

Caledonia Housing Association Limited

Report of the Management Board and Consolidated Financial Statements Year ended 31 March 2019

Registration Particulars:

Financial Conduct Authority

Registered Number 2343 R (S)

Scottish Housing Regulator

Registered Number HEP 224

The Scottish Charity Register

Charity Number SCO13988

CALEDONIA HOUSING ASSOCIATION LIMITED

**REPORT OF THE MANAGEMENT BOARD AND CONSOLIDATED FINANCIAL
STATEMENTS**

For the year ended 31 March 2019

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CALEDONIA HOUSING ASSOCIATION LIMITED

ADVISERS

For the year ended 31 March 2019

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:	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 Macleod The Ca'd'oro 45 Gordon Street Glasgow G1 3PE
Internal Auditors:	Wylie & Bisset 168 Bath Street Glasgow G2 4TP

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 2019 and up to the date of signing of these Financial Statements were as follows:

Mrs Helen Archibald	
Mrs Penny Coburn (Chair)	Appointed 18/09/18
Mr Lindsay Darroch	
Mr David Grant	Resigned 18/09/18
Mr Ian Gray	
Mr Martin Harkness	
Ms Veronica Lynch	
Mrs Lorna McCurrach	Resigned 29/01/19
Mr Alex McDougall	
Mr Alan Nairn (Vice Chair)	Appointed 18/09/18
Mrs Elaine O'Brien	
Mr Graham Logan	

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
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 & Risk Management, Health & Safety 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.

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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 February 2019 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 Group 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 Group 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 Group's assets.
- (ii) Experienced and suitably qualified staff take responsibility for important business functions. The Group 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.

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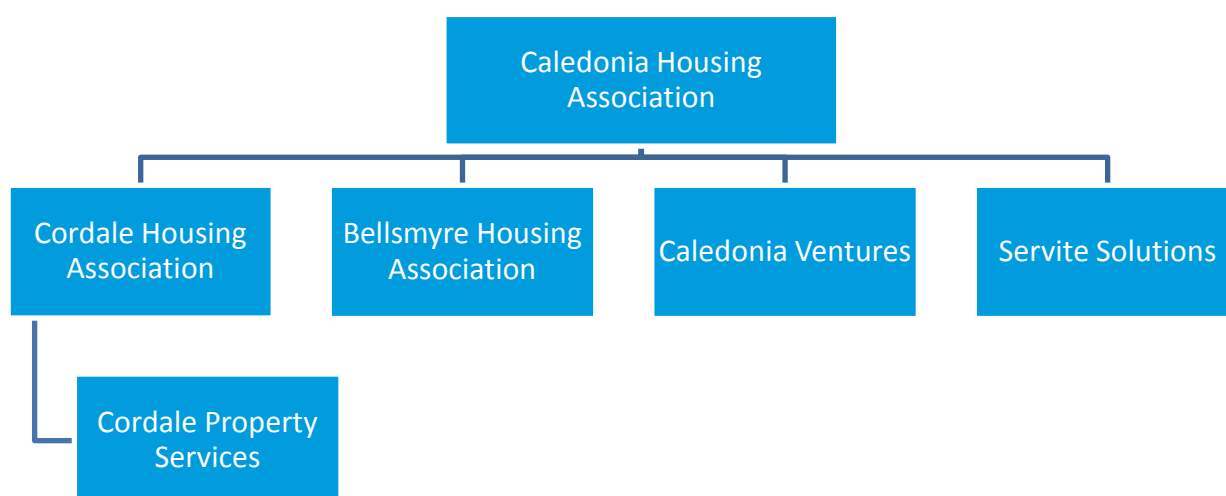
- (v) The Audit & Risk Management Committee has the responsibility of reviewing the internal financial and other controls of the Group and will review reports from management, from the internal auditors and from the external Auditors. In addition, the Audit & Risk Management Committee reviews the Group's 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 2019. 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 Group'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 over 4000 homes owned and managed across Tayside, Fife and the Highlands also one of Scotland's largest Housing Associations.

2. Cordale Housing Association

A registered social landlord and a Scottish charity owning and managing 517 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.

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3. Bellsmyre Housing Association

A registered social landlord and a Scottish charity owning and managing 588 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 to provide development services to the Housing Association but currently dormant.

REVIEW OF BUSINESS AND FUTURE DEVELOPMENTS

Financial Review

The Caledonia Group ("Caledonia" or the "Group") achieved an operating surplus for the year of £5.6m (2018: £5.5m). The total comprehensive income for the year was £6.4m (2018: £1.9m), an increase on prior year results as this year's results incorporated a gain of £5.8m which represents the net assets acquired for £nil consideration through the business combination with Antonine Housing Association. In addition, this incorporated a re-measurement of the Scottish Housing Association Pension Scheme (SHAPS) resulting in an increase in the deficit provision of £910k which was recognised in the Statement of Comprehensive Income.

The SHAPS pension scheme had previously been treated as a defined contribution scheme in line with FRS 102 with a liability of £1,344k recognised as at 31 March 2018 based on the Net Present Value of the past service deficit funding agreement. Antonine Housing Association, which was acquired during the year, had a liability of £158k at the time of acquisition at 1 October 2018. Due to recent developments as at 1 April 2018 the share of assets and liabilities per employer is now available such that the scheme can now be accounted for on a defined benefit basis. Further detail in relation to this change in accounting is included in the accounting policy on page 23 and Note 31 to the Financial Statements.

The new defined benefit liability as at 1 April 2018 is £2,254k, resulting in a remeasurement through other comprehensive income of £910k. The new defined benefit liability as at 31 March 2019 is £2,380k. This has therefore resulted in an increase in the liability at 31 March of £126k. The revised accounting changes in relation to pensions do not have a material impact on loan covenant compliance and it is not anticipated that there will be any material change to this of the overall financial position in future accounting periods as a result of these accounting changes.

Income from social letting activities rose by 6.7% to £27.4m reflecting rent increases applied in April 2018 of 2%, rents received from new build completions during the year and properties acquired through business combination of Antonine Housing Association. The turnover from other activities increased by 85% due to shared equity sales in the year of £2.3m (2018: £1.6m) and sale of housing properties to Fairfield Housing Association of £3.1m.

Operating costs include expenditure on reactive, cyclical and planned maintenance totalling £4.1m (2018: £4.2m) of which £2.9m (2018: £2.4m) 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

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Financial Review (continued)

Caledonia is required by the Statement of Recommended Practice to depreciate its housing properties and retained surpluses are calculated after providing £6.8m (2018 £6.6m) for such depreciation.

At 31 March 2019 the Group's total reserves amounted to £51.1m an increase of £6.4m from 31 March 2018. The increase in reserves is attributed to the surpluses achieved by the Group in the year to 31 March 2019. In addition to providing funds for re-development these reserves are a necessary hedge against risk.

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 2019, Caledonia has a balance of £59.4m fixed and £14.4m variable rate loans in place which were used to fund housing development. In addition the Association has £25m fully secured revolving credit facilities in place as yet undrawn to finance our forthcoming development programme.

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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 failure of financial controls	<ul style="list-style-type: none">- Comprehensive rent setting policy and procedures.- Treasury management policy with detailed delegated authorities.- Detailed sensitivity analysis carried out on long term projections.- Competitive tendering of all material expenditure.- Regular internal audit.
<ul style="list-style-type: none">• Failure of the Group's Health & Safety Procedures	<ul style="list-style-type: none">- Health, Safety and Wellbeing Advisor appointed to co-ordinate health and safety activities across the Group.- Group Health and Safety Policy and procedure manuals in place.- Comprehensive policies, procedures and working practices in place for the business activities carried out across the Group.- Health and safety advice, training and advice provided for the Group staff team.- Risk assessments in place for key areas of activity across the Group and reviewed on a rolling programme basis.- Comprehensive Health & Safety Action Plans in place across the Group.- Key health and safety issues considered by the Executive Team on a monthly basis and the Health and Safety Committee on a quarterly basis.- Cordale & Bellsmyre - specialist health and safety consultants (ACS) appointed through EVH to advise on relevant issues.- Comprehensive health & safety compliance software package that also includes training modules and a document library implemented from June 2019.
<ul style="list-style-type: none">• The failure of business continuity systems	<ul style="list-style-type: none">- Comprehensive Group Business Continuity Policy and procedures in place covering key areas of operation.- Business continuity training provided to staff teams.- Testing of the Group's business continuity systems carried out annually.
<ul style="list-style-type: none">• Failure to apply the Asset Management Strategy	<ul style="list-style-type: none">- Asset Management Report prepared for specific projects prior to significant investment and re-modelling.- Asset Management Strategy approved by Management Board in June 2019, subject to tenant consultation.- Planned investment, including any stock re-modelling and works to comply with EESSH, based on analysis of stock condition information and built into five year budget projections
<ul style="list-style-type: none">• Failure of Group's ICT systems	<ul style="list-style-type: none">- All data and processing held and carried out at an off-site tier 3 data centre.- Fully independent links established between area offices and the data centre- Comprehensive back-up and system monitoring procedures in place- Operational policies and procedures relating to ICT activities in place- Annual ICT action plan in place at departmental level- ICT team within the organisational structure supported by third party specialist ICT service providers

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<ul style="list-style-type: none">• Failure to Progress and Conclude Transfer of Engagements with Bellsmyre HA	<ul style="list-style-type: none">– Preparation of robust Business Case.– Comprehensive financial budgets and longer term projections.– Comprehensive transfer of engagements implementation plan developed.– Regular update provided to EMT and Caledonia and Bellsmyre governing bodies on progress of the business case and implementation plan.– Regular contact maintained with Bellsmyre tenants and staff on the transfer and regeneration proposals.– Regulator contact with SHR and key stakeholders on the implementation of the partnership proposals.
<ul style="list-style-type: none">• Failure to comply with Fire Safety Regulations	<ul style="list-style-type: none">– All new homes designed and constructed to Building Standards current at the time of construction, which includes Fire Safety.– All maintenance work to existing homes and offices complies with necessary fire safety regulation– Fire detection equipment is installed in all homes and offices and regularly checked and maintained in accordance with Building Standards.– Continuous monitoring of changes to legislation and regulation.– Fire Risk Assessment programme in place and carried out on a regular basis by independent consultants to ensure all elements of fire safety are considered.– Remedial or improvements works carried out where necessary and identified by fire risk assessments and changes to legislation and regulation.– Management procedures in place to ensure that Fire Safety guidance is adhered to on a day-to-day basis.
<ul style="list-style-type: none">• Failure to comply with the requirements of the new data protection legislation and freedom of information requirements	<ul style="list-style-type: none">– Comprehensive staff training on the requirements of the legislation.– Data Protection Officer services provided by external consultant.– Data held within a tier 3 data centre and subject to high levels of security and virus protection.– Data Protection, CCTV and Document Retention Policies in place.– All Group entities currently clearing out historic data that is no longer required.– Operational policies and procedures relating to data protection activities in place.– Operational policies and procedures relating to FOI being developed.– Development of Group electronic document management system.

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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	17/18 Actual
• Void Loss	<0.5%	0.38%	0.49%
• Re-let Performance	<17.5 Days	17.66 Days	17.4 Days
• Arrears Performance	<4%	4.65%	4.89%
• Profitability – Operating surplus	>20%	15.7%	18.2%
• Financial Covenant - Interest Cover	>110%	155%	128.3%
• Financial Covenant – Gearing	<30%	23.3%	23.8%

Indicators in line with the Annual Return on the Charter (ARC) definitions were set for the year to 31 March 2019 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 the roll out of universal credit arrangements which have seen delays in payment to claimants having a knock on effect in relation to rent payments. This indicator in our operations department will be monitored closely as Government proposals for welfare benefit reform are established and we will continue to provide increased levels of tenancy support. Operating surplus remains below target but the results include significant sums for depreciation and deferred grant which are firstly non-cash items and secondly difficult to forecast given our comprehensive planned maintenance and new build development programmes.

Financial covenants set by our lenders relating to gearing and interest cover have been met and the Association's overall financial strength and viability as demonstrated in these results will enable us to fund future business plan priorities.

Indicators for Cordale Housing Association	Target	Actual	17/18 Actual
• Void Loss	<0.5%	0.35%	0.4%
• Re-let Performance	<10 Days	8.9 Days	11.1 Days
• Arrears Performance	<3.75%	5.2%	3.9%
• Profitability – Operating surplus	>25%	28.2%	27.7%
• Financial Covenant - Interest Cover	150%	220.2%	296.6%
• Financial Covenant – Gearing	<30%	13.3%	23.2%

Indicators in line with Annual Return on Charter ('ARC') definitions were set for the year to 31 March 2019 based on historic and benchmark material and the variance against target will be used to inform our control mechanisms and targets in future years. It is pleasing to note that the majority of Cordale Housing Association's performance indicators are sitting within targets set. However arrears performance at 5.2% is above target due to the introduction of universal credit in the West Dunbartonshire area. Analysis has shown that delays in the payment of benefit to claimants has a knock on effect resulting in delayed rent payments, however we are confident that increased tenancy support will control this situation as universal credit procedures become more established.

Indicators for Bellsmyre Housing Association	Target	Actual	17/18 Actual
• Void Loss	<2.5%	5.4%	2.9%
• Re-let Performance	35 Days	68 Days	56 Days
• Arrears Performance	< 6 Days	5.8%	7.05%
• Profitability – Operating surplus	>28%	2.4%	26.4%
• Financial Covenant - Interest Cover	>110%	545%	280%
• Financial Covenant – Gearing	<40%	19%	19%

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Performance (continued)

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 at Bellsmyre HA 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. After comprehensive analysis of the current void loss and longer term projections based on realistic assumptions the Committee of Management have approved a major re-generation of the Association's housing stock to address tenancy sustainment. This ambitious programme of demolition and re-build will be carried out over 5 phases and involve the removal of approximately 250 flats which will be replaced by 147 houses. This course of action will be carried out by Caledonia Housing Association, the Association's parent, and is aimed at reducing stock density and providing a wider range of housing options for current and future tenants within Bellsmyre.

Arrears performance for 2018/19 has shown a significant improvement and is now within target and with the implementation of a new staffing structure and robust arrears management procedures, the Association is confident that improvements will continue to be recognised in this area.

Sensitivity analysis has been carried out on our five and thirty year plans to consider Bellsmyre HA's long term viability with particular reference to the reduction in stock numbers as detailed above. From the results of this exercise the Committee of Management have determined that the most appropriate course of action is to move towards a transfer of engagements to our parent Caledonia Housing Association, it is anticipated that this proposal will be put to the tenants in the next 6 months.

Future Plans

The Caledonia Management Board approved a business plan in 2018/19 which contains three strategic priorities:

1. Achieving Excellence

Our Customer 1st Programme

Over the course of the Business Plan we will progress the implementation of our Customer 1st programme. The purpose of this is the transformation of the Group. By focussing on customer needs, we will introduce wide ranging changes to the way in which we operate. These significant changes will impact how we deliver homes and services, and will affect all areas and roles within the Group. The implementation of this new operating model will take the Group forward, offering flexible, efficient and customer focussed services from a skilled, highly engaged and continuously developing workforce. Furthermore, increased use of digital technology and strong customer insight systems to improve our customer service offering and our capacity to serve.

2. Building Success

Providing 1000 New Homes in 5 Years

Our strategic priority is to build 1,000 new affordable homes, this being our commitment to assisting the Scottish Government to build 50,000 new affordable homes in the term of the current parliament.

Over the past year we have focussed on securing a number of significant development sites which will contribute substantially to delivering our 1,000 homes target. Over 2019-20 we will continue to seek new sites for the remaining element of the programme. We also continue with our considerations on how best to improve the energy efficiency of our new homes and will use this to inform our design guide for our future homes. Likewise our design guide will also reflect our recent work on options to introduce new technology into our new homes. Our success outcomes will continue to focus on meeting the chronic need for social rented housing and improving the quality and choice of housing available, but also critically seeking to minimise energy costs for our tenants as far as is practical.

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The Bellsmyre Regeneration Programme

The Caledonia and Bellsmyre governing bodies have established a comprehensive regeneration strategy which we believe is vital to strengthen demand, improve tenancy sustainment, increase tenant satisfaction and revitalise the wider neighbourhood. It will involve the demolition of approximately 250 low demand tenement properties, to be replaced with 147 new build two storey homes with individual garden space. We will consult with Bellsmyre residents and key stakeholders on our proposals to obtain their feedback on these. The Caledonia and Bellsmyre governing bodies agreed that a transfer of engagements, involving Bellsmyre staff and assets transferring to Caledonia, is necessary to deliver a regeneration programme of this scale. Formal consultation on a transfer of engagements commenced in the spring months of 2019 leading to a ballot of tenants on the proposal in the next 6 months.

Implementing the Group Asset Management Strategy

Through our Asset Management Strategy we will pro-actively monitor the performance of our housing stock to ensure that, as far as possible, all housing stock contributes positively to the financial sustainability of the Caledonia Group, reflects feedback from customers, and identifies and tackles areas of low demand housing. We will provide regular updates and reports to the Group's governing bodies on the progress being made in dealing with low demand housing stock, including those properties involved in the Bellsmyre regeneration programme. Our investment plans will also be developed to reflect the range of improvement and compliance works required to our homes over the five year period of the Business Plan.

Rent Policy and Structure Review

Rent affordability and value for money are key strategic issues for the Group given their importance to our tenants and other customers. We have recognised though that there are inconsistencies with some of our rents and that these are not always easy to understand or explain. Given this, we will engage consultants to undertake a fundamental review of our rent structure and present options to develop a new structure that is fair, open, transparent and easy to understand. The consultant's report and results of tenant consultation will be considered by our Governing Body with a view to the revised structure being applied to the 2019/20 rent review.

3. Creating Innovation

Delivering Sustainable Services

Following a detailed review of our housing support related and other ancillary services, we have considered different approaches to these services to ensure they are provided effectively within the resources we have available. Linked to this, plans are being developed to deliver new partnerships and models of service delivery that will benefit the Associations in the Group. These are focussed on ensuring we use our housing and other business assets to achieve savings, generate capacity and improve services while considering the impact these services have on the quality of life for our customers. This activity will be progressed over 2019-20 as we take steps to continue to implement the review outcomes and offer a comprehensive range of services that meet the needs of our customers whilst also demonstrating long term affordability and sustainability.

Antonine Housing Association Partnership

Over the course of 2018-19 we successfully developed and implemented a transfer of engagements partnership with Antonine Housing Association. The transfer was concluded on 1 October 2018 and involved Antonine becoming part of Caledonia Housing Association. The transfer proposals involved specific commitments made to Antonine's tenants in relation to rent setting, planned investment in their homes, service delivery and governance arrangements. Ensuring that these are successfully delivered will be a key strategic priority over the period of this Business Plan. Work will also be progressed to complete the integration of business and service operations with those of Caledonia.

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Review of the Group Governance Arrangements

Over the course of 2018-19 work was carried out to develop the Customer 1st programme that will guide the transformation of the Group over the Business Plan period. Streamlining and simplifying the governance arrangements currently in place within the Group was identified as an important aspect of this. The Customer 1st programme presents an opportunity to modernise and further strengthen governance across the Group by simplifying practice, improving decision making and removing overlapping responsibilities, whilst also ensuring accountability to our tenants and shareholders. As a means of building on this, a comprehensive review of the governance arrangements across the Group will be carried out to determine how these could be improved whilst also ensuring ongoing compliance with the Scottish Housing Regulator's Regulatory Framework.

Rental Income

Annual increases in rent for existing properties and rent from new properties resulted in a 3% increase in rental income (2018: 2.0%). 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 2019: 30 days (2018: 30 days).

Maintenance Policy

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

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

Reserves Policies

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

- 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 £12.4m to minimise future financial risk. The current level of undesignated revenue reserves is £37m following the addition of a £6.7m revenue surplus in the year to 31 March 2019.

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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

Penny Coburn (Chair).....

2019

CALEDONIA HOUSING ASSOCIATION LIMITED

Independent Auditor's report to the members of Caledonia Housing Association Limited

Opinion

We have audited the Financial Statements of Caledonia Housing Association Limited (the 'Association') and its subsidiaries (the 'group') for the year ended 31 March 2019 which comprise the Group and Association's statement of comprehensive income, statement of financial position, statement of changes in reserves, statement of cashflow and notes to the Financial Statements, including a summary of significant accounting policies. 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 2019 and of the income and expenditure of the Group and the income and expenditure of the Association for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- 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 – February 2019.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the Financial Statements section of our report. We are independent of the group and the parent Association in accordance with the ethical requirements that are relevant to our audit of the Financial Statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Board's use of the going concern basis of accounting in the preparation of the Financial Statements is not appropriate; or
- the Board has not disclosed in the Financial Statements any identified material uncertainties that may cast significant doubt about the group's or the parent company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the Financial Statements are authorised for issue.

Other information

The other information comprises the information included in the annual report, other than the Financial Statements and our auditor's report thereon. The Board is responsible for the other information. Our opinion on the Financial Statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the Financial Statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the Financial Statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the Financial Statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

CALEDONIA HOUSING ASSOCIATION LIMITED

Independent Auditor's report to the members of Caledonia Housing Association Limited

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.

Responsibilities of the Board

As explained more fully in the Board's responsibilities statement set out on page 3, the Board is responsible for the preparation of the Financial Statements and for being satisfied that they give a true and fair view, and for such internal control as the Board determines is necessary to enable the preparation of Financial Statements that are free from material misstatement, whether due to fraud or error.

In preparing the Financial Statements, the Board is responsible for assessing the group's and parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board either intends to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Financial Statements.

A further description of our responsibilities for the audit of the Financial Statements is located on the Financial Reporting Council's website at: <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Use of our report

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

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

Date:

CALEDONIA HOUSING ASSOCIATION LIMITED

Report by the Auditors to the Members of Caledonia Housing Association on Corporate Governance Matters

In addition to our audit of the Financial Statements, we have reviewed your statement on Pages 3 and 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 and 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

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

Date:

CALEDONIA HOUSING ASSOCIATION LIMITED
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2019

	<i>Note</i>	2019 £	2018 £
Turnover	<i>2,3a,4a</i>	36,018,826	<i>30,367,466</i>
Operating expenditure	<i>2,3a,4a</i>	(30,369,974)	<i>(24,843,961)</i>
Remeasurement in respect of pension scheme		<u>-</u>	<u>12,223</u>
Operating surplus	<i>2</i>	5,648,852	<i>5,535,728</i>
(Loss) on disposal of fixed assets		(191,715)	<i>(342,807)</i>
Gain on revaluation of other fixed asset		<u>-</u>	<u>19,362</u>
		5,457,137	<i>5,212,283</i>
Business combination – Excess of fair value of assets over the fair value of liabilities acquired	<i>27</i>	5,812,810	-
Interest receivable	<i>8</i>	234,760	<i>70,038</i>
Interest payable and financing costs	<i>9</i>	<u>(3,948,858)</u>	<u><i>(3,356,023)</i></u>
Surplus for the year		<u>7,555,849</u>	<u><i>1,926,298</i></u>
Other Comprehensive Income			
Initial recognition of multi-employer defined benefit scheme	<i>31</i>	(910,000)	-
Reversal of Antonine Housing Association deficit funding liability acquired at 1 October 2018	<i>31</i>	158,000	-
Actuarial losses in respect of pension schemes	<i>31</i>	(412,000)	-
Total comprehensive income for the year		<u>6,391,849</u>	<u><i>1,926,298</i></u>

All figures relate to continuing operations.

The accompanying notes on pages 22 to 57 form part of these Financial Statements.

CALEDONIA HOUSING ASSOCIATION LIMITED

HOUSING ASSOCIATION STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2019

	<i>Note</i>	2019	2018
		£	£
Turnover	<i>2,3b,4b</i>	30,102,126	24,444,785
Operating costs	<i>2,3b,4b</i>	(25,105,317)	(20,148,942)
Remeasurement in respect of pension scheme		<u>-</u>	<u>7,223</u>
Operating surplus	2	4,996,809	4,303,066
(Loss) on disposal of fixed assets		<u>(75,810)</u>	<u>(124,190)</u>
		4,920,999	4,178,876
Business combination – Excess of fair value of assets over the fair value of liabilities acquired	<i>27</i>	5,812,810	-
Interest receivable	<i>8</i>	226,770	65,725
Interest payable	<i>9</i>	<u>(3,561,638)</u>	<u>(2,994,296)</u>
Surplus for the year		<u>7,398,941</u>	<u>1,250,305</u>
Other Comprehensive Income			
Initial recognition of multi-employer defined benefit scheme	<i>31</i>	(594,000)	-
Reversal of Antonine Housing Association deficit funding liability acquired at 1 October 2018	<i>31</i>	158,000	-
Actuarial losses in respect of pension schemes	<i>31</i>	(267,000)	-
Total comprehensive income for the year		<u>6,695,941</u>	<u>1,250,305</u>

All figures relate to continuing operations.

The accompanying notes on pages 22 to 57 form part of these Financial Statements

CALEDONIA HOUSING ASSOCIATION LIMITED

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

As at 31 March 2019

	<i>Note</i>	2019	2018
		GROUP	ASSOCIATION
		£	£
Fixed assets			
Housing properties	11,12	307,435,903	254,848,126
Other fixed assets	13,14	2,700,571	789,988
Investment property	15	1,304,305	354,305
Investments in subsidiaries	16	104	4
		311,440,883	255,992,423
Current assets			
Stock and work in progress	17	704,851	679,458
Trade and other debtors	18	1,622,265	1,455,377
Cash and cash equivalents		8,378,713	5,478,312
		10,705,829	7,613,147
Current liabilities			
Creditors: amounts falling due within one year	19	(12,916,487)	(10,223,030)
		(2,210,658)	(2,609,883)
Net current (liabilities)/assets			
		309,230,225	253,382,540
Total assets less current liabilities			
Creditors: amounts falling due after more than one year	20	(255,792,795)	(215,095,298)
		(255,792,795)	(215,095,298)
Provisions for liabilities			
Pension – provision	30	-	-
Pension – defined benefit liability	31	(2,379,735)	(1,464,000)
		51,057,695	36,823,242
Net assets			
Capital and reserves			
Share capital	24	453	233
Revenue reserve	25	51,057,242	36,823,009
		51,057,695	36,823,242

These Financial Statements were approved and authorised for issue by the Management Board onand were signed on their behalf:

Chairman of the Management Board

Board Member

Secretary

CALEDONIA HOUSING ASSOCIATION LIMITED

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

For the year ended 31 March 2019

Group	Share Capital	Income and expenditure reserve	Total
	£	£	£
Balance at 1 April 2017	513	42,739,095	42,739,608
Issued in the year	9	-	9
Cancelled in the year	(50)	-	(50)
Total Comprehensive income for the year	-	1,926,298	1,926,298
Balance as at 31 March 2018	472	44,665,393	44,665,865
Issued in the year	93	-	93
Cancelled in the year	(112)	-	(112)
Total Comprehensive income for the year	-	6,391,849	6,391,849
Balance at 31 March 2019	453	51,057,242	51,057,695

Association	Share Capital	Income and expenditure reserve	Total
	£	£	£
Balance at 1 April 2017	182	28,876,763	28,876,945
Issued in the year	2	-	2
Cancelled in the year	(9)	-	(9)
Total Comprehensive income for the year	-	1,250,305	1,250,305
Balance as at 31 March 2018	175	30,127,068	30,127,243
Issued in the year	85	-	85
Cancelled in the year	(27)	-	(27)
Total Comprehensive income for the year	-	6,695,941	6,695,941
Balance at 31 March 2019	233	36,823,009	36,823,242

CALEDONIA HOUSING ASSOCIATION LIMITED

CONSOLIDATED STATEMENT OF CASHFLOW

For the year ended 31 March 2019

	2019	2018
Notes	£	£
Net cash generated from operating activities	28 13,638,370	4,862,094
 CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of tangible fixed assets	(11,077,058)	(11,602,492)
Purchase of investment property	-	-
Proceeds from sale of tangible fixed assets	255,294	385,469
Grants received	5,889,939	5,464,611
Grants repaid	(3,599,056)	(133,084)
Interest received	234,760	70,038
Cash acquired on business combination	1,123,671	-
 NET CASH USED IN INVESTING ACTIVITIES	(7,172,450)	(5,815,458)
 CASH FLOW FROM FINANCING ACTIVITIES		
Interest paid	(3,948,858)	(3,356,023)
New secured loans	-	25,708,678
Repayments of borrowings	(1,753,040)	(20,386,280)
 NET CASH (USED IN)/FROM FINANCING ACTIVITIES	(5,701,898)	1,966,375
 NET INCREASE IN CASH AND CASH EQUIVALENTS	764,022	1,013,011
 CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	7,614,691	6,601,680
 CASH AND CASH EQUIVALENTS AT END OF YEAR	28 8,378,713	7,614,691

CALEDONIA HOUSING ASSOCIATION LIMITED
HOUSING ASSOCIATION STATEMENT OF CASHFLOW
For the year ended 31 March 2019

	Notes	2019 £	2018 £
Net cash generated from operating activities	28	<u>11,613,868</u>	<u>3,359,596</u>
CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of tangible fixed assets		(8,704,619)	(10,541,431)
Proceeds from sale of tangible fixed assets		250,894	211,864
Grants received		5,889,939	5,446,146
Grants repaid		(3,599,056)	(88,590)
Interest received		226,770	65,725
Cash acquired on business combination		<u>1,123,671</u>	<u>-</u>
NET CASH USED IN INVESTING ACTIVITIES		<u>(4,812,401)</u>	<u>(4,906,286)</u>
CASH FLOW FROM FINANCING ACTIVITIES			
Interest paid		(3,561,638)	(2,994,296)
New secured loans		-	25,708,678
Repayments of borrowings		<u>(1,441,845)</u>	<u>(20,063,969)</u>
NET CASH (USED IN)/ FROM FINANCING ACTIVITIES		<u>(5,003,483)</u>	<u>2,650,413</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS		<u>1,797,984</u>	<u>1,103,723</u>
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		<u>3,680,328</u>	<u>2,576,605</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	28	<u>5,478,312</u>	<u>3,680,328</u>

CALEDONIA HOUSING ASSOCIATION LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

1. Accounting policies – Disclosures

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 2019, and under the historical cost convention.

The Financial Statements are prepared in Sterling (£) and rounded to the nearest whole pound unless where otherwise stated.

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.
- Government grants – see government grants
- Defined benefit pension obligation – defined benefit pension scheme

Amortisation of shared ownership – Allocation of costs

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

Valuation of investment property

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

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

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 2019

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). In previous years, the Association was unable to recognise its share of the scheme assets and scheme liabilities, therefore had applied defined contribution accounting in respect of the SHAPS. For the year ended 31 March 2018, the Group and Association had recognised a past service deficit liability of £1,344k and £773k, respectively within provisions, based on the present value of the Association's deficit funding agreement.

For the year ended 31 March 2019, the Association is able to identify its share of the scheme assets and scheme liabilities from 1 April 2018 and therefore has applied defined benefit accounting from this date onwards. For accounting purposes, the relevant date for accounting for this change from defined contribution to defined benefit accounting is 1 April 2018. The scheme assets are measured at fair value. Scheme liabilities are measured on an actuarial basis using the projected unit credit method and are discounted at appropriate high quality corporate bond rates.

The deficit funding agreement liability that was previously recognised within provisions of £1,344k for the Group and £773k for the Association was derecognised on the 1 April 2018, and an initial net defined benefit pension liability of £2,254k for the Group and £1,367k for the Association was recognised at this date in the statement of financial position. The resulting net difference of £910k for the Group and £594k for the Association on initial recognition of the SHAPS obligation was recognised in other comprehensive income. In addition to this, Antonine Housing Association was acquired on 1 October 2018 which has resulted in a reversal of £158k relating to their deficit funding liability recognised in other comprehensive income.

As at the year ended 31 March 2019, the net defined benefit pension deficit liability was £2,380k for the Group and £1,464k for the Association, which has been included within the provisions for pensions liability in the Financial Statements.

Management's estimate of the defined benefit obligation is based on a number of critical underlying assumptions such as standard rates of inflation, mortality, discount rate and anticipation of future salary increases. Variation in these assumptions may significantly impact the liability and the annual defined benefit expenses (as analysed in note 30).

In the year ended 31 March 2019, the current service cost and costs from settlements and curtailments are charged against operating surplus. Past service costs are recognised in the current reporting period within the income and expenditure account. Interest is calculated on the net defined benefit liability. Remeasurements are reported in other comprehensive income. Refer to note 30 for more details.

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.

CALEDONIA HOUSING ASSOCIATION LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

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 in the 2017 financial year; 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 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. A reduction in stock and work in progress coupled with increased current liabilities in the Statement of Financial Position has resulted in both the Association and the Group reporting net current liabilities. However, Caledonia Housing Association and Cordale Housing Association have £25m and £4m in fully secured undrawn lending facilities respectively. Any additional borrowing will be provided by utilising 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.

Business combination

Assets and liabilities acquired through a business combination are recognised at fair value. Combinations which are for £nil consideration are treated as a combination that is in substance a gift with any excess of fair value of the assets received over the fair value of the liabilities acquired being recognised as income within the Statement of Comprehensive Income.

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.

Rental income is recognised from the point when properties under development reach practical completion or otherwise become available for letting, net of any voids.

Grant income is recognised when any associated performance conditions have been met.

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.

CALEDONIA HOUSING ASSOCIATION LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

Fixed Assets – Housing land and buildings (continued)

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.

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

CALEDONIA HOUSING ASSOCIATION LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

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.

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.

Stock and work in progress

Stocks and work in progress are stated at the lower of cost and net realisable value. Component replacement programmes not completed in the year are held within WIP and transferred to fixed assets on completion. Developments in Progress for other Associations are included in WIP at cost, net of any related HAG. Shared Ownership Development costs for estimated first tranche sales are included in WIP.

CALEDONIA HOUSING ASSOCIATION LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

Employee benefits

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

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

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

Financial instruments

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

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

Financial assets

Debtors

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

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

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

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 2019

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 2019	Operating surplus 2018
	£	£	£	£	£
Social lettings (note 3a)	27,379,220	(21,758,809)	-	5,620,411	5,322,360
Other activities (note 4a)	8,639,606	(8,611,165)	-	28,441	201,145
Remeasurement in respect of pension schemes	-	-	-	-	12,223
Total – 2019	36,018,826	(30,369,974)	-	5,648,852	5,535,728
<i>Total – 2018</i>	<i>30,367,466</i>	<i>(24,843,961)</i>	<i>12,223</i>	<i>5,535,728</i>	<i>-</i>

Housing Association:

	Turnover	Operating costs	Remeasurement in respect of pension scheme	Operating surplus 2019	Operating surplus 2018
	£	£	£	£	£
Social lettings (note 3b)	21,517,855	(16,549,105)	-	4,968,750	4,147,267
Other activities (note 4b)	8,584,271	(8,556,212)	-	28,059	148,576
Remeasurement in respect of pension schemes	-	-	-	-	7,223
Total – 2019	30,102,126	(25,105,317)	-	4,996,809	4,303,066
<i>Total – 2018</i>	<i>24,444,785</i>	<i>(20,148,942)</i>	<i>7,223</i>	<i>4,303,066</i>	<i>-</i>

CALEDONIA HOUSING ASSOCIATION LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

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

Group	General Needs Housing £	Supported Social Housing £	Shared Ownership Housing £	Total 2019 £	Total 2018 £
Rent receivable net of service charges	16,513,388	2,866,389	838,745	20,218,522	18,446,640
Service charges	982,531	2,113,070	222,040	3,317,641	3,289,754
Gross income from rents and service charges	17,495,919	4,979,459	1,060,785	23,536,163	21,736,394
Less Voids	(267,361)	(73,344)	(131)	(340,836)	(317,039)
Net income from rents and service charges	17,228,558	4,906,115	1,060,654	23,195,327	21,419,355
Grants released from deferred income	3,500,417	454,738	187,553	4,142,708	4,212,023
Other revenue grants	41,185	-	-	41,185	39,930
Total turnover from social letting activities	20,770,160	5,360,853	1,248,207	27,379,220	25,671,308
Management and maintenance administration costs	4,864,291	1,351,143	296,064	6,511,498	6,022,848
Service costs	1,097,835	2,237,269	206,226	3,541,330	3,288,559
Planned and cyclical maintenance including major repairs costs	1,703,888	284,273	35,142	2,023,303	2,267,619
Reactive maintenance costs	1,801,108	312,189	-	2,113,297	1,949,280
Bad debts – rent and service charges	242,204	15,394	-	257,598	230,564
Depreciation of affordable let properties	6,167,913	914,931	228,939	7,311,783	6,590,078
Operating costs for affordable letting activities	15,877,239	5,115,199	766,371	21,758,809	20,348,948
Operating surplus for affordable letting activities	4,892,921	245,654	481,836	5,620,411	5,322,360
Operating surplus for affordable letting activities for previous accounting period	4,323,685	512,832	485,843	5,322,360	

CALEDONIA HOUSING ASSOCIATION LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

3b. Particulars of turnover, operating costs and operating surplus from social letting activities (continued)

Association	General Needs Housing £	Supported Social Housing £	Shared Ownership Housing £	Total 2019 £	Total 2018 £
Rent receivable net of service charges	12,292,588	2,680,643	815,472	15,788,703	14,141,634
Service charges	894,860	1,950,873	222,040	3,067,773	3,043,428
Gross income from rents and service charges	13,187,448	4,631,516	1,037,512	18,856,476	17,185,062
Less Voids	(127,701)	(71,218)	(131)	(199,050)	(240,882)
Net income from rents and service charges	13,059,747	4,560,298	1,037,381	18,657,426	16,944,178
Grants released from deferred income	2,303,589	339,614	176,041	2,819,244	2,840,540
Other revenue grants	41,185	-	-	41,185	39,930
Total turnover from social letting activities	15,404,521	4,899,912	1,213,422	21,517,855	19,824,648
Management and maintenance administration costs	3,693,925	1,292,874	290,237	5,277,036	4,727,972
Service costs	1,006,649	2,088,624	206,226	3,301,499	3,059,120
Planned and cyclical maintenance including major repairs costs	1,179,304	284,273	35,142	1,498,719	1,864,363
Reactive maintenance costs	1,285,963	296,669	-	1,582,632	1,330,518
Bad debts – rent and service charges	166,132	14,352	-	180,484	162,543
Depreciation of affordable letting properties	3,713,287	775,534	219,914	4,708,735	4,532,865
Operating costs for affordable letting activities	11,045,260	4,752,326	751,519	16,549,105	15,677,381
Operating surplus for affordable letting activities	4,359,261	147,586	461,903	4,968,750	4,147,267
Operating surplus for affordable letting activities for previous accounting period	3,265,150	412,680	469,437	4,147,267	

CALEDONIA HOUSING ASSOCIATION LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

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 2019 £	Operating (deficit) / surplus 2018 £
Factoring	-	-	-	67,478	67,478	-	(88,974)	(21,496)	(29,204)
Care and repair property	1,770,878	-	-	-	1,770,878	-	(1,646,093)	124,785	70,564
Stage 3 Adaptations	340,993	-	-	-	340,993	-	(366,846)	(25,853)	31,382
Support activities	-	-	243,514	-	243,514	-	(285,798)	(42,284)	(904)
Commercial rents	-	-	-	59,375	59,375	-	-	59,375	59,375
Tenant participation	-	-	-	-	-	-	(4,241)	(4,241)	-
Care activities (Home Help)	-	-	-	256,296	256,296	-	(241,437)	14,859	(986)
Housing with Care	-	-	-	127,690	127,690	-	(113,079)	14,611	8,407
Dundee Voluntary Action	-	-	-	73,299	73,299	-	(64,610)	8,689	65
Making Advice Work Project	-	-	-	-	-	-	-	-	-
Income from Office Lease	-	-	-	46,080	46,080	-	-	46,080	46,080
Agency management services	-	-	-	197,108	197,108	-	(165,111)	31,997	18,136
Shared equity sales	-	-	-	2,280,750	2,280,750	-	(2,280,750)	-	-
Property sold to Housing Association	-	-	-	3,112,283	3,112,283	-	(3,112,283)	-	-
Other Activities	-	10,130	-	53,732	63,862	-	(106,943)	(43,081)	(1,770)
Impairment of office property	-	-	-	-	-	-	(135,000)	(135,000)	-
Total from other activities	2,111,871	10,130	243,514	6,274,091	8,639,606	-	(8,611,165)	28,441	201,145
Total from other activities – 2018	2,043,033	-	282,844	2,370,281	4,696,158	-	(4,495,013)	201,145	

CALEDONIA HOUSING ASSOCIATION LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

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 2019 £	Operating (deficit) / surplus 2018 £
Factoring	-	-	24,525	24,525	-	(48,908)	(24,383)	(30,223)
Care and repair of property	1,770,878	-	-	1,770,878	-	(1,646,093)	124,785	70,564
Stage 3 Adaptations	300,993	-	-	300,993	-	(315,088)	(14,095)	34,108
Support activities	-	243,514	-	243,514	-	(285,798)	(42,284)	(904)
Care activities	-	-	256,296	256,296	-	(241,437)	14,859	(986)
Housing with Care	-	-	127,690	127,690	-	(113,079)	14,611	8,407
Dundee Voluntary Action	-	-	73,299	73,299	-	(64,610)	8,689	65
Income from Office Lease	-	-	46,080	46,080	-	-	46,080	46,080
Agency management services	-	-	319,970	319,970	-	(287,973)	31,997	18,136
Other Activities	-	-	27,993	27,993	-	(25,193)	2,800	3,329
Property sold to Housing Association	-	-	3,112,283	3,112,283	-	(3,112,283)	-	-
Shared equity sales	-	-	2,280,750	2,280,750	-	(2,280,750)	-	-
Impairment of office property	-	-	-	-	-	(135,000)	(135,000)	-
Total from other activities	2,071,871	243,514	6,268,886	8,584,271	-	(8,556,212)	28,059	148,576
Total from other activities – 2018	2,008,033	282,844	2,329,260	4,620,137	-	(4,471,561)	148,576	

CALEDONIA HOUSING ASSOCIATION LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

5. Housing stock (Group)

	2019	<i>2018</i>
	No.	<i>No.</i>
New build	4,531	<i>4,148</i>
Rehabilitation	627	<i>627</i>
Shared Ownership	392	<i>394</i>
Supported housing	40	<i>40</i>
	5,590	<i>5,209</i>

Housing stock (Association)

	2019	<i>2018</i>
	No.	<i>No.</i>
New build	4,104	<i>3,721</i>
Shared Ownership	381	<i>383</i>
	4,485	<i>4,104</i>

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 Management Committee.

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

	No.	No.
£60,000 - £70,000	-	-
£70,001 - £80,000	-	3
£80,001 - £90,000	5	2
£90,001 - £100,000	-	-
£100,000 - £120,000	1	<i>1</i>

	2019	<i>2018</i>
	£	<i>£</i>
Aggregate emoluments for the above key management personnel (excluding pension contributions)	581,509	<i>564,605</i>
Compensation for loss of office	77,433	<i>-</i>
Aggregate pension contributions in relation to the above key management personnel	53,992	<i>49,816</i>
The emoluments of the Chief Executive (excluding pension contributions)	121,974	<i>118,327</i>
Aggregate pension contributions made on behalf of the Chief Executive	12,443	<i>12,080</i>

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 2019

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	
	2019	2018
Office, administrative and management	100	97
Development	8	6
Housing Support and Care	80	79
	188	182

The aggregate payroll costs of these persons were as follows:

	2019	2018
	£	£
Wages and salaries	5,549,955	5,137,397
Social security costs	466,936	457,200
Other pension costs and current service costs (note 29)	664,598	622,743
Temp agency seconded staff	506,732	236,928
	7,188,221	6,454,268

Severance Costs totalling £272,263 (2018: £10,827) are included in wages and salaries. This was due to staff members opting for voluntary severance 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	
	2019	2018
Office, administrative and management	82	77
Development	8	6
Housing Support and Care	80	79
	170	162

The aggregate payroll costs of these persons were as follows:

	2019	2018
	£	£
Wages and salaries	5,112,362	4,552,782
Social security costs	430,636	404,194
Other pension costs and current service costs (note 29)	625,532	576,690
Temp agency seconded staff	369,650	207,883
	6,538,180	5,741,549

Severance Costs totalling £272,263 (2018: £2,827) were recognised in the Financial Statements to 31 March 2019. This was due to staff members opting for voluntary severance as part of a staffing restructure.

CALEDONIA HOUSING ASSOCIATION LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

8. Interest receivable

	2019 Group £	2019 Association £	<i>2018 Group £</i>	<i>2018 Association £</i>
Bank and Building Society interest	234,760	226,770	<i>70,038</i>	<i>65,725</i>

9. Interest payable and financing costs

	2019 Group £	2019 Association £	<i>2018 Group £</i>	<i>2018 Association £</i>
Interest arising on:				
Housing Accommodation bank loans	3,326,604	3,326,604	<i>2,848,730</i>	<i>2,848,730</i>
Shared Ownership bank loans	272,611	272,611	<i>272,611</i>	<i>272,611</i>
Other bank loans and overdrafts	368,663	-	<i>353,727</i>	<i>-</i>
Defined benefit pension charge	55,000	33,000	<i>18,000</i>	<i>10,000</i>
	4,022,878	3,632,215	<i>3,493,068</i>	<i>3,131,341</i>
Less: interest capitalised on housing properties under construction	(74,020)	(70,577)	<i>(137,045)</i>	<i>(137,045)</i>
	3,948,858	3,561,638	<i>3,356,023</i>	<i>2,994,296</i>

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 2019

11. Tangible fixed assets - housing properties (Group)

	Held for letting £	Under Construction £	Completed Shared Ownership £	Total £
<i>Cost</i>				
At 1 April 2018	355,470,246	7,110,984	17,396,076	379,977,306
Acquired through business combination	9,799,326	-	-	9,799,326
Additions	2,994,470	6,422,373	-	9,416,843
Disposals	(1,185,220)	-	(116,377)	(1,301,597)
Transfers	5,166,577	(5,166,577)	-	-
At 31 March 2019	<u>372,245,399</u>	<u>8,366,780</u>	<u>17,279,699</u>	<u>397,891,878</u>
<i>Depreciation</i>				
At 1 April 2018	79,793,886	-	4,204,894	83,998,780
Provided during year	6,530,948	-	228,939	6,759,887
Eliminated on disposals	(835,691)	-	(18,897)	(854,588)
Impairment	551,896	-	-	551,896
At 31 March 2019	<u>86,041,039</u>	<u>-</u>	<u>4,414,936</u>	<u>90,455,975</u>
<i>Net book value</i>				
At 31 March 2019	<u>286,204,360</u>	<u>8,366,780</u>	<u>12,864,763</u>	<u>307,435,903</u>
At 31 March 2018	<u>275,676,360</u>	<u>7,110,984</u>	<u>13,191,182</u>	<u>295,978,526</u>

Additions to housing properties included capitalised development administration costs of £652,924 (2018: £532,794) of which development allowances of £nil (2018: £nil) were received in respect of these costs and capitalised.

The aggregate amount of capitalised interest included in housing properties is £74,020 (2018: £137,045).

Major repairs in the year amounted to £3,690,595 (2018: £3,531,058). Of the total £2,341,546 (2018: £2,405,134) was capitalised and related to replacement of components. The remaining £746,077 (2018: £1,125,924) was charged to the statement of comprehensive income.

The total cost of land included above is £45,080,678 (2018: £43,452,703).

CALEDONIA HOUSING ASSOCIATION LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

12. Tangible fixed assets - housing properties (Association)

	Held for letting	Under Construction	Completed Shared Ownership	Total
	£	£	£	£
<i>Cost</i>				
At 1 April 2018	275,122,145	7,110,984	16,770,176	299,003,305
Acquired through business combination	9,799,326	-	-	9,799,326
Additions	2,243,165	6,267,153	-	8,510,318
Disposals	(661,511)	-	(116,372)	(777,883)
Transfers	5,166,577	(5,166,577)	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 2019	291,669,702	8,211,560	16,653,804	316,535,066
	<hr/>	<hr/>	<hr/>	<hr/>
<i>Depreciation</i>				
At 1 April 2018	53,465,839	-	3,963,545	57,429,384
Provided during year	4,488,821	-	219,914	4,708,735
Eliminated on disposals	(432,282)	-	(18,897)	(451,179)
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 2019	57,522,378	-	4,164,562	61,686,940
	<hr/>	<hr/>	<hr/>	<hr/>
<i>Net book value</i>				
At 31 March 2019	234,147,324	8,211,560	12,489,252	254,848,126
At 31 March 2018	<hr/> <hr/> 221,656,306	<hr/> <hr/> 7,110,984	<hr/> <hr/> 12,806,631	<hr/> <hr/> 241,573,921

Additions to housing properties included capitalised development administration costs of £602,972 (2018: £482,471) of which development allowances of nil (2018: £nil) were received in respect of these costs and capitalised.

The aggregate amount of capitalised interest included in housing properties is £70,577 (2018 £137,045).

Major repairs in the year amounted to £2,908,878 (2018: £2,668,333). Of the total £1,640,193 (2018: £1,648,357) was capitalised and related to replacement of components. The remaining £665,713 (2018: £1,019,976) was charged to the statement of comprehensive income.

The total cost of land included above is £39,122,683 (2018: £37,494,524).

CALEDONIA HOUSING ASSOCIATION LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

13. Tangible fixed assets – other (Group)

	Office Furniture and Equipment	Scheme Plant and Equipment	Office Accommodation	Leasehold Property	Asset Under Construction	Motor Vehicles	Total
	£	£	£	£	£	£	£
<i>Cost / Revaluation</i>							
At 1 April 2018	1,004,790	874,539	697,484	305,418	265,326	205,849	3,353,406
Acquired through Business Combination	18,573	-	-	-	-	-	18,573
Additions	120,037	23,025	-	-	1,463,317	53,836	1,660,215
Revaluations	-	-	-	-	-	-	-
Disposals	-	(1,900)	-	-	-	(31,190)	(33,090)
Transfers	-	-	1,728,643	-	(1,728,643)	-	-
At 31 March 2019	1,143,400	895,664	2,426,127	305,418	-	228,495	4,999,104
<i>Depreciation</i>							
At 1 April 2018	832,590	516,114	179,000	253,347	-	190,219	1,971,270
Provided during year	127,783	54,869	11,895	1,739	-	29,067	225,353
Eliminated on disposals	-	(1,900)	-	-	-	(31,190)	(33,090)
Impairment	-	-	135,000	-	-	-	135,000
At 31 March 2019	960,373	569,083	325,895	255,086	-	188,096	2,298,533
<i>Net book value</i>							
At 31 March 2019	183,027	326,581	2,100,232	50,332	-	40,399	2,700,571
At 31 March 2018	172,200	358,425	518,484	52,071	265,326	15,630	1,382,136

During the year, the market value with vacant possession of the office premises was stated to be £70,000 by RICS registered valuers DVS Property Specialists for the Public Sector. The office premises subsequently formed part of an excambion agreement in exchange for a development site with an equal market value. This development site is recognised in Assets Under Construction and is currently being developed into new office premises.

CALEDONIA HOUSING ASSOCIATION LIMITED
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For the year ended 31 March 2019

14. Tangible fixed assets – other (Association)

	Office Furniture and Equipment	Scheme Plant and Equipment	Office Accommodation	Leasehold Property	Motor Vehicles	Total
	£	£	£	£	£	£
<i>Cost</i>						
At 1 April 2018	669,610	862,715	475,000	235,861	181,694	2,424,880
Acquired through Business Combination	18,573	-	-	-	-	18,573
Additions	117,440	23,025	-	-	53,836	194,301
Disposals	-	-	-	-	(31,190)	(31,190)
At 31 March 2019	805,623	885,740	475,000	235,861	204,340	2,606,564
<i>Depreciation</i>						
At 1 April 2018	543,657	504,290	63,330	235,861	166,064	1,513,202
Provided during year	109,295	54,869	6,333	-	29,067	199,564
Eliminated on disposals	-	-	-	-	(31,190)	(31,190)
Impairment	-	-	135,000	-	-	135,000
At 31 March 2019	652,952	559,159	204,663	235,861	163,941	1,816,576
<i>Net book value</i>						
At 31 March 2019	152,671	326,581	270,337	-	40,399	789,988
At 1 April 2018	<i>125,953</i>	<i>358,425</i>	<i>411,670</i>	<i>-</i>	<i>15,630</i>	<i>911,678</i>

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15. Investment properties (Group)	2019	2018
	£	£
At 1 April 2018	1,304,305	<i>1,304,305</i>
Addition	-	-
Revaluation gain	-	-
At 31 March 2019	1,304,305	<i>1,304,305</i>

Investment property at Scott Street, which is freehold, was valued at £354,305 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 2019. 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. In 2016/17 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 Management Board do not believe there has been any material change in the value of these properties in the period to 31 March 2019. No depreciation is provided in respect of investment properties.

Investment properties (Association)	2019	2018
	£	£
At 1 April 2018	354,305	<i>354,305</i>
At 31 March 2019	354,305	<i>354,305</i>

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

16. Investment in subsidiaries

Group

	2019	2018
	£	£
Cost – Caledonia Ventures (formerly known as Servite Ventures)	2	<i>2</i>
Cost – Servite Solutions	2	<i>2</i>
Cost – Cordale Property Services	100	<i>100</i>
	104	<i>104</i>

The investment in subsidiary companies relates to Servite Solutions Limited, Caledonia Ventures Limited and Cordale Property Services Limited, which are wholly owned subsidiaries of the Association which are limited by share capital. Caledonia Ventures and Servite Solutions have issued share capital of 2 £1 shares in each, whilst Cordale Property Services Limited has 100 £1 shares. Both Caledonia Ventures and Servite Solutions were dormant during the financial year and exemption has been granted by the Financial Conduct Authority (FCA) from the inclusion of these in the group accounts.

CALEDONIA HOUSING ASSOCIATION LIMITED
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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 2019 were as follows:

Cordale Property Services Limited

	2019	<i>2018</i>
	£	<i>£</i>
Capital and reserves	<u>(2,400)</u>	<u><i>(2,400)</i></u>
(Loss) for the year	<u>-</u>	<u><i>(5,501)</i></u>

The company is now dormant.

Cordale Property Services Limited (SC246323) has claimed exemption from audit of their individual accounts under section 479 of the Companies Act 2006.

The results and balances of Cordale Property Services Limited are included in these consolidated Financial Statements.

Association

	2019	<i>2018</i>
	£	<i>£</i>
Cost – Caledonia Ventures (formerly known as Servite Ventures)	2	<i>2</i>
Cost – Servite Solutions	2	<i>2</i>
	<u>4</u>	<u><i>4</i></u>

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

17. Stock and work in progress

	2019	2019	<i>2018</i>	<i>2018</i>
	Group	Association	<i>Group</i>	<i>Association</i>
	£	£	<i>£</i>	<i>£</i>
Developments in progress for other Associations	646,019	646,019	<i>3,893,976</i>	<i>3,893,976</i>
Replacement components	58,832	33,439	<i>-</i>	<i>-</i>
	<u>704,851</u>	<u>679,458</u>	<u><i>3,893,976</i></u>	<u><i>3,893,976</i></u>

CALEDONIA HOUSING ASSOCIATION LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

18. Debtors

Due < 1 Year	2019 Group £	2019 Association £	2018 Group £	2018 Association £
Rent and service charges receivable	1,285,673	982,367	1,097,743	811,133
Less: bad debt provision	(677,205)	(520,651)	(514,178)	(396,011)
	608,468	461,716	583,565	415,122
Prepayments and accrued income	498,370	461,824	442,166	434,387
Other debtors	77,109	7,059	141,927	19,999
Amount due from subsidiary undertakings	-	86,460	-	93,315
Grants Receivable	438,318	438,318	1,401,318	1,401,318
	1,622,265	1,455,377	2,568,976	2,364,141

19. Creditors: amounts falling due within one year

	2019 Group £	2019 Association £	2018 Group £	2018 Association £
Debt (note 23)	2,380,580	2,058,297	1,942,499	1,620,224
Trade creditors	86,052	74,520	158,749	153,209
Other Taxes and Social Security	121,174	112,892	155,201	110,385
Rent in Advance	1,042,346	832,571	566,664	412,716
Accruals and Deferred Income	4,775,003	4,224,842	4,340,227	3,991,847
Pensions	73,394	73,394	62,738	62,738
Other Creditors	295,230	27,270	337,577	13,425
Deferred capital grants (note 22)	4,142,708	2,819,244	4,212,023	2,840,540
	12,916,487	10,223,030	11,775,678	9,205,084

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

	2019 Group £	2019 Association £	2018 Group £	2018 Association £
Debt (note 23)	81,337,169	71,815,021	79,543,583	69,710,232
Deferred capital grants (note 22)	174,455,626	143,280,277	175,413,588	142,962,794
	255,792,795	215,095,298	254,957,171	212,673,026

CALEDONIA HOUSING ASSOCIATION LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

21. Financial instruments

	2019	2019	<i>2018</i>	<i>2018</i>
	Group	Association	<i>Group</i>	<i>Association</i>
Financial assets:				
Debt instruments measured at amortised cost	1,123,895	993,553	<i>2,126,810</i>	<i>1,929,754</i>
	1,123,895	993,553	<i>2,126,810</i>	<i>1,929,754</i>
Financial liabilities:				
Measured at amortised cost:	88,947,428	78,273,344	<i>86,385,373</i>	<i>75,551,675</i>
	88,947,428	78,273,344	<i>86,385,373</i>	<i>75,551,675</i>

22. Deferred capital grant

	2019	2019	<i>2018</i>	<i>2018</i>
	Group	Association	<i>Group</i>	<i>Association</i>
	£	£	<i>£</i>	<i>£</i>
As at 1 April 2018	179,625,611	145,803,334	<i>178,506,107</i>	<i>143,286,318</i>
Acquired through business combination	824,548	824,548	<i>-</i>	<i>-</i>
Additions	5,889,939	5,889,939	<i>6,446,007</i>	<i>6,427,542</i>
Disposals	(3,599,056)	(3,599,056)	<i>(1,114,480)</i>	<i>(1,069,986)</i>
Capital grant released in year	(4,142,708)	(2,819,244)	<i>(4,212,023)</i>	<i>(2,840,540)</i>
At 31 March 2019	178,598,334	146,099,521	<i>179,625,611</i>	<i>145,803,334</i>
Amounts to be released within one year	4,142,708	2,819,244	<i>4,212,023</i>	<i>2,840,540</i>
Amounts to be released in more than one year	174,455,626	143,280,277	<i>175,413,588</i>	<i>142,962,794</i>
	178,598,334	146,099,521	<i>179,625,611</i>	<i>145,803,334</i>

CALEDONIA HOUSING ASSOCIATION LIMITED
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For the year ended 31 March 2019

23. Debt analysis - Borrowings

	2019	2019	<i>2018</i>	<i>2018</i>
	Group	Association	<i>Group</i>	<i>Association</i>
	£	£	<i>£</i>	<i>£</i>
Creditors: amounts falling due within one year:				
Bank loans	2,380,580	2,058,297	<i>1,942,499</i>	<i>1,620,224</i>
	2,380,580	2,058,297	<i>1,942,499</i>	<i>1,620,224</i>
Creditors: amounts falling due after one year:				
Bank loans	81,337,169	71,815,021	<i>79,543,583</i>	<i>69,710,232</i>
	83,717,749	73,873,318	<i>81,486,082</i>	<i>71,330,456</i>

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 £59.4m (2018: £58.4m) bear average fixed-rate coupons of 5.1% per annum (2018: 5.1% per annum) and £14.4m (2018: £12.9m) variable rate loans bear average variable-rate coupons of 1.38% above LIBOR (2018: 1.38% above LIBOR). The Association makes quarterly and semi-annual interest payments on all bank borrowings.

Bank borrowings of £73.9m (2018: £71.3m) are secured by specific charges against the Association's housing properties. Of the £73.9m, £4m relates to loans acquired as part of the acquisition of Antonine Housing Association on 1 October 2018.

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 £3.1m (2018: £3.2m) bear average fixed-rate coupons of 5.5% per annum (2018: 5.45% per annum) and £4.5m (2018: £4.7m) variable rate loans bear average variable-rate coupons of 1.86% above LIBOR (2018: 1.82% above LIBOR). The Association makes quarterly interest payments on all bank borrowings.

Bank borrowings of £7.6m (2018: £7.9m) 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.

CALEDONIA HOUSING ASSOCIATION LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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23. Debt analysis – Borrowings (cont'd)

Bank borrowings mature on 31 July 2026. Fixed rate loans £nil (2018: £nil) bear average fixed-rate coupons of 0% per annum (2018: 0% per annum) and £2.3m (2018: £2.3m) variable rate loans bear average variable-rate coupons of 1.6% above LIBOR (2018: 1.6% above LIBOR). The Association makes quarterly interest payments on all bank borrowings.

Bank borrowings of £2.3m (2018: £2.3m) are secured by specific charges against the Association's housing properties.

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

	2019 Group £	2019 Association £	<i>2018 Group £</i>	<i>2018 Association £</i>
In one year or less	2,380,580	2,058,297	<i>1,942,499</i>	<i>1,620,224</i>
Between one and two years	2,281,798	1,952,439	<i>2,016,199</i>	<i>1,688,360</i>
Between two and five years	7,451,462	5,730,075	<i>6,711,135</i>	<i>5,248,912</i>
In five years and more	71,603,908	64,132,507	<i>70,816,249</i>	<i>62,772,960</i>
	83,717,748	73,873,318	<i>81,486,082</i>	<i>71,330,456</i>

24. Share capital

Group

	2019 No.	<i>2018 No.</i>	2019 £	<i>2018 £</i>
Shares of £1 each fully paid				
At 1 April 2018	472	<i>513</i>	472	<i>513</i>
Issued in year	93	<i>9</i>	93	<i>9</i>
Withdrawn in year	(112)	<i>(50)</i>	(112)	<i>(50)</i>
At 31 March 2019	453	<i>472</i>	453	<i>472</i>

Association

	2019 No.	<i>2018 No.</i>	2019 £	<i>2018 £</i>
Shares of £1 each fully paid				
At 1 April 2018	175	<i>182</i>	175	<i>182</i>
Issued in year	85	<i>2</i>	85	<i>2</i>
Cancelled in year	(27)	<i>(9)</i>	(27)	<i>(9)</i>
At 31 March 2019	233	<i>175</i>	233	<i>175</i>

25. Reserves

Reserves of the Company represent the following:

Revenue Reserve

The cumulative surplus / deficit.

CALEDONIA HOUSING ASSOCIATION LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

26. 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:

	2019	<i>2018</i>
	Land and	<i>Land and</i>
	Buildings	<i>buildings</i>
	£	<i>£</i>
Amounts due:		
Within one year	70,000	<i>70,000</i>
Between one and five years	157,500	<i>227,500</i>
After five years	227,500	<i>297,500</i>

During the year £70,000 (2018: £69,585) of payments made under an operating lease were recognised as an expense.

CALEDONIA HOUSING ASSOCIATION LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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27. Acquisitions

On 1 October 2018, Caledonia Housing Association acquired the assets and liabilities of Antonine Housing Association for £nil consideration.

At 1 October 2018 (the 'acquisition date'), the assets and liabilities of Antonine Housing Association were consolidated at their fair values, as set out below. The excess of the fair value of the assets acquired over the fair value of the liabilities acquired of £5,812,810 has been recognised in the Statement of Comprehensive Income.

	Initial book value	Fair value adjustment	Fair value at date of acquisition
	£	£	£
Housing Properties	5,610,841	4,188,485	9,799,326
Other Fixed Assets	18,573	-	18,573
Arrears of rent and service charges	22,553	-	22,553
Other debtors	130,910	-	130,910
Cash	1,123,671	-	1,123,671
Total assets	6,906,548	4,188,485	11,095,033
Housing loans	4,019,398	-	4,019,398
Deferred grant income	824,548	-	824,548
Trade payables	178,661	-	178,661
Rent received in advance	37,610	-	37,610
Other taxation and social security	30	-	30
Other creditors	11,220	-	11,220
Accruals and deferred income	72,002	-	72,002
Pension provision	138,754	-	138,754
Total liabilities	5,282,223	-	5,282,223
Net assets	1,624,325	4,188,485	5,812,810

CALEDONIA HOUSING ASSOCIATION LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

28. Notes to the cash flow statement - Group

	2019	<i>2018</i>
	£	<i>£</i>
Reconciliation of surplus to net cash inflow from activities		
Surplus for the year	7,555,849	<i>1,926,298</i>
Adjustments for non-cash items:		
Business combination – excess of fair value of assets over the fair value of liabilities acquired	(5,812,810)	<i>-</i>
Depreciation of tangible fixed assets	7,537,136	<i>6,803,237</i>
Amortisation of capital grant	(4,142,708)	<i>(4,212,023)</i>
Impairment of office property	135,000	<i>-</i>
Fair value gains on other fixed assets	-	<i>(19,362)</i>
Loss on disposal of tangible fixed assets	191,715	<i>342,807</i>
Interest received	(234,760)	<i>(70,038)</i>
Interest payable	3,948,858	<i>3,356,023</i>
Shares issued	93	<i>9</i>
Cancelled shares	(112)	<i>(50)</i>
Operating cash flows before movement in working capital	9,178,261	<i>8,126,901</i>
Increase/(decrease) in stock	3,189,125	<i>(2,900,298)</i>
Decrease in trade and other debtors	1,100,174	<i>159,667</i>
Increase/(decrease) in trade and other creditors	1,206,545	<i>(201,176)</i>
Increase /(decrease) in provisions	1,035,735	<i>(323,000)</i>
Cash generated from operations	13,638,370	<i>4,862,094</i>
Cash and cash equivalents		
Cash	8,378,713	<i>7,614,691</i>
	8,378,713	<i>7,614,691</i>

CALEDONIA HOUSING ASSOCIATION LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

28. Notes to the cash flow statement (continued) Association

	2019	2018
	£	£
Reconciliation of surplus to net cash inflow from activities		
Surplus for the year	7,398,941	1,250,305
Adjustments for non-cash items:		
Business combination – excess of fair value of assets over the fair value of liabilities acquired	(5,812,810)	-
Depreciation of tangible fixed assets	4,908,299	4,718,704
Amortisation of capital grant	(2,819,244)	(2,840,540)
Impairment of office property	135,000	-
Loss on disposal of tangible fixed assets	75,810	124,190
Interest received	(226,770)	(65,725)
Interest payable	3,561,638	2,994,296
Cancelled shares	(27)	(9)
Shares issued	85	2
Operating cash flows before movement in working capital	7,220,922	6,181,223
Decrease /(increase) in stock	3,214,518	(2,900,298)
Decrease in trade and other debtors	1,062,227	264,705
Increase /(decrease) in trade and other creditors	807,201	(34)
Decrease /(increase) in provisions	691,000	(186,000)
Cash generated from operations	11,613,868	3,359,596
Cash and cash equivalents		
Cash	5,478,312	3,680,328
	5,478,312	3,680,328

29. Capital commitments

	2019	2018
	£	£
Capital expenditure contracted for but not provided in the Financial Statements	55,077,705	28,409,495
Capital expenditure authorised by the Board but not contracted	5,200,000	40,000,000

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

30. Pension – provision

	Group £'000	Association £'000
1 April 2018	1,344	773
Antonine Housing Association deficit funding provision acquired during year	158	158
Derecognition of deficit funding provision (note 31)	(1,502)	(931)
31 March 2019	-	-

CALEDONIA HOUSING ASSOCIATION LIMITED
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31. 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 £404,623 (2018: £381,897). Contributions totalling £53,885 (2018: £46,505) were payable to the fund at the year end and are included in creditors.

(b) Scottish Housing Associations' Pension Scheme

The company participates in the Scottish Housing Associations' Pension Scheme (the Scheme), a multi-employer scheme which provides benefits to some 150 non-associated employers. The Scheme is a defined benefit scheme in the UK. 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 last triennial valuation of the scheme for funding purposes was carried out as at 30 September 2015. This valuation revealed a deficit of £198m. A Recovery Plan has been put in place to eliminate the deficit which runs to 28 February 2022 for the majority of employers, although certain employers have different arrangements. 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.

For the year ended 31 March 2018, the SHAPS obligation was being accounting for as a defined contribution scheme as there was not sufficient information available to identify each employer's share of assets and liabilities in the scheme. Therefore, for 31 March 2018, the contributions payable from the Association to the SHAPS under the terms of its funding agreement for past deficits was recognised as a liability within provisions in the Association's Financial Statements. The net present value for this contractual obligation was £1,344k for the Group and £773k for the Association.

For the year ended 31 March 2019, sufficient information is available for the Association in respect of SHAPS to account for its obligation on a defined benefit basis. The most recent formal actuarial valuation was completed as at 30 September 2015 and rolled forward, allowing for the different financial assumptions required under FRS 102, to 31 March 2019 by a qualified independent actuary.

Under the defined benefit pension accounting approach, the SHAPS net deficit as at 1 April 2018 is £1,367k for the Association and £2,254k for the Group. At 31 March 2019 the SHAPS net deficit is £1,464k for the Association and £2,380k for the Group.

The amendment to FRS102 issued in May 2019 requires the difference on transition from defined contribution accounting to defined benefit accounting to be presented separately in other comprehensive income. The change on transition has resulted in a re-measurement difference of £910k for the Group and £594k for the Association, which has been recognised at the relevant date of application, 1 April 2018, in other comprehensive income.

On 1 October 2018, the assets and liabilities of Antonine Housing Association were acquired by Caledonia Housing Association resulting in an additional reversal of £158k relating to the acquired deficit funding liability.

CALEDONIA HOUSING ASSOCIATION LIMITED
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For the year ended 31 March 2019

31. Pensions (continued)

Present values of defined benefit obligation, fair value of assets and defined benefit asset (liability)

	2019	<i>2018</i>	2019	<i>2018</i>
	Group	<i>Group</i>	Association	<i>Association</i>
	(£000s)	<i>(£000s)</i>	(£000s)	<i>(£000s)</i>
Fair value of plan assets	10,983	<i>10,291</i>	6,294	<i>5,876</i>
Present value of defined benefit obligation	13,363	<i>12,545</i>	7,758	<i>7,243</i>
Surplus (deficit) in plan	(2,380)	<i>(2,254)</i>	(1,464)	<i>(1,367)</i>
Unrecognised surplus	-	-	-	-
Defined benefit asset (liability)	(2,380)	<i>(2,254)</i>	(1,464)	<i>(1,367)</i>

Reconciliation of the impact of the asset ceiling

	2019	2019
	Group	Association
	(£000s)	(£000s)
Impact of asset ceiling at start of period	-	-
Effect of asset ceiling included in net interest cost	-	-
Actuarial losses (gains) on asset ceiling	-	-
Impact of asset ceiling at end of period	-	-

Reconciliation of opening and closing balances of the defined benefit obligation.

	2019	2019
	Group	Association
	(£000s)	(£000s)
Defined benefit obligation at start of period	12,545	7,243
Current service cost	-	-
Expenses	12	7
Interest expense	323	187
Contributions by plan participants	-	-
Actuarial losses (gains) due to scheme experience	(230)	(129)
Actuarial losses (gains) due to changes in demographic assumptions	35	20
Actuarial losses (gains) due to changes in financial assumptions	930	545
Benefits paid and expenses	(252)	(115)
Liabilities acquired in a business combination	-	-
Liabilities extinguished on settlements	-	-
Losses (gains) on curtailments	-	-
Losses (gains) due to benefit changes	-	-
Exchanges rate changes	-	-
Defined benefit obligation at end of period	13,363	7,758

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31. Pensions (continued)

Reconciliation of opening and closing balances of the fair value of plan assets.

	2019 Group	2019 Association
	(£000s)	(£000s)
Fair value of plan assets start of period	10,291	5,876
Interest Income	268	154
Experience on plan assets (excluding amounts included in interest income) – gain (loss)	323	169
Contributions by the employer	353	210
Contributions by plan participants	-	-
Benefits paid and expenses	(252)	(115)
Exchange rate changes	-	-
Fair value of plan of assets at end of period	<u>10,983</u>	<u>6,294</u>

The actual return on the plan assets (including any changes in share of assets) over the period ended 31 March 2019 for the Group was £323,000 and for the Association was £169,000.

Defined benefit costs recognised in other comprehensive income (SOCl)

	2019 Group	2019 Association
	(£000s)	(£000s)
Current service cost	-	-
Expenses	12	7
Net interest expense	55	33
Defined benefit costs recognised in statement of comprehensive income (SoCI)	<u>67</u>	<u>40</u>

Defined benefit costs recognised in Other Comprehensive Income

	2019 Group	2019 Association
	(£000s)	(£000s)
Experience on plan assets (excluding amounts included in net interest cost) – gain (loss)	323	169
Experience gains and losses arising on the plan liabilities – gain (loss)	230	129
Effects of changes in the demographic assumptions underlying the present value of the defined benefit obligation – gain (loss)	(35)	(20)
Effects of changes in the financial assumptions underlying the present value of the defined obligation – gain (loss)	(930)	(545)
Total actuarial gains and losses (before restriction due to some of the surplus not being recognisable) – gain (loss)	(412)	(267)
Total amount recognised in other comprehensive income – gain (loss)	<u>(412)</u>	<u>(267)</u>

CALEDONIA HOUSING ASSOCIATION LIMITED
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For the year ended 31 March 2019

31. Pensions (continued)

Assets

	Group		Association	
	2019	<i>2018</i>	2019	<i>2018</i>
	(£000s)	<i>(£000s)</i>	(£000s)	<i>(£000s)</i>
Global Equity	1,767	1,851	1,013	1,057
Absolute Return	931	1,221	533	697
Distressed Opportunities	187	47	107	27
Credit Relative Value	191	-	109	-
Alternative Risk Premia	614	389	352	222
Fund of Hedge Funds	30	296	17	169
Emerging Markets Debt	352	352	202	201
Risk Sharing	318	95	182	54
Insurance-Linked Securities	285	282	163	161
Property	218	406	125	232
Infrastructure	461	187	264	107
Private Debt	141	96	81	55
Corporate Bond Fund	769	718	441	410
Long Lease Property	132	-	76	-
Secured Income	384	377	220	215
Over 15 Year Gilts	282	333	162	190
Index Linked All Stock Gilts	-	-	-	-
Liability Driven Investment	3,908	3,622	2,240	2,068
Net Current Assets	12	19	7	11
Total assets	10,982	10,291	6,294	5,876

None of the fair values of the assets shown above include any direct investments in the employer's own financial instruments or any property occupied by, or other assets used by, the employer.

Key Assumptions - Association

	31 March 2019	31 March 2018
	% per annum	% per annum
Discount Rate	2.34%	2.60%
Inflation (RPI)	3.26%	3.15%
Inflation (CPI)	2.26%	2.15%
Salary Growth	3.26%	3.15%
Allowance for commutation of pension cash at retirement	75% of maximum allowance	75% of maximum allowance

The mortality assumptions adopted at 31 March 2019 imply the following life expectancies:

	Life expectancy at age 65 (Years)
Male retiring in 2019	21.7
Female retiring in 2019	23.4
Male retiring in 2039	23.1
Female retiring in 2039	24.7

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For the year ended 31 March 2019

31. Pensions (continued)

Reconciliation of opening and closing pension provision

	2019 Group (£000s)	2019 Association (£000s)
As at 1 April 2018	1,344	773
Antonine Housing Association deficit funding provision acquired in the year	158	158
Derecognition of deficit funding provision (note 30)	(1,502)	(931)
Recognition of defined benefit liability as at 1 April 2018	2,254	1,367
Expenses	12	7
Actuarial losses on defined benefit obligation	735	436
Net interest expense	55	33
Experience on plan assets	(323)	(169)
Contributions by employer	(353)	(210)
As at 31 March 2019	<u>2,380</u>	<u>1,464</u>

Loss recognised on initial recognition of multi-employer pension scheme recognised in other comprehensive income

	2019 Group (£000s)	2019 Association (£000s)
Reversal of deficit funding liability at 1 April 2018	1,344	773
Recognition of defined benefit liability as at 1 April 2018	(2,254)	(1,367)
	<u>(910)</u>	<u>(594)</u>

32. Auditors remuneration

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

	2019 £	2018 £
Audit services – statutory audit – Group	58,500	46,896
Other services – Group:		
Other services	11,382	20,814
	<u>69,882</u>	<u>67,710</u>

CALEDONIA HOUSING ASSOCIATION LIMITED
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33. Related party disclosures

Association

The Association provides management services to Cordale Housing Association. Management Charges of £77,862 (2018: £45,000) were charged in the year. The Association provides management services to Bellsmyre Housing Association. Management Charges of £45,000 were charged in the year (2018: £45,000). At the year end Cordale Housing Association owed the Association £56,427 (2018: £47,885) 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 £30,034 (2018: £45,430) 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.

Two Management Board members are also tenants of the Association. Their tenancies are on normal commercial terms. During the year £7,836 (2018: £7,439) of rent was receivable from these tenant members. At the year-end there were £10 (2018: £nil) of rent arrears due from these tenant members and £50 (2018: £71) in advance due to 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.

CALEDONIA HOUSING ASSOCIATION LIMITED
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34. Number of units in Management at the year end

a) Housing stock (Group)	2019 No.	2018 No.
General needs - New build	4,531	<i>4,148</i>
- Rehabilitation	627	<i>627</i>
Shared ownership	392	<i>394</i>
Supported housing	40	<i>40</i>
	<hr/> 5,590	<hr/> <i>5,209</i>
 b) Investment properties (Group)		
Office		
Other	1	<i>1</i>
	3	<i>3</i>
	<hr/>	<hr/>
Total	4	<i>4</i>
	<hr/>	<hr/>
 c) Housing stock (Association)		
New build	4,104	<i>3,721</i>
Shared ownership	381	<i>383</i>
	<hr/>	<hr/>
Total	4,485	<i>4,104</i>
	<hr/>	<hr/>
 d) Investment properties (Association)		
Office	1	<i>1</i>
	<hr/>	<hr/>
Total	1	<i>1</i>
	<hr/>	<hr/>