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Caledonia Housing Association Limited

Report of the Management Board and Consolidated Financial Statements Year ended 31 March 2017

Registration Particulars:

Financial Conduct Authority

Scottish Housing Regulator

The Scottish Charity Register

Registered Number 2343 R (S)

Registered Number HEP 224

Charity Number SCO13988

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

For the year ended 31 March 2017

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CALEDONIA HOUSING ASSOCIATION LIMITED

ADVISERS

For the year ended 31 March 2017

Registered Office: 5 South St Johns Place
Perth
PH1 5SU

Auditors: RSM 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

Caledonia Housing Association Limited

The Management Board and Executive Officers

The Members of the Management Board of the Association during the year to 31 March 2017 and up to the date of signing of these financial statements were as follows:

Mrs Helen Archibald
Mrs Penny Coburn (Vice Chair)
Mr Lindsay Darroch
Mr David Grant (Chairman)
Mr Ian Gray
Mr Martin Harkness
Ms Veronica Lynch (appointed 06/09/16)
Mrs Lorna McCurrach
Mr Alex McDougall (appointed 06/09/16)
Mr Alan Nairn
Mrs Elaine O'Brien
Mr Gavin Stewart (resigned 06/09/16)
Mr Hugh Levins (resigned 06/09/16)

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

Caledonia Housing Association Limited

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 December 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.

CALEDONIA HOUSING ASSOCIATION LIMITED

REPORT OF THE MANAGEMENT BOARD

Caledonia Housing Association Limited

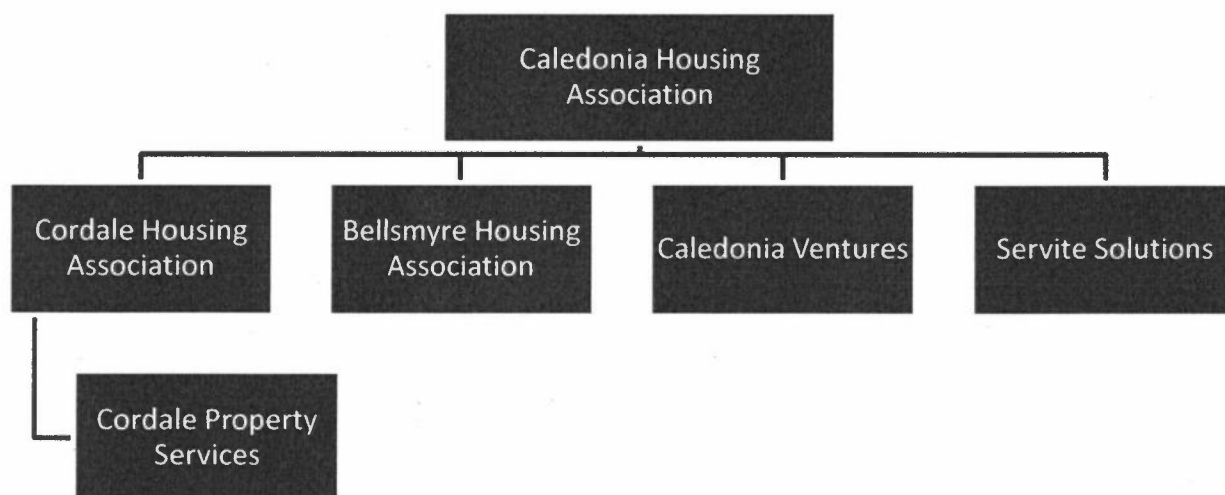
- (v) The Audit Committee has the responsibility of reviewing the internal financial and other controls of the Association and will review reports from management, from the internal auditors and from the external Auditors. In addition the Audit Committee reviews the Association's corporate risk map at each meeting to monitor and mitigate assessed key risks.
- (vi) Formal procedures have been established for instituting appropriate action to correct weaknesses identified from the above reports.

The Management Board has reviewed the effectiveness of the system of internal financial control in existence in the Association for the year ended 31 March 2017. 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 a 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 a 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 April 2014.

3. Bellsmyre Housing Association

A registered social landlord and a Scottish charity owning and managing 592 quality affordable homes in the Bellsmyre area of Dumbarton for people in housing need. The Association became a wholly owned subsidiary of Caledonia on 1 April 2016.

4. 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.

5. 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.

6. 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; the property was sold to Cordale Housing Association on 30 March 2017 and the company ceased trading on that date.

REVIEW OF BUSINESS AND FUTURE DEVELOPMENTS

Financial Review

The Caledonia Group ("Caledonia" or the "Group") achieved an operating surplus for the year of £10.2m (2016: £5.2m). The Group made a net surplus of £7.0m in the year to 31 March 2017 (2016: £2.1m), an increase due to a gain in respect of the remeasurement of the Association's pension scheme (£1.9m) and fair value gain on acquisition of Bellsmyre HA (£3.0m). Turnover increased by 23% to £30.8m and operating costs increased by 14% to £22.5m whilst income from social letting activities rose by 16% to £25.6m reflecting rent increases applied in April 2016 and rents received from new build completions during the year. The turnover from other activities decreased by 24% due to shared equity sales of £0.6m in the previous year.

Included in operating costs is the expenditure on reactive, cyclical and planned maintenance the cost of which was £4.7m (2016 £3.3m). Total investment on all maintenance activities was £7.1m (2016 £5.7m) £2.8m of which was treated as capital expenditure. Annual expenditure on planned maintenance is derived from 30 year life cycle costing consultant's reports 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 £6.3m (2016 £5.4m) for such depreciation.

At 31 March 2017 the Group's total reserves amounted to £42.7m an increase of £12.6m from 31 March 2016. The increase in reserves is attributed to the surpluses achieved by the Group in the year to 31 March 2017 of £7.0m and the addition of reserves in Bellsmyre HA £5.5m who became a subsidiary on the 1 April 2016. In addition to providing funds for re-development these reserves are a necessary hedge against risk.

CALEDONIA HOUSING ASSOCIATION LIMITED

REPORT OF THE MANAGEMENT BOARD

Caledonia Housing Association Limited

Treasury Management

Caledonia has a comprehensive Treasury Management Strategy and Policy in place. The main aim of the strategy is to provide the private finance required to finance the investment programme detailed in the Group's business plan whilst providing the necessary controls to mitigate risk. At 31 March 2017, Caledonia has a balance of fixed and variable rate finance which is reviewed as part of the appraisal and selection process for the acquisition of a new facilities.

Risk Management

Caledonia has a comprehensive group 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 on a quarterly basis to consider actions to mitigate existing and emerging risks. The work of this Committee is reported to the Management Board and informs the annual internal audit programme.

Risk	Mitigation
<ul style="list-style-type: none"> The financial and social effects of welfare benefit reform 	<p>Welfare Reform Staff Focus Group & Action Plan in place.</p> <p>Arrears recovery & tenancy sign up procedures amended.</p> <p>Further review in advance of UC roll out.</p> <p>Structural re-organisation to create dedicated tenancy sustainment team.</p>
<ul style="list-style-type: none"> A serious incident resulting from failure of Health & Safety Regulations 	<p>Comprehensive Health & Safety action plan in place.</p> <p>Key issues considered by the Executive Team on a monthly basis and the Health and Safety Committee on a quarterly basis.</p> <p>Specialist health and safety consultants (Ellis Whittam) appointed to advise the Association on relevant issues.</p>
<ul style="list-style-type: none"> The failure of business continuity systems 	<p>Business continuity issues, incidents and arrangements considered by the Operational Management Team (OMT).</p> <p>All business continuity incidents reviewed by the Business Performance Manager and considered by the Executive Management Team.</p> <p>In terms of electronic data storage and security the transfer of all data and processing to an external data centre has enhanced part of our business continuity systems.</p> <p>Business continuity procedure being reviewed following full implementation of the transfer to the external data centre.</p>
<ul style="list-style-type: none"> Compliance with new Scottish Government energy efficiency standards. 	<p>Stock Condition Survey - Assessment of EESSH compliance completed in November 2016, which confirms existing compliance levels.</p> <p>Investment to ensure compliance incorporated into planned investment programme from 2018 until 2020.</p> <p>Phase 2 of new stock condition survey being completed to be built in to 30 year financial projections.</p>
<ul style="list-style-type: none"> Changes to the funding for support services to older people 	<p>Review of service, structures and costs completed</p> <p>Efficiencies identified in existing service provision to maintain costs within current SP contract values.</p> <p>New income from direct charges to tenants in addition to efficiencies identified in service charge items.</p> <p>Overnight services being transferred to LA to provide Management of services to be structured to ensure Care Standards are met and monitored locally</p>

CALEDONIA HOUSING ASSOCIATION LIMITED

REPORT OF THE MANAGEMENT BOARD

Caledonia Housing Association Limited

<ul style="list-style-type: none"> Failure of Group's ICT systems 	<p>On-going development of electronic processing and data storage.</p> <p>Regular inspection and renewal of equipment</p> <p>Internal audit of control systems</p> <p>Central control of levels of system access and password protection.</p> <p>All ICT systems being regularly monitored</p> <p>Existing third party support organisations on stand-by to monitor systems</p> <p>All systems now being hosted by the data centre who initiate comprehensive daily back-ups of all data.</p>
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Performance

The Group 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	15/16 Actual
• Void Loss	Less than 0.5%	0.39%	0.51%
• Re-let Performance	Less than 17.5 Days	17.5Days	17.4 Days
• Arrears Performance	Less than 4.0%	4.48%	4.66%
• Profitability – Operating surplus	More than 24%	24%	22%
• Financial Covenant - Interest Cover	More than 125%	209%	122%
• Financial Covenant – Gearing	Less than 60%	38%	29%

Indicators in line with the ARC definitions were set for the year to 31 March 2017 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.

Indicators for Cordale Housing Association	Target	Actual	15/16 Actual
• Void Loss	Less than 0.5%	0.7%	0.3%
• Re-let Performance	Less than 10 Days	12.4 Days	8.4 Days
• Arrears Performance	Less than 4.0%	4.5%	4.5%
• Profitability – Operating surplus	More than 30%	44%	41%
• Financial Covenant - Interest Cover	More than 200%	362.8%	227%
• Financial Covenant - Gearing	Less than 30%	23.6%	18%

Indicators in line with ARC definitions were set for the year to 31 March 2017 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 March 2017 was taken up integrating a new staff structure and policies and procedures with those of the Caledonia Group. 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 held at last year's level 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.

CALEDONIA HOUSING ASSOCIATION LIMITED

REPORT OF THE MANAGEMENT BOARD

Caledonia Housing Association Limited

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.

Indicators for Bellsmyre Housing Association	Target	Actual
• Void Loss	Less than 0.5%	2.1%
• Re-let Performance	Less than 10 Days	65.1 Days
• Arrears Performance	Less than 4.0%	8.6%
• Profitability – Operating surplus	More than 30%	39.2%
• Financial Covenant - Interest Cover	More than 110%	291%
• Financial Covenant - Gearing	Less than 30%	20%

Bellsmyre HA's performance reflects the considerable amount of work involved in re-structuring the Association in terms of staff responsibilities and the adoption of a range of Caledonia Group policies and procedures since becoming a subsidiary in April 2016.

Early in the year the Committee of Management recognised that tenancy sustainment was a major issue and took action to address this by allocating increased time and resources to the void maintenance programme. Understandably this course of action has led to increased void loss and re-let times but does not indicate any lack of control. Similarly increased maintenance expenditure has reduced operating surplus but all financial lending covenants have been met.

Future Plans

The Caledonia Management Board approved a business plan which contains three strategic priorities:

- **Transforming Customer Service**
By introducing new and innovative ICT solutions to enable mobile working and the provision of a tenant self-service portal coupled with changes to working patterns we aim to create efficiencies and provide enhanced customer service.
- **Providing 1000 new homes by 2020**
In order to help address the chronic shortage of affordable homes in Scotland and support the Scottish Governments initiative we plan to increase our affordable housing development programme throughout our area of operation.
- **Delivering Sustainable Services**
The Caledonia Group currently deliver a range of non-core services to our tenants including home help, estate management and additional tenancy support. We aim to review all of these services with a view to increasing the provision and providing more options that are flexible, affordable, and valued by our customers.

Rental Income

Annual increases in rent for existing properties and rent from new properties resulted in a 2% increase in rental income (2016: 2.2%). 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 2017: 30 days (2016: 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.

CALEDONIA HOUSING ASSOCIATION LIMITED

REPORT OF THE MANAGEMENT BOARD

Caledonia Housing Association Limited

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.

- 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 of £10.75m to minimise future financial risk. The current level of undesignated revenue reserves is £28.88m following the addition of a £2.67m revenue surplus in the year to 31 March 2017.

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 as auditors of the Association will be proposed at the Annual General Meeting.

By order of the Management Board

Mr David Grant (Chairman)

 22/08/ 2017

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

Caledonia Housing Association Limited

Opinion on financial statements

We have audited the group and parent association financial statements of Caledonia Housing Association for the year ended 31 March 2017 (the "financial statements") on pages 12 to 47. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

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 2017, 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.

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>

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.

Respective responsibilities of the Board and auditor

As explained more fully in the Board's Responsibilities Statement set out on pages 3, the Board are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

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.

RSM UK Audit LLP

RSM UK AUDIT LLP

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

Date: *15 September 2017*

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 2017

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

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

Date: *15 September 2017*

CALEDONIA HOUSING ASSOCIATION LIMITED
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2017

	<i>Note</i>	2017	<i>2016</i>
		£	£
Turnover	<i>2,3a,4a</i>	30,824,262	<i>25,010,488</i>
Operating expenditure	<i>2,3a,4a</i>	(22,511,538)	<i>(19,827,814)</i>
Remeasurement in respect of pension scheme	<i>28</i>	1,920,000	<i>-</i>
Operating surplus	<i>2</i>	10,232,724	<i>5,182,674</i>
(Loss) on disposal of fixed assets		(167,852)	<i>(76,393)</i>
Gain on revaluation of investment property		135,589	<i>-</i>
		10,200,461	<i>5,106,281</i>
Interest receivable	<i>8</i>	41,701	<i>23,494</i>
Interest payable and financing costs	<i>9</i>	(3,228,749)	<i>(3,000,905)</i>
Surplus for the year and total comprehensive income for the year		7,013,413	<i>2,128,870</i>

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 2017

	<i>Note</i>	2017	<i>2016</i>
		£	£
Turnover	<i>2,3b,4b</i>	21,724,157	<i>21,609,650</i>
Operating costs	<i>2,3b,4b</i>	(17,342,241)	<i>(17,184,087)</i>
Remeasurement in respect of pension scheme	<i>28</i>	1,009,000	
Operating surplus	<i>2</i>	5,390,916	<i>4,425,563</i>
(Loss) on disposal of fixed assets		(59,044)	<i>(10,072)</i>
		5,331,872	<i>4,415,491</i>
Interest receivable	<i>8</i>	35,241	<i>22,460</i>
Interest payable	<i>9</i>	(2,701,773)	<i>(2,643,525)</i>
Surplus for the year and total comprehensive income for the year		2,665,340	<i>1,794,426</i>

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 2017

	Note	2017 GROUP £	ASSOCIATION £	2016 GROUP £	ASSOCIATION £
Fixed assets					
Housing properties	11,12	292,148,214	236,137,773	267,159,541	225,678,266
Other fixed assets	13,14	1,122,107	861,153	930,875	904,670
Investment property	15	1,304,305	354,305	1,074,305	354,305
Investments in subsidiaries	16	104	4	104	4
		<u>294,574,730</u>	<u>237,353,235</u>	<u>269,164,825</u>	<u>226,937,245</u>
Current assets					
Stock and work in progress	17	993,678	993,678	-	-
Trade and other debtors	18	2,728,643	2,628,846	1,657,123	1,676,219
Cash and cash equivalents		6,601,680	2,576,605	5,011,137	2,734,020
		<u>10,324,001</u>	<u>6,199,129</u>	<u>6,668,260</u>	<u>4,410,239</u>
Current liabilities					
Creditors: amounts falling due within one year	19	(12,650,888)	(9,966,897)	(10,317,590)	(8,606,875)
Net current (liabilities)		<u>(2,326,887)</u>	<u>(3,767,768)</u>	<u>(3,649,330)</u>	<u>(4,196,636)</u>
Total assets less current liabilities		<u>292,247,843</u>	<u>233,585,467</u>	<u>265,515,495</u>	<u>222,740,609</u>
Creditors: amounts falling due after more than one year	20	(247,841,235)	(203,749,522)	(232,620,558)	(194,428,984)
Provisions for liabilities					
Pension provision	28	(1,667,000)	(959,000)	(2,723,000)	(2,100,000)
Net assets		<u>42,739,608</u>	<u>28,876,945</u>	<u>30,171,937</u>	<u>26,211,625</u>
Capital and reserves					
Share capital	23	513	182	455	202
Revenue reserve		42,739,095	28,876,763	30,171,482	26,211,423
		<u>42,739,608</u>	<u>28,876,945</u>	<u>30,171,937</u>	<u>26,211,625</u>

These financial statements on pages 12 to 47 were approved and authorised for issue by the Management Board on 22 August 2017 and were signed on their behalf:

Chairman of the Management Board



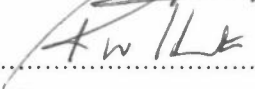
D. GRANT

Board Member



I. GRAY

Secretary



R. HUNTER

CALEDONIA HOUSING ASSOCIATION LIMITED

CONSOLIDATED AND HOUSING ASSOCIATION STATEMENTS OF CHANGES IN RESERVES

For the year ended 31 March 2017

Group	Share Capital	Income and expenditure reserve	Total
	£	£	£
Balance at 1 April 2015	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/>
Balance as at 31 March 2016	455	30,171,482	30,171,937
Acquisition of Bellsmyre Housing Association (note 24)*	118	5,554,200	5,554,318
Issued in the year	15	-	15
Cancelled in the year	(75)	-	(75)
Surplus for the year*	-	7,013,413	7,013,413
	<hr/>	<hr/>	<hr/>
Balance at 31 March 2017	513	42,739,095	42,739,608

Association	Share Capital	Income and expenditure reserve	Total
	£	£	£
Balance at 1 April 2015	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/>
Balance as at 31 March 2016	202	26,211,423	26,211,625
Issued in the year	3	-	3
Cancelled in the year	(23)	-	(23)
Surplus for the year	-	2,665,340	2,665,340
	<hr/>	<hr/>	<hr/>
Balance at 31 March 2017	182	28,876,763	28,876,945

* Note that the fair value adjustment on acquisition of Bellsmyre Housing Association is included within the surplus for the year as it is recognised in turnover.

CALEDONIA HOUSING ASSOCIATION LIMITED

CONSOLIDATED STATEMENT OF CASHFLOW

For the year ended 31 March 2017

	Notes	2017 £	2016 £
Net cash generated from operating activities	26	5,329,947	7,890,043
 CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of tangible fixed assets		(15,998,918)	(12,337,295)
Purchase of investment property		(94,411)	-
Proceeds from sale of tangible fixed assets		157,093	850,056
Grants received		7,130,156	4,024,653
Grants repaid		-	(260,725)
Interest received		41,701	23,494
Cash acquired on business combination		1,480,862	-
		<hr/>	<hr/>
NET CASH (USED IN) INVESTING ACTIVITIES		(1,613,347)	(7,699,817)
 CASH FLOW FROM FINANCING ACTIVITIES			
Interest paid		(3,228,749)	(2,992,106)
Interest element of finance lease rental payments		-	-
New secured loans		9,440,000	2,207,340
Repayments of borrowings		(2,667,138)	(302,994)
		<hr/>	<hr/>
NET CASH FROM/(USED IN) FINANCING ACTIVITIES		3,544,113	(1,087,760)
 NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		<hr/> 1,590,543	<hr/> (897,534)
 CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		<hr/> 5,011,137	<hr/> 5,908,671
 CASH AND CASH EQUIVALENTS AT END OF YEAR	26	<hr/> <hr/> 6,601,680	<hr/> <hr/> 5,011,137

CALEDONIA HOUSING ASSOCIATION LIMITED
HOUSING ASSOCIATION STATEMENT OF CASHFLOW

For the year ended 31 March 2017

	Notes	2017 £	2016 £
Net cash generated from operating activities	26	3,902,068	6,749,088
CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of tangible fixed assets		(15,070,878)	(12,069,300)
Proceeds from sale of tangible fixed assets		98,890	807,426
Grants received		7,190,056	4,024,653
Grants repaid		-	(190,765)
Interest received		35,241	22,460
		<hr/>	<hr/>
NET CASH (USED IN) INVESTING ACTIVITIES		(7,746,691)	(7,405,526)
CASH FLOW FROM FINANCING ACTIVITIES			
Interest paid		(2,701,773)	(2,634,726)
Interest element of finance lease rental payments		-	-
New secured loans		7,100,000	2,207,340
Repayments of borrowings		(711,019)	-
Capital element of finance lease rental payments		-	-
Withdrawal from deposits		-	-
		<hr/>	<hr/>
NET CASH FROM/(USED IN) FINANCING ACTIVITIES		3,687,208	(427,386)
NET (DECREASE) IN CASH AND CASH EQUIVALENTS		(157,415)	(1,083,824)
		<hr/>	<hr/>
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		2,734,020	3,817,844
		<hr/>	<hr/>
CASH AND CASH EQUIVALENTS AT END OF YEAR	26	2,576,605	2,734,020
		<hr/> <hr/>	<hr/> <hr/>

CALEDONIA HOUSING ASSOCIATION LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2017

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.

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

- 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.
- Amortisation of Government Grants – See Government Grants

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.

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.

CALEDONIA HOUSING ASSOCIATION LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2017

Pension

Obligations under a defined benefit pension scheme

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 will repay their share of the deficit.

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 £984K for the next 5 years has been discounted at a rate of 1.06% amounting to a net present value of £959K at 31 March 17.

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.

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.

Basis of Accounting

The financial statements are prepared under the historical cost convention.

Basis of consolidation

The Group financial statements consolidate the results of Caledonia Housing Association Limited, Bellsmyre Housing Association and Cordale Housing Association Limited using the acquisition method, all of which are Associations registered under the Co-operative and Benefit Societies Act 2014 and are registered with the Scottish Housing Regulator. The results of Cordale Property Services Limited a limited company and subsidiary of Cordale Housing Association are not consolidated due to immateriality.

Fair value adjustments were made on acquisition of Bellsmyre Housing Association; these will be amortised over 25 years.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by other members of the Group.

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

CALEDONIA HOUSING ASSOCIATION LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2017

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. The Association secured additional private finance of £14,973,611 on the 13th 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.

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.

CALEDONIA HOUSING ASSOCIATION LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2017

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.

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.

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.

CALEDONIA HOUSING ASSOCIATION LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2017

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 Statement of Comprehensive Income on a straight line 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 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

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.

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.

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.

CALEDONIA HOUSING ASSOCIATION LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2017

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.

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 2017

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

Group:

	Turnover	Operating costs	Remeasurement in respect of pension scheme	Operating surplus 31 March 2017	Operating surplus 31 March 2016
	£	£	£	£	£
Social lettings (note 3a)	25,364,061	(19,997,638)	-	5,366,423	5,131,396
Other activities (note 4a)	2,480,703	(2,394,723)	-	86,060	51,278
Fair value adjustment on consolidation	2,979,418	(119,177)	-	2,860,241	-
Remeasurement in respect of pension schemes (note 28)	-	-	1,920,000	1,920,000	-
Total - 2017	30,824,262	(22,511,538)	1,920,000	10,232,724	
<i>Total - 2016</i>	<i>25,010,488</i>	<i>(19,827,814)</i>	<i>-</i>		<i>5,182,674</i>

Housing Association:

	Turnover	Operating costs	Remeasurement in respect of pension scheme	Operating surplus 31 March 2017	Operating surplus 31 March 2016
	£	£	£	£	£
Social lettings (note 3b)	19,346,977	(15,001,949)	-	4,345,028	4,423,110
Other activities (note 4b)	2,377,180	(2,340,292)	-	36,888	2,453
Remeasurement in respect of pension schemes (note 28)	-	-	1,009,000	1,009,000	-
Total - 2017	21,724,157	(17,342,241)	1,009,000	5,390,916	
<i>Total - 2016</i>	<i>21,609,650</i>	<i>(17,184,087)</i>	<i>-</i>		<i>4,425,563</i>

CALEDONIA HOUSING ASSOCIATION LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2017

3a. 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 2017 £	Total - 31 March 2016 £
Rent receivable net of service charges	14,343,108	2,705,016	803,476	17,851,600	15,123,266
Service charges	949,179	2,089,640	186,330	3,225,149	3,244,684
Gross income from rents and service charges	15,292,287	4,794,656	989,806	21,076,749	18,367,950
Less Voids	(217,910)	(56,956)	-	(274,866)	(127,866)
Net income from rents and service charges	15,074,377	4,737,700	989,806	20,801,883	18,240,084
Grants released from deferred income	3,852,374	481,065	187,334	4,520,773	3,816,573
Other revenue grants	41,405	-	-	41,405	38,052
Total turnover from social letting activities	18,968,156	5,218,765	1,177,140	25,364,061	22,094,709
Management and maintenance administration costs	4,178,238	1,354,899	282,523	5,815,660	4,870,649
Service costs	980,414	2,080,664	185,894	3,246,972	3,199,723
Planned and cyclical maintenance including major repairs costs	2,218,042	228,080	31,038	2,477,160	1,824,763
Reactive maintenance costs	1,649,630	258,467	538	1,908,635	1,462,660
Bad debts – rent and service charges	170,504	64,222	-	234,726	167,337
Depreciation of affordable let properties	5,173,922	905,178	235,385	6,314,485	5,438,181
Operating costs for affordable letting activities	14,370,750	4,891,510	735,378	19,997,638	16,963,313
Operating surplus for affordable letting activities	4,597,406	327,255	441,762	5,366,423	
Operating surplus for affordable letting activities for previous accounting period	3,617,797	960,791	552,808		5,131,396

CALEDONIA HOUSING ASSOCIATION LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2017

3b. 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 2017 £	Total - 31 March 2016 £
Rent receivable net of service charges	10,274,111	2,528,218	781,324	13,583,653	13,181,644
Service charges	861,640	1,935,252	186,330	2,983,222	3,066,854
Gross income from rents and service charges	11,135,751	4,463,470	967,654	16,566,875	16,248,498
Less Voids	(158,853)	(52,289)	-	(211,142)	(120,586)
Net income from rents and service charges	10,976,898	4,411,181	967,654	16,355,733	16,127,912
Grants released from deferred income	2,406,794	364,574	178,471	2,949,839	2,596,177
Other revenue grants	41,405	-	-	41,405	38,052
Total turnover from social letting activities	13,425,097	4,775,755	1,146,125	19,346,977	18,762,141
Management and maintenance administration costs	2,954,121	1,258,676	276,108	4,488,905	4,337,023
Service costs	866,411	1,954,854	185,825	3,007,090	3,045,889
Planned and cyclical maintenance including major repairs costs	1,491,401	226,840	31,038	1,749,279	1,577,545
Reactive maintenance costs	1,021,558	251,719	-	1,273,277	1,287,916
Bad debts – rent and service charges	100,570	64,222	-	164,792	155,110
Depreciation of affordable letting properties	3,329,963	765,776	222,867	4,318,606	3,935,548
Operating costs for affordable letting activities	9,764,024	4,522,087	715,838	15,001,949	14,339,031
Operating surplus for affordable letting activities	3,661,073	253,668	430,287	4,345,028	
Operating surplus for affordable letting activities for previous accounting period	3,032,655	850,808	539,647		4,423,110

CALEDONIA HOUSING ASSOCIATION LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2017

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- 2016
	£	£	£	£	£	£	£	£	£
Factoring	-	-	-	40,583	40,583	-	(41,389)	(806)	-
Care and repair property	1,021,650	-	-	-	1,021,650	-	(1,014,782)	6,868	5,673
Stage 3 Adaptations	309,033	-	-	-	309,033	-	(323,612)	(14,579)	(49,801)
Support activities	-	-	337,815	-	337,815	-	(358,088)	(20,273)	(16,527)
Commercial rents	-	-	-	47,000	47,000	-	-	47,000	47,000
Tenant participation	-	-	-	15,625	15,625	-	(15,625)	-	-
Care activities (Home Help)	-	-	-	204,369	204,369	-	(218,117)	(13,748)	(15,175)
Housing with Care	-	-	-	144,909	144,909	-	(135,114)	9,795	8,314
Dundee Voluntary Action	-	-	-	44,694	44,694	-	(44,602)	92	4,857
Making Advice Work Project	-	-	-	55,880	55,880	-	(55,880)	-	-
Income from Office Lease	-	-	-	46,080	46,080	-	-	46,080	46,080
Agency management services	-	-	-	129,852	129,852	-	(111,939)	17,913	15,932
Donations	-	-	-	-	-	-	-	-	1,745
Other Activities	-	-	-	83,293	83,293	-	(75,575)	7,718	3,240
Total from other activities	1,330,683	-	337,815	812,285	2,480,783	-	(2,394,723)	86,060	
Total from other activities – 2016	934,963	-	337,815	1,643,001	2,915,779	-	(2,864,501)		51,278

CALEDONIA HOUSING ASSOCIATION LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2017

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- 2016 £
Care and repair of property	1,021,650	-	-	1,021,650	-	(1,014,782)	6,868	5,673
Stage 3 Adaptations	272,000	-	-	272,000	-	(286,589)	(14,589)	(49,941)
Support activities	-	337,815	-	337,815	-	(358,088)	(20,273)	(16,527)
Care activities	-	-	204,369	204,369	-	(218,117)	(13,748)	(15,175)
Housing with Care	-	-	144,909	144,909	-	(135,114)	9,795	8,314
Dundee Voluntary Action	-	-	44,694	44,694	-	(44,602)	92	4,857
Making Advice Work Project	-	-	55,880	55,880	-	(55,880)	-	-
Income from Office Lease	-	-	46,080	46,080	-	-	46,080	46,080
Agency management services	-	-	202,280	202,280	-	(184,367)	17,913	15,932
Other Activities	-	-	47,503	47,503	-	(42,753)	4,750	3,240
Total from other activities	1,293,650	337,815	745,715	2,377,180	-	(2,340,292)	36,888	
Total from other activities – 2016	914,912	337,815	1,594,782	2,847,509	-	(2,845,056)		2,453

CALEDONIA HOUSING ASSOCIATION LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2017

5. Housing stock (Group)

	2017 No.	2016 No.
New build	4,045	3,947
Rehabilitation	630	61
Shared Ownership	397	404
Supported housing	40	40
	<u>5,112</u>	<u>4,452</u>

Housing stock (Association)

	2017 No.	2016 No.
New build	3,617	3,539
Shared Ownership	386	387
	<u>4,003</u>	<u>3,926</u>

6. Key Management Personnel (Group and Association)

Key management personnel are defined as the Chief Executive and any other senior staff reporting directly to the Chief Executive or the board.

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:

	2017 No.	2016 No.
£60,000 - £70,000	-	1
£70,001 - £80,000	4	5
£80,001 - £90,000	1	-
£90,001 - £100,000	-	1
£100,001 - £110,000	<u>1</u>	<u>-</u>
	2017 £	2016 £
Aggregate emoluments for the above key management personnel (excluding pension contributions)	<u>481,938</u>	<u>526,356</u>
Aggregate pension contributions in relation to the above key management personnel	<u>45,128</u>	<u>50,946</u>
The emoluments of the Chief Executive (excluding pension contributions)	<u>100,376</u>	<u>96,028</u>
Aggregate pension contributions made on behalf of the Chief Executive	<u>11,529</u>	<u>11,007</u>

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 2017

7. Employees

Group

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	
	2017	2016
Office, administrative and management	96	77
Development	5	6
Housing Support and Care	82	81
	<u>183</u>	<u>164</u>

The aggregate payroll costs of these persons were as follows:

	2017	2016
	£	£
Wages and salaries	5,074,358	4,370,137
Social security costs	434,982	379,148
Other pension costs and current service costs (note 28)	726,929	573,248
	<u>6,236,269</u>	<u>5,322,533</u>

Redundancy Costs totalling £67,866, (2016: £19,044) are included in wages and salaries. This was due to a staff member opting for voluntary redundancy as part of a staffing restructure.

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	
	2017	2016
Office, administrative and management	96	68
Development	5	6
Housing Support and Care	82	81
	<u>183</u>	<u>155</u>

The aggregate payroll costs of these persons were as follows:

	2017	2016
	£	£
Wages and salaries	4,493,326	4,099,953
Social security costs	387,411	355,655
Other pension costs and current service costs (note 27)	548,017	508,901
	<u>5,428,754</u>	<u>4,964,519</u>

Redundancy Costs totalling £67,866, (2016: £19,044) were recognised in the financial statements to 31 March 2017. This was due to a staff member opting for voluntary redundancy as part of a staffing restructure.

CALEDONIA HOUSING ASSOCIATION LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2017

8. Interest receivable

	2017 Group £	2017 Association £	2016 Group £	2016 Association £
Bank and Building Society interest	41,701	35,241	23,494	22,460

9. Interest payable and financing costs

	2017 Group £	2017 Association £	2016 Group £	2016 Association £
Interest arising on:				
Housing Accommodation bank loans	2,536,882	2,536,882	2,417,498	2,417,498
Shared Ownership bank loans	272,611	272,611	264,361	264,361
Other bank loans and overdrafts	387,323	-	343,380	-
Breakage costs	101,653	-	-	-
Defined benefit pension charge	84,000	46,000	62,000	48,000
	3,382,469	2,855,493	3,087,239	2,729,859
Less: interest capitalised on housing properties under construction	(153,720)	(153,720)	(86,334)	(86,334)
	3,228,749	2,701,773	3,000,905	2,643,525

10. Taxation

Group

The 3 Associations all have 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 2017

11. Tangible fixed assets - housing properties (Group)

	Held for letting £	Under Construction £	Completed Shared Ownership £	Total £
<i>Cost</i>				
At 1 April 2016	304,410,383	11,139,090	17,039,788	332,589,261
Acquired through business combination	22,776,640	383,101	-	23,159,741
Additions	4,105,544	11,688,566	-	15,794,110
Disposals	(1,259,619)	-	(29,218)	(1,288,837)
Transfers	11,129,835	(11,620,474)	490,639	-
At 31 March 2017	<u>341,162,783</u>	<u>11,590,283</u>	<u>17,501,209</u>	<u>370,254,275</u>
<i>Depreciation</i>				
At 1 April 2016	61,654,382	-	3,775,338	65,429,720
Acquired through business combination	7,206,571	-	-	7,206,571
Provided during year	6,079,100	-	235,385	6,314,485
Amortisation of fair value gain on acquisition	119,177	-	-	119,177
Eliminated on disposals	(953,033)	-	(10,859)	(963,892)
At 31 March 2017	<u>74,106,197</u>	<u>-</u>	<u>3,999,864</u>	<u>78,106,061</u>
<i>Net book value</i>				
At 31 March 2017	<u>267,056,586</u>	<u>11,590,283</u>	<u>13,501,345</u>	<u>292,148,214</u>
At 31 March 2016	<u>242,756,001</u>	<u>11,139,090</u>	<u>13,264,450</u>	<u>267,159,541</u>

Additions to housing properties included capitalised development administration costs of £530,373 (2016: £412,408) of which development allowances of £nil (2016: £nil) were received in respect of these costs and capitalised.

The aggregate amount of capitalised interest in the year included in housing properties is £153,720 (2016 £86,334).

Major repairs in the year amounted to £4,448,414 (2016: £4,078,931). Of the total £2,817,026 (2016: £2,397,656) was capitalised and related to replacement of components. The remaining £1,580,897 (2016: £1,218,005) was charged to the statement of comprehensive income.

The total cost of land included above is 41,492,089 (2016: £41,493,558).

CALEDONIA HOUSING ASSOCIATION LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2017

12. Tangible fixed assets - housing properties (Association)

	Held for letting	Under Construction	Completed Shared Ownership	Total
	£	£	£	£
Cost				
At 1 April 2016	247,743,923	11,139,090	16,413,888	275,296,901
Additions	3,375,912	11,560,136	-	14,936,048
Disposals	(759,708)	-	(29,218)	(788,926)
Transfers	10,746,734	(11,237,373)	490,639	-
	<u>261,106,861</u>	<u>11,461,853</u>	<u>16,875,309</u>	<u>289,444,023</u>
Depreciation				
At 1 April 2016	46,063,103	-	3,555,532	49,618,635
Provided during year	4,095,739	-	222,867	4,318,606
Eliminated on disposals	(620,132)	-	(10,859)	(630,991)
	<u>49,538,710</u>	<u>-</u>	<u>3,767,540</u>	<u>53,306,250</u>
At 31 March 2017	211,568,151	11,461,853	13,107,769	236,137,773
At 31 March 2016	<u>201,680,820</u>	<u>11,139,090</u>	<u>12,858,356</u>	<u>225,678,266</u>

Additions to housing properties included capitalised development administration costs of £472,495 (2016: £404,255) of which development allowances of £nil (2016: £nil) were received in respect of these costs and capitalised.

The aggregate amount of capitalised interest in the year included in housing properties is £153,720 (2016 £86,334).

Major repairs in the year amounted to £3,111,486 (2016: £3,041,670). Of the total £2,067,333 (2016: £2,136,635) was capitalised and related to replacement of components. The remaining £1,044,153 (2016: £905,035) was charged to the statement of comprehensive income.

The total cost of land included above is £35,519,874 (2016: £35,503,263).

CALEDONIA HOUSING ASSOCIATION LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2017

13. Tangible fixed assets – other (Group)

	Office Furniture and Equipment	Scheme Plant and Equipment	Office Accommodation	Leasehold Property	Motor Vehicles	Total
	£	£	£	£	£	£
Cost						
At 1 April 2016	1,543,566	763,793	525,638	235,861	211,367	3,280,225
Acquired through business combination	163,523	-	220,374	68,828	24,155	476,880
Additions	114,129	62,315	27,635	729	-	204,808
Disposals	-	-	-	-	-	-
At 31 March 2017	<u>1,821,218</u>	<u>826,108</u>	<u>773,647</u>	<u>305,418</u>	<u>235,522</u>	<u>3,961,913</u>
Depreciation						
At 1 April 2016	1,463,993	459,343	80,789	235,861	109,364	2,349,350
Acquired through business combination	138,525	-	104,546	14,009	24,155	281,235
Provided during year	96,030	48,699	15,271	1,738	47,483	209,221
Eliminated on disposals	-	-	-	-	-	-
At 31 March 2017	<u>1,698,548</u>	<u>508,042</u>	<u>200,606</u>	<u>251,608</u>	<u>181,002</u>	<u>2,839,806</u>
Net book value						
At 31 March 2017	<u>122,670</u>	<u>318,066</u>	<u>573,041</u>	<u>53,810</u>	<u>54,520</u>	<u>1,122,107</u>
At 1 April 2016	<u>79,573</u>	<u>304,450</u>	<u>444,849</u>	<u>-</u>	<u>102,003</u>	<u>930,875</u>

CALEDONIA HOUSING ASSOCIATION LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2017

14. Tangible fixed assets – other (Association)

	Office Furniture and Equipment	Scheme Plant and Equipment	Office Accommodation	Leasehold Property	Motor Vehicles	Total
	£	£	£	£	£	£
Cost						
At 1 April 2016	1,427,683	751,969	475,000	235,861	211,367	3,101,880
Additions	72,515	62,315	-	-	-	134,830
Disposals	-	-	-	-	-	-
At 31 March 2017	1,500,198	814,284	475,000	235,861	211,367	3,236,710
Depreciation						
At 1 April 2016	1,352,544	448,777	50,664	235,861	109,364	2,197,210
Provided during year	76,626	47,905	6,333	-	47,483	178,347
Eliminated on disposals	-	-	-	-	-	-
At 31 March 2017	1,429,170	496,682	56,997	235,861	156,847	2,375,557
Net book value						
At 31 March 2017	71,028	317,602	418,003	-	54,520	861,153
At 1 April 2016	75,139	303,192	424,336	-	102,003	904,670

CALEDONIA HOUSING ASSOCIATION LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2017

15. Investment Properties (Group)	2017	2016
	£	£
At 1 April 2016	1,074,305	1,074,305
Addition	94,411	-
Revaluation gain	135,589	-
	<hr/>	<hr/>
At 31 March 2017	<u>1,304,305</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 2017. 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. Subsequently, in July 2016 investment property with an initial value of £690,000 was revalued at £750,000 by Jones Lang LaSalle Limited. During the year the Cordale Housing Association purchased a pharmacy from its subsidiary Cordale Property Services Limited, the pharmacy was valued in July 2016 at £170,000 by Jones LaSalle Limited and has been revalued to this amount. The revaluation gains have been recognised in the Statement of Comprehensive Income. The Management Board do not believe there has been any material change in the value of these properties in the period to 31 March 2017. No depreciation is provided in respect of investment properties

Investment Properties (Association)	2017	2016
	£	£
At 1 April 2016	354,305	354,305
	<hr/>	<hr/>
At 31 March 2017	<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

	2017	2016
	£	£
Cost – Caledonia Ventures (formerly known as Servite Ventures)	2	2
Cost – Servite Solutions	2	2
Cost – Cordale Property Services	100	100
	<hr/>	<hr/>
	<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. Cordale Property Services is not included in the consolidation as the results and net asset position are not material to the group; the FCA have granted exemption from the inclusion of Cordale Property Services from the Group accounts.

CALEDONIA HOUSING ASSOCIATION LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2017

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 2017 were as follows:

Cordale Property Services Limited

	2017	<i>2016</i>
	£	<i>£</i>
Capital and reserves	3,002	<i>25,312</i>
	<hr/>	<hr/>
(Loss) / Profit for the year	(22,310)	<i>1,628</i>
	<hr/>	<hr/>

Association

	2017	<i>2016</i>
	£	<i>£</i>
Cost – Caledonia Ventures (formerly known as Servite Ventures)	2	<i>2</i>
Cost – Servite Solutions	2	<i>2</i>
	<hr/>	<hr/>
	4	<i>4</i>
	<hr/>	<hr/>

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.

The Association has formed constitutional partnerships with Cordale Housing Association and Bellsmyre Housing Association.

17. Stock and work in progress

	2017	2017	<i>2016</i>	<i>2016</i>
	Group	Association	<i>Group</i>	<i>Association</i>
	£	£	<i>£</i>	<i>£</i>
Developments in progress for other Associations:	961,938	961,938	<i>-</i>	<i>-</i>
Replacement components	31,740	31,740	<i>-</i>	<i>-</i>
	<hr/>	<hr/>	<hr/>	<hr/>
	993,678	993,678	<i>-</i>	<i>-</i>
	<hr/>	<hr/>	<hr/>	<hr/>

CALEDONIA HOUSING ASSOCIATION LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2017

18. Debtors

	2017 Group £	2017 Association £	2016 Group £	2016 Association £
Due < 1 Year				
Rent and service charges receivable	1,013,163	700,498	850,006	729,352
Less: bad debt provision	<u>(524,376)</u>	<u>(349,561)</u>	<u>(395,202)</u>	<u>(341,309)</u>
	488,787	350,937	454,804	388,043
Prepayments and accrued income	822,051	801,904	439,802	406,070
Other debtors	153,509	70,875	359,611	359,611
Amount due from subsidiary undertakings	-	154,848	-	119,589
Grants Receivable	1,264,296	1,250,282	402,906	402,906
	<u>2,728,643</u>	<u>2,628,846</u>	<u>1,657,123</u>	<u>1,676,219</u>

19. Creditors: amounts falling due within one year

	2017 Group £	2017 Association £	2016 Group £	2016 Association £
Debt (note 22)	1,680,382	1,345,926	1,502,486	1,204,484
Trade creditors	21,960	20,612	102,064	32,104
Other Taxes and Social Security	122,211	108,686	107,927	103,348
Rent in Advance	834,001	668,441	651,000	596,930
Accruals and Deferred Income	4,482,643	3,874,106	4,071,444	4,007,420
Pensions	60,043	60,043	58,782	58,782
Other Creditors	301,474	12,466	7,314	-
Deferred capital grants (note 21)	5,148,174	3,876,617	3,816,573	2,596,177
Amounts due to group undertakings	-	-	-	7,630
	<u>12,650,888</u>	<u>9,966,897</u>	<u>10,317,590</u>	<u>8,606,875</u>

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

	2017 Group £	2017 Association £	2016 Group £	2016 Association £
Debt (note 22)	75,098,966	64,339,821	66,305,335	58,092,282
Deferred capital grants (note 21)	172,742,269	139,409,701	166,214,691	136,236,170
Other deferred Income	-	-	100,532	100,532
	<u>247,841,235</u>	<u>203,749,522</u>	<u>232,620,558</u>	<u>194,428,984</u>

CALEDONIA HOUSING ASSOCIATION LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2017

21. Deferred capital grant

	2017 Group £	2017 Association £	2016 Group £	2016 Association £
As at 1 April 2016	170,031,264	138,832,347	169,893,144	137,403,871
Acquired through business combination	5,670,170	-	-	-
Grant received in the year	7,130,156	7,190,055	3,954,693	4,024,653
Capital grant released in the year	(4,941,147)	(2,736,084)	(3,816,573)	(2,596,177)
At 31 March 2017	<u>177,890,443</u>	<u>143,286,318</u>	<u>170,031,264</u>	<u>138,832,347</u>
Amounts to be released within one year	5,148,174	3,876,617	3,816,573	2,596,177
Amounts to be released in more than one year	172,742,269	139,409,701	166,214,691	136,236,170
	<u>177,890,443</u>	<u>143,286,318</u>	<u>170,031,264</u>	<u>138,832,347</u>

22. Debt analysis - Borrowings

	2017 Group £	2017 Association £	2016 Group £	2016 Association £
Creditors: amounts falling due within one year:				
Bank loans	1,680,382	1,345,926	1,502,486	1,204,484
	<u>1,680,382</u>	<u>1,345,926</u>	<u>1,502,486</u>	<u>1,204,484</u>
Creditors: amounts falling due after one year:				
Bank loans	75,098,966	64,339,821	66,305,335	58,092,282
	<u>75,098,966</u>	<u>64,339,821</u>	<u>66,305,335</u>	<u>58,092,282</u>
	<u>76,779,348</u>	<u>65,685,747</u>	<u>67,807,821</u>	<u>59,296,766</u>

CALEDONIA HOUSING ASSOCIATION LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2017

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 March 2019 and 31 March 2038. Fixed rate loans £38.7m (2016: £41m) bear average fixed-rate coupons of 5.6% per annum (2016: 5.5% per annum) and £26.4m (2016: £17.7m) variable rate loans bear average variable-rate coupons of 1.20% above LIBOR (2016: 1.53% above LIBOR). The Association makes quarterly and semi-annual interest payments on all bank borrowings.

Bank borrowings of £65.7m (2016: £58.7m) 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 March 2029 and 31 March 2041. Fixed rate loans £3.2m (2016: £3.5m) bear average fixed-rate coupons of 5.45% per annum (2016: 4.95% per annum) and £5.0m (2016: £5.0m) variable rate loans bear average variable-rate coupons of 1.78% above LIBOR (2016: 2.0% above LIBOR). The Association makes quarterly interest payments on all bank borrowings.

Bank borrowings of £8.2m (2016: £8.5m) are secured by specific charges against the Association's housing properties.

Bellsmyre 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 March 2029 and 31 March 2041. Fixed rate loans £nil (2016: £1.5m) bear average fixed-rate coupons of 0% per annum (2016: 8.04% per annum) and £2.3m (2016: £0.7m) variable rate loans bear average variable-rate coupons of 1.6% above LIBOR (2016: 0.28% above LIBOR). The Association makes quarterly interest payments on all bank borrowings.

Bank borrowings of £2.3m (2016: £2.2m) are secured by specific charges against the Association's housing properties.

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

	2017 Group £	2017 Association £	2016 Group £	2016 Association £
In one year or less	1,661,917	1,345,926	1,502,486	1,204,484
Between one and two years	20,445,999	20,128,669	1,569,241	1,261,527
Between two and five years	1,174,581	-	12,165,681	11,183,210
In five years and more	52,330,494	43,594,635	51,981,275	45,082,242
	<u>75,612,991</u>	<u>65,069,230</u>	<u>67,218,683</u>	<u>58,731,463</u>

CALEDONIA HOUSING ASSOCIATION LIMITED
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23. Share capital

Group				
	2017	2016	2017	2016
	Number	Number	£	£
Shares of £1 each fully paid				
At 1 April 2016	455	472	455	472
Acquisition of Bellsmyre Housing Association	118	-	118	-
Issued in year	15	8	15	8
Withdrawn in year	(75)	(25)	(75)	(25)
At 31 March 2017	513	455	513	455
Association				
	2017	2016	2017	2016
	Number	Number	£	£
Shares of £1 each fully paid				
At 1 April 2016	202	211	202	211
Issued in year	3	7	3	7
Cancelled in year	(23)	(16)	(23)	(16)
At 31 March 2017	182	202	182	202

24. Acquisitions

Business Combinations

On 1 April 2016, Caledonia Housing Association Limited gained control of Bellsmyre Housing Association Limited through a constitutional partnership; no consideration was paid by Caledonia Housing Association Limited. The consolidated turnover and surplus for the year include the results of Bellsmyre Housing Association.

Bellsmyre Housing Association has been accounted using acquisition accounting. The assets and liabilities consolidated at 1 April 2016, the date of acquisition are as follows:

	Value at date of acquisition	Fair value adjustment	Value at date of acquisition
	£	£	£
Tangible fixed assets	13,169,397	2,979,418	16,148,815
Debtors	128,963	-	128,963
Cash at bank	1,480,862	-	1,480,862
Total assets	14,779,222	2,979,418	17,758,640
Housing loans	2,198,665	-	2,198,665
Trade creditors	55,099	-	55,099
Other creditors	158,867	-	158,867
Accruals and deferred income	37,103	-	37,103
Deferred capital grants	5,670,170	-	5,670,170
Provisions:			
- Pensions	1,105,000	-	1,105,000
Total liabilities	9,224,904	-	9,224,904
Net assets	5,554,318	2,979,418	8,533,736

CALEDONIA HOUSING ASSOCIATION LIMITED
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For the year ended 31 March 2017

25. 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:

	2017	<i>2016</i>
	Land and Buildings £	<i>Land and buildings £</i>
Amounts due:		
Within one year	68,500	<i>64,000</i>
Between one and five years	297,500	<i>16,000</i>
After five years	366,000	<i>80,000</i>

26. Notes to the cash flow statement - Group

	2017	2016
Reconciliation of operating surplus to net cash inflow from activities	£	£
Surplus for the year	7,013,413	2,128,870
Adjustments for non-cash items:		
Depreciation of tangible fixed assets	6,523,706	5,644,990
Amortisation of capital grant	(4,941,147)	(3,816,573)
Fair value (gains)/losses on investment properties	(135,589)	-
Fair value adjustment on consolidation	(2,860,241)	-
Defined benefit pension schemes	-	39,000
Loss on disposal of tangible fixed assets	167,852	37,502
Interest received	(41,701)	(23,494)
Interest payable	3,228,749	3,000,905
Shares issued	15	
Cancelled shares	(75)	(8)
Operating cash flows before movement in working capital	8,954,982	7,011,192
Decrease in stock	(993,678)	28,825
(Increase) in trade and other debtors	(1,046,554)	(378,964)
(Decrease)/increase in trade and other creditors	(576,197)	1,267,990
(Decrease) in provisions	(2,161,000)	(39,000)
Cash generated (used in)/from operations	(5,329,947)	7,890,043

CALEDONIA HOUSING ASSOCIATION LIMITED
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For the year ended 31 March 2017

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

	2017	2016
Reconciliation of operating surplus to net cash inflow from activities	£	£
Surplus for the year	2,665,340	1,794,426
Adjustments for non-cash items:	-	-
Depreciation of tangible fixed assets	4,496,953	4,136,024
Amortisation of capital grant	(2,736,084)	(2,596,177)
(Gain)/loss on disposal of tangible fixed assets	59,044	10,172
Interest received	(35,241)	(22,460)
Interest payable	2,701,773	2,643,525
Cancelled shares	(23)	(9)
Shares issued	3	-
Operating cash flows before movement in working capital	7,151,765	5,965,501
(Increase)/decrease in stock	(993,678)	28,825
(Increase) in trade and other debtors	(952,627)	(489,676)
(Decrease)/increase in trade and other creditors	(162,392)	1,244,438
(Decrease) in provisions	(1,141,000)	-
Cash generated from operations	3,902,068	6,749,088

27. Capital commitments

	2017	2016
	£	£
Capital expenditure contracted for but not provided in the financial statements	13,473,582	6,411,570
Capital expenditure authorised by the Board but not contracted	13,501,023	606,461

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

28. Pensions

(a) Defined Contribution

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 £364,217 (2016: £299,943). Contributions totalling £44,727 (2016: £37,693) were payable to the fund at the year end and are included in creditors.

CALEDONIA HOUSING ASSOCIATION LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2017

28. Pensions (cont'd)

(b) Scottish Housing Associations' Pension Scheme

The company also 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 1 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 2017

28. Pensions (cont)

PRESENT VALUES OF PROVISION

	Group			Association		
	2017 (£000s)	2016 (£000s)	2015 (£000s)	2017 (£000s)	2016 (£000s)	2015 (£000s)
Present value of provision	1,667	2,723	2,897	959	2,100	2,234

RECONCILIATION OF OPENING AND CLOSING PROVISIONS

	Group		Association	
	2017 (£000s)	2016 (£000s)	2017 (£000s)	2016 (£000s)
Provision at start of period	2,723	2,897	2,100	2,234
Acquisition of Bellsmyle Housing Association	1,105	-	-	-
Unwinding of the discount factor (interest expense)	84	62	46	48
Deficit contribution paid	(325)	(226)	(178)	(173)
Remeasurements - impact of any change in assumptions	48	(10)	28	(8)
Remeasurements - amendments to the contribution schedule	(1,968)	-	(1,037)	-
Provision at end of period	1,667	2,723	959	2,100

INCOME AND EXPENDITURE IMPACT

	GROUP		Association	
	2017 (£000s)	2016 (£000s)	2017 (£000s)	2016 (£000s)
Interest expense	84	62	46	48
Remeasurements – impact of any change in assumptions	48	10	28	(8)
Remeasurements – amendments to the contribution schedule	(1,968)	-	(1,037)	-
Contributions paid in respect of future service	726	573	548	509
Costs recognised in income and expenditure account	1,110	645	415	549

CALEDONIA HOUSING ASSOCIATION LIMITED
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For the year ended 31 March 2017

28. Pensions (cont)

ASSUMPTIONS

	31 March 2017 % per annum	31 March 2016 % per annum	31 March 2015 % per annum
Rate of discount	1.06	2.29	2.22

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

29. Auditors remuneration

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

	2017	2016
	£	£
Audit services – statutory audit – Group	55,331	39,333
Other services – Group:		
Accounts Advice	3,825	-
Accountancy Advice FRS 102	-	26,768
VAT & Taxation	12,069	-
	67,400	66,101

30. 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 £14,414,671 (2016: £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 £8,555,061 (2016: £6,227,140). At this time there is no intention to leave the scheme.

31. Related party disclosures

Group

On 30 March 2017, Cordale Housing Association purchased Cordale Property Services' investment property for a consideration of £93,984.

At the year end, Cordale Housing Association owed Cordale Property Services Limited £nil (2016: £nil) and was due Cordale Property Services Limited £nil (2016: £7,630) in respect of commercial rent income and fees.

CALEDONIA HOUSING ASSOCIATION LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2017

31. Related party disclosures (cont'd)

Association

The Association provides management services to Cordale Housing Association. Management Charges of £45,000 (2016: £25,752) were charged in the year. The Association provides management services to Bellsmyre Housing Association. Management Charges of £30,000 were charged in the year. At the year end Cordale Housing Association owed the Association £53,229 (2016: £119,589) in respect of management services provided and expenditure incurred on behalf of Cordale Housing Association by the Association. At the year end Bellsmyre Housing Association owed the Association £98,726 (2016: £nil) in respect of management services provided and expenditure incurred on behalf of Bellsmyre Housing Association by the Association.

There were no transactions in the year with Caledonia Ventures Ltd as the Company is dormant.

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

Elaine O'Brien, Gavin Stewart and Ian Gray Management Board members are also tenants of the Association. Their tenancies are on normal commercial terms. During the year £9,438 (2016: £10,911) of rent was receivable from these tenant members. At the year-end there were £185 (2016: £35) 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.

32 a) Housing stock (Group)	2017 No.	2016 No.
The number of units of accommodation in management at the year end was:		
General needs - New build	4,045	3,947
- Rehabilitation	630	61
Shared ownership	397	404
Supported housing	40	40
	<u>5,112</u>	<u>4,452</u>
32 b) Investment properties (Group)		
Office		
Other	2	2
	3	2
	<u>5</u>	<u>4</u>
32 a) Housing stock Association (Association)		
The number of units of accommodation in management at the year end was:		
New build	3,617	3,539
Shared ownership	386	387
	<u>4,003</u>	<u>3,926</u>
32 b) Investment properties (Association)		
Office	1	1
Other	-	-
	<u>1</u>	<u>1</u>