and which do not constitute a financing transaction are initially measured at the transaction price. Trade debtors are subsequently measured at amortised cost, being the transaction price less any amounts settled and any impairment losses.

Where the arrangement with a trade or other debtor constitutes a financing transaction, the debtor is initially and subsequently measured at the present value of future payments discounted at a market rate of interest for a similar debt instrument.

A provision for impairment of debtors is established when there is objective evidence that the amounts due will not be collected according to the original terms of the contract. Impairment losses are recognised in income and expenditure for the excess of the carrying value of the trade debtor over the present value of the future cash flows discounted using the original effective interest rate. Subsequent reversals of an impairment loss that objectively relate to an event occurring after the impairment loss was recognised, are recognised immediately in income and expenditure.



**CALEDONIA HOUSING ASSOCIATION LIMITED**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**For the year ended 31 March 2016**

**Financial Instruments (continued)**

*Financial liabilities*

*Trade creditors*

Trade creditors payable within one year that do not constitute a financing transaction are initially measured at the transaction price and subsequently measured at amortised cost, being the transaction price less any amounts settled.

Where the arrangement with a trade creditor constitutes a financing transaction, the creditor is initially and subsequently measured at the present value of future payments discounted at a market rate of interest for a similar instrument.

*Borrowings*

Borrowings are initially recognised at the transaction price, including transaction costs, and subsequently measured at amortised cost using the effective interest method. Interest expense is recognised on the basis of the effective interest method and is included in interest payable and other similar charges.

Commitments to receive a loan are measured at cost less impairment.

**Provisions**

Provisions are recognised when Caledonia has an obligation at the reporting date as a result of a past event which it is probable will result in the transfer of economic benefits and that obligation can be estimated reliably.

Provisions are measured at the best estimate of the amounts required to settle the obligation. Where the effect of the time value of money is material, the provision is based on the present value of those amounts, discounted at the pre-tax discount rate that reflects the risks specific to the liability. The unwinding of the discount is recognised within interest payable and similar charges.

**CALEDONIA HOUSING ASSOCIATION LIMITED**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**For the year ended 31 March 2016**

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

**Group:**

	Turnover	Operating costs	Operating surplus 31 March 2016	<i>Operating surplus 31 March 2015</i>
	£	£	£	£
Social lettings (note 3)	22,094,709	(16,963,313)	5,131,396	5,485,531
Other activities (note 4a)	2,915,779	(2,864,501)	51,278	(44,046)
<b>Total</b>	<b>25,010,488</b>	<b>(19,827,814)</b>	<b>5,182,674</b>	<b>5,441,485</b>

**Housing Association:**

	Turnover	Operating costs	Operating surplus 31 March 2016	<i>Operating surplus 31 March 2015</i>
	£	£	£	£
Social lettings (note 3)	18,762,141	(14,339,031)	4,423,110	4,803,838
Other activities (note 4b)	2,847,509	(2,845,056)	2,453	(77,136)
<b>Total</b>	<b>21,609,650</b>	<b>(17,184,087)</b>	<b>4,425,563</b>	<b>4,726,702</b>

**CALEDONIA HOUSING ASSOCIATION LIMITED**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**For the year ended 31 March 2016**

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

Group	General Needs Housing £	Supported Social Housing £	Shared Ownership Housing £	Total – 31 March 2016 £	Total - 31 March 2015 £
Rent receivable net of service charges	11,652,199	2,674,441	796,626	15,123,266	14,655,930
Service charges	918,158	2,139,755	186,771	3,244,684	3,201,844
<b>Gross income from rents and service charges</b>	<b>12,570,357</b>	<b>4,814,196</b>	<b>983,397</b>	<b>18,367,950</b>	<b>17,857,774</b>
Less Voids	(83,681)	(44,185)	-	(127,866)	(62,129)
<b>Net income from rents and service charges</b>	<b>12,486,676</b>	<b>4,770,011</b>	<b>983,397</b>	<b>18,240,084</b>	<b>17,795,645</b>
Grants released from deferred income	3,174,541	466,198	175,834	3,816,573	3,787,081
Revenue grants from Scottish Ministers	-	-	-	-	20,500
Other revenue grants	38,052	-	-	38,052	-
<b>Total turnover from social letting activities</b>	<b>15,699,269</b>	<b>5,236,209</b>	<b>1,159,231</b>	<b>22,094,709</b>	<b>21,603,226</b>
Management and maintenance administration costs	3,332,366	1,272,725	265,558	4,870,649	4,647,174
Service costs	1,231,299	1,823,344	145,080	3,199,723	3,155,014
Planned and cyclical maintenance including major repairs costs	1,461,937	362,826	-	1,824,763	1,368,771
Reactive maintenance costs	1,192,876	269,784	-	1,462,660	1,443,905
Stage 3 expenditure	-	-	-	-	24,168
Bad debts – rent and service charges	113,662	53,675	-	167,337	136,438
Depreciation of affordable let properties	4,749,332	493,064	195,785	5,438,181	5,342,225
<b>Operating costs for affordable letting activities</b>	<b>12,081,472</b>	<b>4,275,418</b>	<b>606,423</b>	<b>16,963,313</b>	<b>16,117,695</b>
<b>Operating surplus for affordable letting activities</b>	<b>3,617,797</b>	<b>960,791</b>	<b>552,808</b>	<b>5,131,396</b>	<b>5,485,531</b>
Operating surplus for affordable letting activities for previous accounting period	4,083,192	912,956	489,383	5,485,531	

**CALEDONIA HOUSING ASSOCIATION LIMITED**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**For the year ended 31 March 2016**

**3. Particulars of turnover, operating costs and operating surplus from social letting activities (cont'd.)**

Association	General Needs Housing £	Supported Social Housing £	Shared Ownership Housing £	Total – 31 March 2016 £	Total - 31 March 2015 £
Rent receivable net of service charges	9,909,527	2,497,643	774,474	13,181,644	12,721,409
Service charges	893,911	1,986,172	186,771	3,066,854	3,018,209
<b>Gross income from rents and service charges</b>	<b>10,803,438</b>	<b>4,483,815</b>	<b>961,245</b>	<b>16,248,498</b>	<b>15,739,618</b>
Less Voids	(78,126)	(42,460)	-	(120,586)	(57,536)
<b>Net income from rents and service charges</b>	<b>10,725,312</b>	<b>4,441,355</b>	<b>961,245</b>	<b>16,127,912</b>	<b>15,682,082</b>
Grants released from deferred income	2,079,495	349,711	166,971	2,596,177	2,554,193
Grants from Scottish Ministers	-	-	-	-	2,500
Other revenue grants	38,052	-	-	38,052	-
<b>Total turnover from social letting activities</b>	<b>12,842,859</b>	<b>4,791,066</b>	<b>1,128,216</b>	<b>18,762,141</b>	<b>18,238,775</b>
Management and maintenance administration costs	2,884,120	1,192,681	260,222	4,337,023	4,091,978
Service costs	1,186,111	1,714,698	145,080	3,045,889	2,981,107
Planned and cyclical maintenance including major repairs costs	1,214,719	362,826	-	1,577,545	1,175,349
Reactive maintenance costs	1,025,204	262,712	-	1,287,916	1,268,509
Bad debts – rent and service charges	101,435	53,675	-	155,110	92,867
Depreciation of affordable letting properties	3,398,615	353,666	183,267	3,935,548	3,825,127
<b>Operating costs for affordable letting activities</b>	<b>9,810,204</b>	<b>3,940,258</b>	<b>588,569</b>	<b>14,339,031</b>	<b>13,434,937</b>
<b>Operating surplus for affordable letting activities</b>	<b>3,032,655</b>	<b>850,808</b>	<b>539,647</b>	<b>4,423,110</b>	<b>4,803,838</b>
Operating surplus for affordable letting activities for previous accounting period	3,584,871	742,198	476,769	4,803,838	

**CALEDONIA HOUSING ASSOCIATION LIMITED**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

For the year ended 31 March 2016

4a. Particulars of turnover, operating costs and operating surplus/(deficit) from other activities

Group:	Grants from Scottish Ministers	Other revenue grants	Supporting Income	Other Income	Total turnover	Operating costs – bad debts	Other operating costs	Operating (deficit) / surplus	Total from Other Activities- 2015
	£	£	£	£	£	£	£	£	£
Community Jobs Fund	-	-	-	932	932	-	(932)	-	-
Factoring	-	-	-	7,654	7,654	-	(7,654)	-	-
Development and construction of property activities	-	-	-	-	-	-	-	-	(169,175)
Care and repair property	914,912	-	-	-	914,912	-	(909,239)	5,673	4,289
Stage 3 Adaptations	20,051	-	-	274,780	294,831	-	(344,692)	(49,861)	25,506
Support activities	-	-	337,815	-	337,815	-	(354,342)	(16,527)	(7,081)
Commercial rents	-	-	-	47,000	47,000	-	-	47,000	47,000
Tenant participation	-	-	-	16,640	16,640	-	(16,640)	-	(14,300)
Care activities (Home Help)	-	-	-	187,551	187,551	-	(202,726)	(15,175)	2,660
Housing with Care	-	-	-	144,594	144,594	-	(136,280)	8,314	831
Dundee Voluntary Action	-	-	-	48,697	48,697	-	(43,840)	4,857	5,203
Making Advice Work Project	-	-	-	54,766	54,766	-	(54,766)	-	-
Income from Office Lease	-	-	-	46,080	46,080	-	-	46,080	46,080
Agency management services	-	-	-	133,571	133,571	-	(117,639)	15,932	11,048
Donations	-	-	-	1,745	1,745	-	-	1,745	390
Other Activities	-	-	-	32,397	32,397	-	(29,157)	3,240	3,503
Shared Equity Sales	-	-	-	646,594	646,594	-	(646,594)	-	-
<b>Total from other activities</b>	<b>934,963</b>	<b>-</b>	<b>337,815</b>	<b>1,643,001</b>	<b>2,915,779</b>	<b>-</b>	<b>(2,864,501)</b>	<b>51,278</b>	<b>(44,046)</b>
<b>Total from other activities – 2015</b>	<b>330,718</b>	<b>26,553</b>	<b>457,841</b>	<b>1,288,292</b>	<b>2,103,404</b>	<b>-</b>	<b>(2,147,450)</b>	<b>(44,046)</b>	

**CALEDONIA HOUSING ASSOCIATION LIMITED**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

For the year ended 31 March 2016

4b. Particulars of turnover, operating costs and operating surplus/(deficit) from other activities									
Association:	Grants from Scottish Ministers	Supporting Income	Other income	Total turnover	Operating costs – bad debts	Other operating costs	Operating (deficit) / surplus	Total from Other Activities- 2015	
	£	£	£	£	£	£	£	£	
Care and repair of property	914,912	-	-	914,912	-	(909,239)	5,673	4,289	
Development and construction of property activities	-	-	-	-	-	-	-	(169,175)	
Stage 3 Adaptations	-	-	274,780	274,780	-	(324,721)	(49,941)	25,506	
Support activities	-	337,815	-	337,815	-	(354,342)	(16,527)	(7,081)	
Care activities	-	-	187,551	187,551	-	(202,726)	(15,175)	2,660	
Housing with Care	-	-	144,594	144,594	-	(136,280)	8,314	831	
Dundee Voluntary Action	-	-	48,697	48,697	-	(43,840)	4,857	5,203	
Making Advice Work Project	-	-	54,766	54,766	-	(54,766)	-	-	
Income from Office Lease	-	-	46,080	46,080	-	-	46,080	46,080	
Agency management services	-	-	159,323	159,323	-	(143,391)	15,932	11,048	
Other Activities	-	-	32,397	32,397	-	(29,157)	3,240	3,503	
Shared Equity Sales	-	-	646,594	646,594	-	(646,594)	-	-	
<b>Total from other activities</b>	<b>914,912</b>	<b>337,815</b>	<b>1,594,782</b>	<b>2,847,509</b>	<b>-</b>	<b>(2,845,056)</b>	<b>2,453</b>	<b>(77,136)</b>	
<b>Total from other activities – 2015</b>	<b>330,718</b>	<b>410,841</b>	<b>1,286,394</b>	<b>2,027,953</b>	<b>-</b>	<b>(2,105,089)</b>	<b>(77,136)</b>		

**CALEDONIA HOUSING ASSOCIATION LIMITED**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**For the year ended 31 March 2016**

**5. Housing stock (Group)**

	2016 No.	2015 No.
New build	3,947	3,874
Rehabilitation	61	61
Shared Ownership	404	404
Supported housing	40	40
	<hr/>	<hr/>
	4,452	4,379
	<hr/>	<hr/>

**Housing stock (Association)**

	2016 No.	2015 No.
New build	3,539	3,466
Shared Ownership	387	393
	<hr/>	<hr/>
	3,926	3,859
	<hr/>	<hr/>

**6. Key Management Personnel**

Key management personnel are defined as the Chief Executive and any other senior staff reporting directly to the Chief Executive or the board and who are receiving emoluments of £60,000 or more.

The number of key management personnel who received emoluments (excluding employers' pension contributions) in excess of £60,000 during the reporting period fell within the following bands:

	No.	No.
£60,000 - £70,000	1	4
£70,001 - £80,000	5	1
£80,001 - £90,000	-	-
£90,001 - £100,000	1	1
£100,000 - £110,000	<hr/>	<hr/>
	2016	2015
	£	£
Aggregate emoluments for the above key management personnel (excluding pension contributions)	<hr/>	<hr/>
	526,356	436,273
The emoluments of the Chief Executive (excluding pension contributions)	<hr/>	<hr/>
	96,028	92,500
Aggregate pension contributions in relation to the above key management personnel	<hr/>	<hr/>
	50,946	44,417

No payment or fees or other remuneration was made to the Board members during the year.

# CALEDONIA HOUSING ASSOCIATION LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2016

### 7. Employees (Group and Association)

The average monthly number of full time equivalent including key management personnel persons employed (excluding board members) in the year, analysed by category, was as follows:

	Number of employees	
	2016	2015
Office, administrative and management	77	81
Development	6	5
Housing Support and Care	81	75
	<u>164</u>	<u>161</u>

The aggregate payroll costs of these persons were as follows:

	2016	2015
	£	£
Wages and salaries	4,370,137	4,186,278
Social security costs	379,148	349,402
Other pension costs and current service costs (note 27)	573,248	543,258
	<u>5,322,533</u>	<u>5,078,938</u>

Redundancy Costs totalling £19,044, (2015: £31,144) were recognised in the financial statements to 31 March 2016. This was due to a staff member opting for voluntary redundancy as part of a staffing restructure.

### 8. Interest receivable

	2016 Group £	2016 Association £	2015 Group £	2015 Association £
Bank and Building Society interest	23,494	22,460	29,650	28,656
	<u>23,494</u>	<u>22,460</u>	<u>29,650</u>	<u>28,656</u>



**CALEDONIA HOUSING ASSOCIATION LIMITED**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**For the year ended 31 March 2016**

**9. Interest payable and financing costs**

	2016 Group £	2016 Association £	2015 Group £	2015 Association £
Interest arising on:				
Housing Accommodation bank loans	2,417,498	2,417,498	3,083,385	3,083,385
Shared Ownership bank loans	264,361	264,361	283,746	283,746
Other bank loans and overdrafts	343,380	-	317,152	-
Defined benefit pension charge	62,000	48,000	92,000	71,000
	<u>3,087,239</u>	<u>2,729,859</u>	<u>3,776,283</u>	<u>3,438,131</u>
Less: interest capitalised on housing properties under construction	(86,334)	(86,334)	(29,247)	(29,247)
	<u>3,000,905</u>	<u>2,643,525</u>	<u>3,747,036</u>	<u>3,408,884</u>

**10. Taxation**

**Group**

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

**Association**

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

**CALEDONIA HOUSING ASSOCIATION LIMITED**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**For the year ended 31 March 2016**

**11. Tangible fixed assets - housing properties (Group)**

	Held for letting £	Under Construction £	Completed Shared Ownership £	Total £
<i>Cost</i>				
At 1 April 2015	295,027,258	8,879,187	17,310,389	321,216,834
Additions	2,397,656	10,110,592	-	12,508,248
Disposals	(865,220)	-	(270,601)	(1,135,821)
Transfers	7,850,689	(7,850,689)	-	-
At 31 March 2016	304,410,383	11,139,090	17,039,788	332,589,261
<i>Depreciation</i>				
At 1 April 2015	57,122,608	-	3,597,589	60,720,197
Provided during year	5,242,396	-	195,785	5,438,181
Eliminated on disposals	(710,622)	-	(18,036)	(728,658)
At 31 March 2016	61,654,382	-	3,775,338	65,429,720
<i>Net book value</i>				
At 31 March 2016	242,756,001	11,139,090	13,264,450	267,159,541
At 31 March 2015	237,904,650	8,879,187	13,712,800	260,496,637

Additions to housing properties included capitalised development administration costs of £412,408 (2015: £399,870) of which development allowances of £nil (2015: £nil) were received in respect of these costs and capitalised.

The aggregate amount of capitalised interest included in housing properties is £86,334 (2015 £29,247).

Major repairs capitalised in the year were £2,397,656 (2015: £2,536,501).

**CALEDONIA HOUSING ASSOCIATION LIMITED**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**For the year ended 31 March 2016**

**12. Tangible fixed assets - housing properties (Association)**

	<b>Held for letting</b>	<b>Under Construction</b>	<b>Completed Shared Ownership</b>	<b>Total</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
<i><b>Cost</b></i>				
At 1 April 2015	238,226,939	8,879,187	16,684,489	263,790,615
Additions	2,136,635	10,110,592	-	12,247,227
Disposals	(470,340)	-	(270,601)	(740,941)
Transfers	7,850,689	(7,850,689)	-	-
At 31 March 2016	247,743,923	11,139,090	16,413,888	275,296,901
<i><b>Depreciation</b></i>				
At 1 April 2015	42,753,530	-	3,372,265	46,125,795
Provided during year	3,752,281	-	183,267	3,935,548
Eliminated on disposals	(442,708)	-	-	(442,708)
At 31 March 2016	46,063,103	-	3,555,532	49,618,635
At 31 March 2016	201,680,820	11,139,090	12,858,356	225,678,266
At 31 March 2015	195,473,409	8,879,187	13,312,224	217,664,820

Additions to housing properties included capitalised development administration costs of £404,255 (2015: £391,511) of which development allowances of £nil (2015: £nil) were received in respect of these costs and capitalised.

The aggregate amount of capitalised interest included in housing properties is £86,334 (2015 £29,247).

Major repairs capitalised in the year were £2,136,635 (2015: £2,413,642).

CALEDONIA HOUSING ASSOCIATION LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2016

13. Tangible fixed assets – other (Group)

	Office Furniture and Equipment	Scheme Plant and Equipment	Office Accommodation	Leasehold Property	Motor Vehicles	Total
	£	£	£	£	£	£
<i>Cost</i>						
At 1 April 2015	1,510,002	674,886	525,638	235,861	200,157	3,146,544
Additions	33,564	88,907	-	-	62,430	184,901
Disposals	-	-	-	-	(51,220)	(51,220)
At 31 March 2016	1,543,566	763,793	525,638	235,861	211,367	3,280,225
<i>Depreciation</i>						
At 1 April 2015	1,371,556	402,163	71,080	235,861	113,101	2,193,761
Provided during year	92,437	57,180	9,709	-	47,483	206,809
Eliminated on disposals	-	-	-	-	(51,220)	(51,220)
At 31 March 2016	1,463,993	459,343	80,789	235,861	109,364	2,349,350
<i>Net book value</i>						
At 31 March 2016	79,573	304,450	444,849	-	102,003	930,875
At 1 April 2015	138,446	272,723	454,558	-	87,056	952,783

**CALEDONIA HOUSING ASSOCIATION LIMITED**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

For the year ended 31 March 2016

**14. Tangible fixed assets – other (Association)**

	Office Furniture and Equipment	Office Plant and Equipment	Office Accommodation	Leasehold Property	Motor Vehicles	Total
	£	£	£	£	£	£
<b>Cost</b>						
At 1 April 2015	1,399,701	664,454	475,000	235,861	200,157	2,975,173
Additions	27,982	87,515	-	-	62,430	177,927
Disposals	-	-	-	-	(51,220)	(51,220)
At 31 March 2016	1,427,683	751,969	475,000	235,861	211,367	3,101,880
<b>Depreciation</b>						
At 1 April 2015	1,261,806	392,855	44,331	235,861	113,101	2,047,954
Provided during year	90,738	55,922	6,333	-	47,483	200,476
Eliminated on disposals	-	-	-	-	(51,220)	(51,220)
At 31 March 2016	1,352,544	448,777	50,664	235,861	109,364	2,197,210
<b>Net book value</b>						
At 31 March 2016	75,139	303,192	424,336	-	102,003	904,670
At 1 April 2015	137,895	271,599	430,669	-	87,056	927,219

**CALEDONIA HOUSING ASSOCIATION LIMITED**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**For the year ended 31 March 2016**

**15. Investment Properties (Group)**

	2016 £	2015 £
At 1 April 2015	1,074,305	1,044,305
Transfer	-	30,000
At 31 March 2016	<u>1,074,305</u>	<u>1,074,305</u>

Investment property at Scott Street, which is freehold, was valued on an open market existing use basis at 24 July 2014 by Shepherd Commercial. The Management Board do not believe there has been any material change in the value of this property in the period to 31 March 2015. No depreciation is provided in respect of investment properties.

The initial Investment property of an Integrated Healthy Living Centre, which is freehold, was valued on an open market existing use basis at December 2012 by DTZ. The freehold property transferred in from Stock was valued on an open market value basis on 13 December 2012 by DVS. Both DTZ and DVS are RICS qualified. The Management Board do not believe there has been any material change in the value of these properties in the period to 31 March 2016. No depreciation is provided in respect of investment properties

**Investment Properties (Association)**

	2016 £	2015 £
At 1 April 2015	354,305	354,305
At 31 March 2016	<u>354,305</u>	<u>354,305</u>

The investment property in the Association is the property at Scott Street, noted above.

**16. Investment in subsidiaries**

**Group**

	2016 £	2015 £
Cost – Caledonia Ventures (formerly known as Servite Ventures)	2	2
Cost – Servite Solutions	2	2
Cost – Cordale Property Services	100	100
	<u>104</u>	<u>104</u>

The investment in subsidiary companies relates to Servite Solutions Limited, Caledonia Ventures Limited and Cordale Property Services 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, whilst Cordale Property Services Limited has 100 £1 shares. Both Caledonia Ventures and Servite Solutions were dormant during the financial year and exemption has been granted by the Financial Conduct Authority (FCA) from the inclusion of these in the group accounts.

**CALEDONIA HOUSING ASSOCIATION LIMITED**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**For the year ended 31 March 2016**

**16. Investment in subsidiaries (continued)**

The aggregate amount of capital and reserves and the results of Cordale Property Services Limited for the year ended 31 March 2016 were as follows:

<b>Cordale Property Services Limited</b>		<b>31 March 2016</b>	<b>31 March 2015</b>
		<b>£</b>	<b>£</b>
Capital and reserves		<b>25,312</b>	<b>23,684</b>
Profit for the year		<b>1,628</b>	<b>3,630</b>
<b>Association</b>		<b>2016</b>	<b>2015</b>
		<b>£</b>	<b>£</b>
Cost – Caledonia Ventures (formerly known as Servite Ventures)		<b>2</b>	<b>2</b>
Cost – Servite Solutions		<b>2</b>	<b>2</b>
		<b>4</b>	<b>4</b>

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. Stock and work in progress**

	<b>2016</b>	<b>2016</b>	<b>2015</b>	<b>2015</b>
	<b>Group</b>	<b>Association</b>	<b>Group</b>	<b>Association</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Developments in progress for other Associations:				
Replacement components	-	-	28,825	28,825
	-	-	28,825	28,825

**CALEDONIA HOUSING ASSOCIATION LIMITED**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**For the year ended 31 March 2016**

**18. Debtors**

	2016 Group £	2016 Association £	2015 Group £	2015 Association £
Due < 1 Year				
Rent and service charges receivable	850,006	729,352	816,029	687,420
Less: bad debt provision	<u>(395,202)</u>	<u>(341,309)</u>	<u>(356,567)</u>	<u>(312,523)</u>
	454,804	388,043	459,462	374,897
Prepayments and accrued income	439,802	406,070	402,490	402,490
Other debtors	359,611	359,611	5,166	-
Amount due from subsidiary undertaking	-	119,589	1,885	6,250
Grants Receivable	402,906	402,906	1,087,868	1,087,868
	<u>1,657,123</u>	<u>1,676,219</u>	<u>1,956,871</u>	<u>1,871,505</u>

**19. Creditors: amounts falling due within one year**

	2016 Group £	2016 Association £	2015 Group £	2015 Association £
Debt (note 22)	1,502,486	1,204,484	1,430,483	1,138,339
Trade creditors	102,064	32,104	407,104	388,120
Other Taxes and Social Security	107,927	103,348	100,436	94,205
Rent in Advance	651,000	596,930	631,004	589,514
Accruals and Deferred Income	4,071,444	4,007,420	2,480,155	2,394,183
Pensions	58,782	58,782	59,296	53,995
Other Creditors	7,314	-	4,498	-
Deferred capital grants (note 21)	3,816,573	2,596,177	3,781,636	2,548,747
Amounts due to group undertakings	-	7,630	-	-
	<u>10,317,590</u>	<u>8,606,875</u>	<u>8,894,612</u>	<u>7,207,103</u>

**20. Creditors: amounts falling due after more than one year**

	2016 Group £	2016 Association £	2015 Group £	2015 Association £
Debt (note 22)	66,305,335	58,092,282	64,472,992	55,951,087
Deferred capital grants (note 21)	166,214,691	136,236,170	166,111,508	134,855,124
Other deferred Income	100,532	100,532	-	-
	<u>232,620,558</u>	<u>194,428,984</u>	<u>230,584,500</u>	<u>190,806,211</u>



**CALEDONIA HOUSING ASSOCIATION LIMITED**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**For the year ended 31 March 2016**

**21. Deferred capital grant**

	2016 Group £	2016 Association £	2015 Group £	2015 Association £
As at 1 April 2015	169,893,144	137,403,871	170,525,450	136,803,289
Grant received in the year	3,954,693	4,024,653	3,154,775	3,154,775
Capital grant released in the year	(3,816,573)	(2,596,177)	(3,787,081)	(2,554,193)
At 31 March 2016	<u>170,031,264</u>	<u>138,832,347</u>	<u>169,893,144</u>	<u>137,403,871</u>
Amounts to be released within one year	3,816,573	2,596,177	3,781,636	2,548,747
Amounts to be released in more than one year	166,214,691	136,236,170	166,111,508	134,855,124
	<u>170,031,264</u>	<u>138,832,347</u>	<u>169,893,144</u>	<u>137,403,871</u>

**22. Debt analysis - Borrowings**

	2016 Group £	2016 Association £	2015 Group £	2015 Association £
Creditors: amounts falling due within one year:				
Bank loans	1,502,486	1,204,484	1,430,483	1,138,339
	<u>1,502,486</u>	<u>1,204,484</u>	<u>1,430,483</u>	<u>1,138,339</u>
Creditors: amounts falling due after one year:				
Bank loans	66,305,335	58,092,282	64,472,992	55,951,087
	<u>66,305,335</u>	<u>58,092,282</u>	<u>64,472,992</u>	<u>55,951,087</u>
	<u>67,807,821</u>	<u>59,296,766</u>	<u>65,903,475</u>	<u>57,089,426</u>

**CALEDONIA HOUSING ASSOCIATION LIMITED**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**For the year ended 31 March 2016**

**22. Debt analysis – Borrowings (continued)**

**Caledonia HA**

Borrowings are denominated and repaid in pounds sterling, have contractual interest rates that are either fixed rates or variable rates linked to LIBOR that are not leveraged, and do not contain conditional returns or repayment provisions other than to protect the lender against credit deterioration or changes in relevant legislation or taxation.

Bank borrowings mature between 31<sup>st</sup> March 2019 and 31<sup>st</sup> March 2038. Fixed rate loans £41m (2015: £41.5m) bear average fixed-rate coupons of 5.5% per annum (2015: 5.5% per annum) and £17.7m (2015: £14.9m) variable rate loans bear average variable-rate coupons of 1.53 above LIBOR (2015: 1.68% above LIBOR). The Association makes quarterly and semi-annual interest payments on all bank borrowings.

Bank borrowings of £58.7m (2015: £56.5m) are secured by specific charges against the Association's housing properties.

**Cordale HA**

Borrowings are denominated and repaid in pounds sterling, have contractual interest rates that are either fixed rates or variable rates linked to LIBOR that are not leveraged, and do not contain conditional returns or repayment provisions other than to protect the lender against credit deterioration or changes in relevant legislation or taxation.

Bank borrowings mature between 31<sup>st</sup> March 2029 and 31<sup>st</sup> March 2041. Fixed rate loans £3.5m (2015: £3.6m) bear average fixed-rate coupons of 4.95% per annum (2015: 4.95% per annum) and £5.0m (2015: £5.2m) variable rate loans bear average variable-rate coupons of 2.0% above LIBOR (2015: 2.0% above LIBOR). The Association makes quarterly interest payments on all bank borrowings.

Bank borrowings of £8.5m (2015: £8.8m) are secured by specific charges against the Association's housing properties.

Based on the lender's earliest repayment date, borrowings are repayable as follows:

	2016 Group £	2016 Association £	2015 Group £	2015 Association £
In one year or less	1,502,486	1,204,484	1,430,483	1,138,339
Between one and five years	13,734,921	12,444,736	10,340,759	9,080,875
In five years and more	52,570,414	45,647,546	54,132,233	46,870,212
	<u>67,807,821</u>	<u>59,296,766</u>	<u>65,903,475</u>	<u>57,089,426</u>

**CALEDONIA HOUSING ASSOCIATION LIMITED**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**For the year ended 31 March 2016**

**23. Share capital**

<b>Group</b>	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
	<b>Number</b>	<b>Number</b>	<b>£</b>	<b>£</b>
Shares of £1 each fully paid				
At 1 April 2015	472	567	472	567
Issued in year	8	18	8	18
Withdrawn in year	(25)	(113)	(25)	(113)
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 2016	455	472	455	472
	<hr/>	<hr/>	<hr/>	<hr/>

<b>Association</b>	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
	<b>Number</b>	<b>Number</b>	<b>£</b>	<b>£</b>
Shares of £1 each fully paid				
At 1 April 2015	211	222	211	222
Issued in year	7	13	7	13
Cancelled in year	(16)	(24)	(16)	(24)
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 2016	202	211	202	211
	<hr/>	<hr/>	<hr/>	<hr/>

**24. Commitments under operating leases – Group and Association**

The total future minimum lease payments under non-cancellable operating leases for fixed assets (note 14) are as follows:

	<b>2016</b>	<b>2015</b>
	<b>Land and Buildings</b>	<b>Land and buildings</b>
	<b>£</b>	<b>£</b>
Amounts due:		
Within one year	64,000	64,000
Between one and five years	16,000	80,000
After five years	<hr/>	<hr/>
	80,000	144,000
	<hr/>	<hr/>

**CALEDONIA HOUSING ASSOCIATION LIMITED**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**For the year ended 31 March 2016**

**25. Notes to the cash flow statement - Group**

	2016	2015
<b>Reconciliation of operating surplus to net cash inflow from activities</b>		
	£	£
Surplus for the year	2,128,870	1,642,192
Adjustments for non-cash items:		
Depreciation of tangible fixed assets	5,644,990	5,560,850
Amortisation of capital grant	(3,816,573)	(3,787,082)
Impairment losses on tangible fixed assets	-	-
Impairment losses on investments	-	-
Fair value (gains)/losses on investment properties	-	-
Defined benefit pension schemes	39,000	(17,000)
Fair value (gains)/losses on financial instruments	-	-
Loss on disposal of tangible fixed assets	37,502	68,133
Interest received	(23,494)	(29,650)
Interest payable	3,000,905	3,455,586
Cancelled shares	(8)	(6)
<b>Operating cash flows before movement in working capital</b>	<b>7,011,192</b>	<b>6,893,023</b>
Decrease in stock	28,825	114,815
(Increase)/Decrease in trade and other debtors	(378,964)	290,017
Increase in trade and other creditors	1,267,990	116,700
(Decrease)/increase in provisions	(39,000)	77,000
<b>Cash generated from/(used in) operations</b>	<b>7,890,043</b>	<b>7,491,555</b>

**CALEDONIA HOUSING ASSOCIATION LIMITED**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**For the year ended 31 March 2016**

**25. Notes to the cash flow statement (cont'd) - Association**

	2016	2015
	£	£
<b>Reconciliation of operating surplus to net cash inflow from activities</b>		
Surplus for the year	1,794,426	1,278,341
Adjustments for non-cash items:	-	-
Depreciation of tangible fixed assets	4,136,024	4,037,313
Amortisation of capital grant	(2,596,177)	(2,554,193)
Impairment losses on tangible fixed assets	-	-
Impairment losses on investments	-	-
Fair value (gains)/losses on investment properties	-	-
Defined benefit pension schemes	-	-
Fair value (gains)/losses on financial instruments	-	-
(Gain)/loss on disposal of tangible fixed assets	10,172	68,133
Interest received	(22,460)	(28,656)
Interest payable	2,643,525	3,117,434
Cancelled shares	(9)	(11)
Taxation	-	-
<b>Operating cash flows before movement in working capital</b>	<b>5,965,501</b>	<b>5,918,361</b>
Decrease/(increase) in stock	28,825	84,815
Decrease/(increase) in trade and other debtors	(489,676)	139,080
(Decrease)/increase in trade and other creditors	1,244,438	239,117
(Decrease)/increase in provisions	-	60,000
<b>Cash generated from/(used in) operations</b>	<b>6,749,088</b>	<b>6,441,373</b>

**26. Capital commitments**

	2016	2015
	£	£
Capital expenditure contracted for but not provided in the financial statements	6,411,570	11,930,794
Capital expenditure authorised by the Board but not contracted	606,461	--

The above expenditure will be funded through Scottish housing association grant and private finance.

# CALEDONIA HOUSING ASSOCIATION LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2016

### 27. Pensions

The Association operates a Defined Contribution Pension Scheme. The assets are held separately from the Association in an independently administered fund. The pension cost charge represents the contributions payable by the Association to the fund and amounted to £299,943 (2015: £256,255). Contributions totalling £37,693 (2015: £35,118) were payable to the fund at the year end and are included in creditors.

#### Scottish Housing Associations' Pension Scheme

The company participates in the scheme, a multi-employer scheme which provides benefits to some 155 non-associated employers. The scheme is a defined benefit scheme in the UK.

It is not possible for the company to obtain sufficient information to enable it to account for the scheme as a defined benefit scheme. Therefore it accounts for the scheme as a defined contribution scheme.

The scheme is subject to the funding legislation outlined in the Pensions Act 2004 which came into force on 30 December 2005. This, together with documents issued by the Pensions Regulator and Technical Actuarial Standards issued by the Financial Reporting Council, set out the framework for funding defined benefit occupational pension schemes in the UK.

The scheme is classified as a 'last-man standing arrangement'. Therefore the company is potentially liable for other participating employers' obligations if those employers are unable to meet their share of the scheme deficit following withdrawal from the scheme. Participating employers are legally required to meet their share of the scheme deficit on an annuity purchase basis on withdrawal from the scheme.

A full actuarial valuation for the scheme was carried out at 30 September 2012. This actuarial valuation showed assets of £394m, liabilities of £698m and a deficit of £304m. To eliminate this funding shortfall, the trustees and the participating employers have agreed that additional contributions will be paid to the scheme as follows:

#### Deficit contributions

From 1 April 2014 to 30-September 2027:	£26,304,000 per annum (payable monthly and increasing by 3% each on 1st April)
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The recovery plan contributions are allocated to each participating employer in line with their estimated share of the scheme liabilities.

Where the scheme is in deficit and where the company has agreed to a deficit funding arrangement the company recognises a liability for this obligation. The amount recognised is the net present value of the deficit reduction contributions payable under the agreement that relates to the deficit. The present value is calculated using the discount rate detailed in these disclosures. The unwinding of the discount rate is recognised as a finance cost.

**CALEDONIA HOUSING ASSOCIATION LIMITED**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**For the year ended 31 March 2016**

**PRESENT VALUES OF PROVISION**

	31 March 2016 (£000s)	31 March 2015 (£000s)	31 March 2014 (£000s)
Present value of provision	2,100	2,234	2,174

**RECONCILIATION OF OPENING AND CLOSING PROVISIONS**

	Period Ending 31 March 2016 (£000s)	Period Ending 31 March 2015 (£000s)
Provision at start of period	2,234	2,174
Unwinding of the discount factor (interest expense)	48	71
Deficit contribution paid	(173)	(168)
Remeasurements - impact of any change in assumptions	(8)	157
Remeasurements - amendments to the contribution schedule	-	-
Provision at end of period	2,100	2,234

**INCOME AND EXPENDITURE IMPACT**

	Period Ending 31 March 2016 (£000s)	Period Ending 31 March 2015 (£000s)
Interest expense	48	71
Remeasurements – impact of any change in assumptions	(8)	157
Remeasurements – amendments to the contribution schedule	-	-
Contributions paid in respect of future service*	*	*
Costs recognised in income and expenditure account	*	*

\*includes defined contribution schemes and future service contributions (i.e. excluding any deficit reduction payments) to defined benefit schemes which are treated as defined contribution schemes. To be completed by the company.

**CALEDONIA HOUSING ASSOCIATION LIMITED**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**For the year ended 31 March 2016**

**ASSUMPTIONS**

	31 March 2016 % per annum	31 March 2015 % per annum	31 March 2014 % per annum
Rate of discount	2.29	2.22	3.42

The discount rates shown above are the equivalent single discount rates which, when used to discount the future recovery plan contributions due, would give the same results as using a full AA corporate bond yield curve to discount the same recovery plan contribution

**28. Auditors remuneration**

Fees payable to RSM UK Audit LLP and its associates in respect of both audit and non-audit services are as follows:

	£	£
Audit services – statutory audit – Group	39,333	35,078
Other services – Group:		
Consolidated Accounts Advice	-	5,990
Accountancy Advice FRS 102	26,768	-
	<u>66,101</u>	<u>41,068</u>

**29. Contingent Liabilities**

**Group**

The Group participates in a multi-employer pension scheme. Should the Group leave the scheme, the amount of the employer debt has been calculated as (2015: £8,266,390). At this time there is no intention to leave the scheme.

**Association**

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 £6,227,140 (2015: £6,227,140). At this time there is no intention to leave the scheme.

Housing Association Grant allocated to components 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. There was no recycled grant recognised in the Income and Expenditure account at 31 March 2016 (31 March 2015: £3,859,460).

**30. Related party disclosures**

**Group**

The Association provides management services to Cordale Housing Association. Management Charges of £25,752 (2015: £25,000) were charged in the year. At the year end Cordale Housing Association owed the Association £119,589 (2015: £6,250) in respect of management services provided and expenditure incurred on behalf of Cordale Housing Association by the Association. At the year end, Cordale Property Services Limited owed Cordale Housing Association £7,630 (2015: £1,885) in respect of property rates and insurance paid on behalf of Cordale Property Services Limited by Cordale Housing Association. This is included within debtors.

At the year end, Cordale Housing Association owed Cordale Property Services Limited £Nil (2015: £Nil) in respect of commercial rent income and fees.



**CALEDONIA HOUSING ASSOCIATION LIMITED**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**For the year ended 31 March 2016**

**Association**

The Association is 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.

Elaine O'Brien, Gavin Stewart and Ian Gray Management Committee members are also tenants of the Association. Their tenancies are on normal commercial terms. During the year £10,911 (2015: £10,765) of rent was receivable from these tenant members. At the year-end there were £35 (2015: £94) of rent arrears due from these tenant members.

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.

**31. Post Balance Sheet Event**

**Bellsmyre Housing Association**

On the 1<sup>st</sup> April 2016 Bellsmyre Housing Association a registered social landlord based in West Dunbartonshire became a wholly owned subsidiary of Caledonia Housing Association. This partnership which brings an additional 592 socially rented general needs homes and 485 factored properties into the Group was formed after successful tenants and members ballots. The Association plans to re-finance a small amount of debt and embark on a major investment programme designed to improve existing housing stock

**32. First time adoption of FRS 102**

The financial statements have been prepared in accordance with FRS102 for the year ended 31 March 2016. The transition to FRS102 has impacted on the following accounting policies adopted and as such the comparative figures have been restated accordingly.

**A – Grant accounting**

Previously all capital grants received were netted off against the cost of housing properties. In line with FRS102 and SORP 2014 capital government grants are now treated under the accrual model and as such are shown as deferred income and amortised to income over the expected useful life of the housing property structure and its individual components (excluding land) on a pro-rata basis.

**B – Depreciation of housing properties**

Previously depreciation on housing properties was calculated on the net cost of properties after capital grant. In line with FRS102, and as noted above in A, grants are no longer netted off against the cost of housing properties and as such depreciation is now calculated on the gross cost of housing properties.

**C – SHAPS pension scheme**

The Association participates in the multi-employer defined benefit Scottish Housing Association Pension Scheme (SHAPS). Under FRS102 a contractual agreement under a multi-employer defined benefit pension scheme to fund a past deficit should be accrued for as a liability discounted to net present value. As at 31 March 2015 this liability was calculated as amounting to £2,896,000.

**32. First time adoption of FRS 102 (cont'd.)**

**D – Holiday pay provision**

# CALEDONIA HOUSING ASSOCIATION LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2016

FRS102 requires the Association to recognise the cost of all employee benefits to which its employees have become entitled as a result of service rendered to the entity during the reporting period. Therefore at 31 March 2015 a provision has been made of £64,081 reflecting the value of holiday pay entitlement which had not been taken as at that date by employees.

Under FRS 102, the Statement of Cash Flows presents changes in cash and cash equivalents (which include cash in hand, deposits repayable on demand and overdrafts and short-term, highly liquid investments), showing changes arising from operating activities, investing activities and financing activities separately. Under previous UK GAAP, the Cash Flow Statement presented changes in cash (which includes cash in hand, deposits repayable on demand and overdrafts) under the headings of operating activities, returns on investments and servicing of finance, taxation, capital expenditure and financial investment, acquisitions and disposals, equity dividends paid, management of liquid resources, and financing.

### E – Loan Breakage Costs & Premium Restatement

As a result of the fair value of the loan instruments being reviewed under FRS 102, a revision of the treatment of the loan premium and associated breakage costs has been processed.

Reconciliation of reserves - Group	Note	1 April 2014 £	31 March 2015 £
Reserves as previously reported under UK GAAP		25,504,241	27,575,149
Grant accounting	A	44,480,929	48,249,902
Depreciation	B	(40,701,100)	(44,239,784)
SHAPS pension	C	(2,819,000)	(2,896,000)
Holiday pay provision	D	(64,081)	(64,081)
Loan Breakage Fees	E	-	(582,102)
Reserves reported under FRS 102		26,400,987	28,043,084

Reconciliation of surplus	Note	Year ended 31 March 2015 £
Surplus as previously reported under UK GAAP		2,071,005
Grant accounting	A	3,768,973
Depreciation	B	(3,538,684)
SHAPS pension	C	(77,000)
Holiday pay provision	D	-
Loan Breakage Fees	E	(582,102)
Surplus reported under FRS 102		1,642,192

**CALEDONIA HOUSING ASSOCIATION LIMITED**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**For the year ended 31 March 2016**

**32. First time adoption of FRS 102 (cont'd.)**

Reconciliation of reserves - Association		1 April 2014	31 March 2015
	Note	£	£
Reserves as previously reported under UK GAAP		22,616,401	24,345,074
Grant accounting	A	32,701,079	35,257,772
Depreciation	B	(29,940,521)	(32,305,455)
SHAPS pension	C	(2,174,000)	(2,234,000)
Holiday pay provision	D	(64,081)	(64,081)
Loan Breakage Fees	E	-	(582,102)
Reserves reported under FRS 102		<u>23,138,878</u>	<u>24,417,208</u>

Reconciliation of surplus		Year ended 31 March 2015
	Note	£
Surplus as previously reported under UK GAAP		1,728,684
Grant accounting	A	2,556,693
Depreciation	B	(2,364,934)
SHAPS pension	C	(60,000)
Holiday pay provision	D	-
Loan Breakage Fees	E	(582,102)
Surplus reported under FRS 102		<u>1,278,341</u>

