



CORDALE HOUSING ASSOCIATION LIMITED

REPORT AND FINANCIAL STATEMENTS

For the year ended 31 March 2012

Registered Housing Association No: HCB 259

FSA Reference No: 2411R (S)

Scottish Charity No: SCO32859

CORDALE HOUSING ASSOCIATION LIMITED

**Report and Financial Statements
For the year ended 31 March 2012**

	Page
Members of the Management Committee, Executives and Advisers	1
Report of the Management Committee	2
Report by the Auditors on Corporate Governance Matters	5
Report of the Auditors	6
Income and Expenditure Account	8
Statement of Total Recognised Gains and Losses	8
Balance Sheet	9
Cash Flow Statement	10
Notes to the Financial Statements	11

Management Committee, Executives and Advisers

Management Committee

A Thomson MBE (Removed June 2012)
I Barr

Previously Chairperson
Was Vice Chairperson and now
Acting Chair
Secretary

E Buckley
E Brogan (Resigned July 2012)
G Brown (Removed June 2012)
J Campbell
G Kemsley
M McCallion
M McNicol (Resigned June 2012)
P Rowan
N Wardrop (Resigned September 2011)
T McKeown
M Walker (Appointed September 2011)
J McMorrow – (Appointed July 2012)
S Robison (Appointed July 2012)
S Stephen (Appointed July 2012)

Executive Officers

Stephen Gibson
Louise Percy
Colin Sherriff

Director
Depute Director
Acting Director

Registered Office

1 Red Row
Renton
G82 4PL

Auditors

Scott-Moncrieff
Chartered Accountants
25 Bothwell Street
Glasgow
G2 6NL

Bankers

Bank of Scotland
133 Main Street
Alexandria
G83 0NX

Solicitors

T C Young
7 West George Street
Glasgow
G2 1BA

Accountants

FMD Financial Services
Unit 29, Ladyloan Place
Drumchapel
G15 8LB

**Report of the Management Committee
For the year ended 31 March 2012**

The Management Committee presents its report and the audited financial statements for the year ended 31 March 2012.

Legal status

The Association is a registered non-profit making organisation under the Industrial and Provident Societies Act 1965. The Association is constituted under its Rule Book. The Association is a registered Scottish Charity with the charity number SCO32859.

Principal activities

The principal activities of the Association are the provision and management of affordable rented accommodation.

Review of business and future developments

The annual surplus for the year has decreased to £150,473. This was as a result of additional loan charges for the Dalquhurn private finance loans and abortive Stock Transfer costs. Net assets in the balance sheet have increased to £1,744,887.

This year saw the completion of the 129 unit project at Dalquhurn, which included 111 new homes for rent and 18 new supply Shared Equity properties.

The recent local elections resulted in a change of leadership for West Dunbartonshire Council, and as a consequence of this, West Dunbartonshire Council have abandoned the transfer of any stock to local housing associations.

During 2012 an independent investigation was commissioned by the Association and consequently three members left the management committee. The investigation has also identified issues in connection with governance and leadership which we are continuing to address in consultation with the Scottish Housing Regulator and having informed our auditors.

Component accounting

In accordance with the Statement of Recommended Practice (SORP) – Accounting by registered social housing providers, 2010, the Association has implemented component accounting for the first time this year. As this is a change in accounting policy the impact of component accounting has resulted in a restatement of the prior year figures via a prior year adjustment which is detailed in note 25. The introduction of component accounting ensures the major components of the Association's housing stock are identified and depreciated over their estimated economic life. The cost of any subsequent replacement of a major component will be capitalised in the balance sheet with the item replaced being disposed of from the balance sheet. This enables the financial statements to better reflect the use of the component over its life cycle.

Management committee and executive officers

The members of the Management Committee and the executive officers are listed on page 1.

Each member of the Management Committee holds one fully paid share of £1 in the Association. The executive officers hold no interest in the Association's share capital and, although not having the legal status of directors, they act as executives within the authority delegated by the Management Committee.

The members of the Management Committee are also trustees of the Charity. Members of the Management Committee are appointed by the members at the Association's Annual General Meeting.

Some members of the Management Committee are tenants. Their tenancies are on the Association's normal tenancy terms and are precluded from using their positions to their advantage.

**Report of the Management Committee
For the year ended 31 March 2012****Statement of Management Committee's responsibilities**

Statute requires the Management Committee to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Association and of the surplus or deficit of the Association for that period. In preparing those financial statements the Management Committee is required to:-

- Select suitable accounting policies and then apply them consistently;
- Make judgements and estimates that are reasonable and prudent;
- State whether applicable accounting standards have been followed subject to any material departures disclosed and explained in the financial statements; and
- Prepare the financial statements on a going concern basis unless it is inappropriate to presume that the Association will continue in business.

The Management Committee is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Association. 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 control

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

- the reliability of financial information used within the Association, or for publication;
- the maintenance of proper accounting records; and
- the safeguarding of assets against unauthorised use or disposition.

It is the Management Committee'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 of the Association's systems include ensuring that:

- formal policies and procedures are in place, including the ongoing documentation of key systems and rules relating to the delegation of authority, which allow the monitoring of controls and restrict the unauthorised use of the Association's assets;
- experienced and suitably qualified staff take responsibility for important business functions and annual appraisal procedures have been established to maintain standards of performance;
- forecasts and budgets are prepared which allow the management team and the Management Committee to monitor key business risks, financial objectives and the progress being made towards achieving the financial plans set for the year and for the medium term;
- regular financial management reports are prepared promptly, providing relevant, reliable and up to date financial and other information, with significant variances from budget being investigated as appropriate;
- all significant new initiatives, major commitments and investment projects are subject to formal authorisation procedures, through the Management Committee;

**Report of the Management Committee
For the year ended 31 March 2012**

- the Management Committee receive reports from management and from the external and internal auditors to provide reasonable assurance that control procedures are in place and are being followed and that a general review of the major risks facing the Association is undertaken; and
- formal procedures have been established for instituting appropriate action to correct any weaknesses identified through internal or external audit reports.

Donations

During the year the Association made charitable donations amounting to £60,912 (2011: £10,500).

Auditors

A resolution to re-appoint Scott-Moncrieff, Chartered Accountants, will be proposed at the annual general meeting.

By order of the committee

Elizabeth Buckley

Secretary
Dated: 28 August 2012

A handwritten signature in black ink that reads "E Buckley". The signature is written in a cursive style with a long, sweeping underline.

**Report by the Auditors to the Management Committee of
Cordale Housing Association Limited on Corporation 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 paragraphs of the Internal Financial Control section within the SFHA's publication "Raising Standards in Housing". The objective of our review is to draw attention to non-compliance with those paragraphs of the Code, if not otherwise disclosed.

Basis of Opinion

We carried out our review having regard to Bulletin 2009/4 issued by the Auditing Practices Board. The Bulletin does not require us to perform the additional work necessary to, and we do not, express any opinion on the effectiveness of either the Association's system of internal financial control or its corporate governance procedures.

Opinion

In our opinion, your statement on internal financial control on pages 3 and 4 has provided the disclosures required by the Internal Financial Control section within the SFHA's publication "Raising Standards in Housing" and is not inconsistent with the information which came to our attention as a result of our audit work on the Financial Statements.

Through enquiry of certain members of the Management Committee and officers of the Association, and examination of relevant documents, we have satisfied ourselves that the Management Committee's statement on internal financial control appropriately reflects the Association's compliance with the information required by the section on internal financial control within SFHA's "Raising Standards in Housing".



Scott-Moncrieff
Chartered Accountants
Statutory Auditor
25 Bothwell Street
Glasgow
G2 6NL

Dated: 28 August 2012

**Report of the Independent Auditors
To the members of Cordale Housing Association Limited**

We have audited the financial statements of Cordale Housing Association Limited for the year ended 31 March 2012 which comprise the Income and Expenditure Account, Balance Sheet, Cash Flow Statement and related notes. The financial reporting framework that has been applied is applicable law, United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) and the Statement of Recommended Practice - Accounting by registered social housing providers issued in 2010.

This report is made solely to the Association's members as a body, in accordance with Section 9 of the Friendly and Industrial and Provident Societies Act 1968. Our audit work has been undertaken so that we might state to the Association's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Association and the Association's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of committee and auditors

As explained more fully in the Management Committee Responsibilities statement set out on page 3, the committee members are responsible for the preparation of the financial statements which give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices' Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Association's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Management Committee; and overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Report of the Management Committee to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Group accounts Section 14 (2) of the Friendly and Provident Societies Act 1968

We agree with the opinion of the Management Committee of the Association that it would be of no real value to the members of the Association to consolidate or include the accounts of the Association's subsidiaries in group accounts required to be prepared under Section 13 of the Friendly and Industrial and Provident Societies Act 1968 for the year ended 31 March 2012, because of the immaterial nature of the subsidiaries' transactions in the year.

Opinion on the financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Association's affairs as at 31 March 2012 and of its income and expenditure for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice and the Statement of Recommended Practice – Accounting by registered social housing providers issued in 2010;
- have been prepared in accordance with the requirements of the Industrial and Provident Societies Acts, 1965 to 2002, Part 6 the Housing (Scotland) Act 2010 and the Registered Social Landlords Accounting Requirements (Scotland) Order 2007.

**Report of the Independent Auditors
To the members of Cordale 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 Industrial and Provident Societies Acts, 1965 to 2002 require 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; or
- we have not received all the information and explanations we need for our audit.



Scott- Moncrieff
Chartered Accountants
Statutory Auditor
25 Bothwell Street
Glasgow
G2 6NL

Dated: 28 August 2012

Income and Expenditure Account
For the year ended 31 March 2012

	Notes	2012		2011 restated	
		£	£	£	£
Turnover	2		2,074,399		1,571,858
Less: Operating costs	2		(1,571,685)		(1,180,215)
Operating surplus	9		502,714		391,643
Gain on sale of housing stock	7	8,329		-	
Exceptional costs	26	(100,000)		-	
Interest receivable and other income		3,618		5,499	
Interest payable and similar charges	8	(264,188)		(139,869)	
			(352,241)		(134,370)
Surplus on ordinary activities before taxation			150,473		257,273
Tax on surplus on ordinary activities	10		-		-
Surplus on ordinary activities after taxation			150,473		257,273

All amounts relate to continuing activities.

Statement of Total Recognised Gains and Losses
For the year ended 31 March 2012



	Notes	2012	2011 restated
		£	£
Surplus for year		150,473	257,273
Prior year adjustment	25	(337,658)	
		(187,185)	

The notes form part of these financial statements.

Balance Sheet
As at 31st March 2012

	Notes	2012		2011 restated	
		£	£	£	£
Tangible fixed assets					
Housing properties – depreciated cost	11(a)		57,944,849		54,284,016
Less: Social housing grant	11(a)		(44,314,355)		(42,413,421)
Other public grants	11(a)		(3,096,923)		(3,063,813)
			<u>10,533,571</u>		<u>8,806,782</u>
Other fixed assets	11(b)		53,124		59,806
			<u>10,586,695</u>		<u>8,866,588</u>
Fixed asset investments					
Investment in subsidiaries	22	200		200	
Shared equity housing units	22	-		-	
			<u>200</u>	<u>200</u>	
					200
Current assets					
Stock	13	121,382		121,382	
Debtors	14	1,194,692		2,993,081	
Investments	23	-		264,626	
Cash at bank and in hand		502,227		222,951	
		<u>1,818,301</u>		<u>3,602,040</u>	
Creditors: Amounts falling due within one year	15	<u>(1,472,050)</u>		<u>(6,676,159)</u>	
Net current assets/(liabilities)			<u>346,251</u>		<u>(3,074,119)</u>
Total assets less current liabilities			<u>10,933,146</u>		<u>5,792,669</u>
Creditors: Amounts falling due after more than one year	16		<u>(9,188,259)</u>		<u>(4,198,234)</u>
Net assets			<u><u>1,744,887</u></u>		<u><u>1,594,435</u></u>
Capital and reserves					
Share capital	18		306		327
Designated reserves	19(a)		1,608,013		1,495,158
Revenue reserves	19(b)		136,568		98,950
			<u>1,744,887</u>		<u>1,594,435</u>

The financial statements were authorised for issue by the Management Committee on 28 August 2012 and were signed on its behalf by:

	I Barr – Acting Chair
	E Buckley - Secretary

The notes form part of these financial statements.

Cash Flow Statement
For the year ended 31 March 2012

	Notes	2012		2011 restated	
		£	£	£	£
Net cash inflow/(outflow) from operating activities	17		2,472,759		(1,882,224)
Returns on investments and servicing of finance					
Interest received		3,618		5,499	
Interest paid		(264,188)		(139,869)	
Net cash outflow from investment and servicing of finance			(260,570)		(134,370)
Taxation					
Corporation tax paid		-		-	
Grant received		-		-	
Net cash inflow from taxation			-		-
Capital expenditure and financial investment					
Acquisition and construction of Properties		(4,268,193)		(9,164,307)	
Purchase of other fixed assets		(9,190)		(24,205)	
Grant received		2,147,003		5,716,980	
Social Housing Grant repaid		-		-	
Exceptional costs		(50,000)		-	
Proceeds on disposal of properties		23,498		-	
Proceeds on disposal of other fixed assets		-		-	
Capitalised interest		-		-	
Net cash outflow from capital expenditure and financial investment			(2,156,882)		(3,471,532)
Net cash inflow/(outflow) before use of liquid resourcing and Financing			55,307		(5,488,126)
Management of liquid resources					
Change in short term deposits with Banks			264,626		244,872
Financing					
Loan advances received		223,241		4,978,444	
Loan redemption payments		-		-	
Loan principal repayments		(253,416)		(283,628)	
Share capital issued		24		54	
Net cash (outflow)/inflow from financing			(30,151)		4,694,870
Increase/(Decrease) in cash	17		289,782		(548,384)

**Notes to the Financial Statements
For the year ended 31st March 2012**

1. Principal accounting policies

Basis of accounting

These financial statements are prepared on the historical cost basis and in accordance with applicable accounting standards and comply with the requirements of the Industrial and Provident Societies Acts 1965 to 2002, Part 6 of the Housing (Scotland) Act 2010, the Registered Social Landlords Accounting Requirements (Scotland) Order 2007 and the Statement of Recommended Practice (SORP) Accounting by registered social housing providers 2010. A summary of the more important accounting policies is set out below.

Going concern

The Management Committee anticipate that a surplus will be generated in the years to 31 March 2013 and 31 March 2014. The Association has a healthy cash position and thus the Management Committee is satisfied that there are sufficient resources in place to continue operating for the foreseeable future. Thus the Management Committee continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Basis of consolidation

The Association has obtained exemption from the Financial Services Authority from producing consolidated financial statements as provided by Section 14(2A) of the Friendly and Industrial and Provident Societies Act 1968. The financial statements for Cordale Housing Association Limited present information about it as an individual undertaking and not about its Group.

Turnover

Turnover represents rental and service charge income, factoring service income, and fees or revenue grants receivable from local authorities and from the Scottish Government. Also included is any income from first tranche shared ownership disposals.

Retirement benefits

The Association contributes to a defined benefit scheme (Scottish Housing Association Pension Scheme) the cost of which is written off to the Income and Expenditure Account on an accruals basis. The assets of the scheme are held separately from those of the Association in an independently administered fund. In line with FRS17, the pension scheme is accounted for as a defined contribution scheme.

Depreciation of housing properties

Housing properties are stated at cost, less social housing and other public grants and less accumulated depreciation. Housing properties are reviewed for impairment if events or circumstances indicate that the carrying value is higher than the recoverable amount. Each housing unit has been split between its major component parts. Each major component is depreciated on a straight line basis over its expected economic useful life. The following major components and useful lives have been identified by the Association:

Land – not depreciated
Structure – over 50 years
Roof – over 50 years
Bathrooms – over 30 years
Windows – over 25 years
Kitchens – over 15 years
Heating systems and Boilers – over 20 years
Doors – over 25 years

**Notes to the Financial Statements
For the year ended 31st March 2012**

1. Principal accounting policies (continued)

Depreciation and impairment of other fixed assets

Other fixed assets are stated at cost less accumulated depreciation. Depreciation is charged on a straight line basis over the expected economic useful lives of the assets at the following annual rates:

Office premises	- 15 years
Furniture and equipment	- 25% & 33.33%
Estates equipment	- 33.33%

The carrying value of tangible fixed assets is reviewed for impairment in periods if events or changes in circumstances indicate the carrying value may not be recoverable.

Social Housing Grant and other grants in advance/arrears

Where developments have been financed wholly or partly by Social Housing Grant or other capital grant, the cost of those developments has been reduced by the amount of the grant receivable. The amount of the grant receivable is shown separately on the balance sheet.

Social Housing Grant received in respect of revenue expenditure is credited to the Income and Expenditure Account in the same period as the expenditure to which it relates.

Although Social Housing Grant is treated as a grant for accounting purposes, it may nevertheless become repayable in certain circumstances, such as the disposal of certain assets. The amount repayable would normally be restricted to the net proceeds of sale.

Sales of housing properties

First tranche shared ownership disposals are credited to turnover on completion. The cost of construction of these sales is taken to operating cost. In accordance with the Statement of Recommended Practice, disposals of subsequent tranches are treated as fixed asset disposals with the gain or loss on disposal shown in the Income and Expenditure Account.

Disposals of housing property under the Right to Buy scheme are treated as a fixed asset disposal and any gain or loss on disposal is accounted for in the Income and Expenditure Account.

Disposals under shared equity scheme are accounted for in the Income and Expenditure Account. The remaining equity in the property held on behalf of the Scottish Government is recorded as a debtor with any HAG due in respect of the units recorded as a creditor.

Notes to the Financial Statements
For the year ended 31st March 2012

1. Principal accounting policies (continued)

Capitalisation of development overheads

Directly attributable development administration costs relating to development activities are capitalised in accordance with the Statement of Recommended Practice.

Development interest

Interest incurred on financing a development is capitalised up to the date of practical completion of the scheme.

Designated Reserves

The Association has designated part of its reserves to meet its long term obligations.

The cyclical maintenance reserve has been designated to meet future repair and maintenance obligations which are cyclical in nature. These are carried out in accordance with a planned programme of works.

The major repairs reserve is based on the Association's liability to maintain housing properties in a state of repair which at least maintains their residual values in prices prevailing at the time of acquisition and construction.

The Extra Care designated reserve is designated to meet future repair and capital costs relating to the supported housing units.

Stock

Completed properties held under the NSSE scheme have been included within stock rather than fixed assets as the cost and HAG held by the company relates to the Scottish Government's share of the property. This will be disposed of when the private owner buys the property outright.

Notes to the Financial Statements
For the year ended 31st March 2012

2. Particulars of Turnover, Cost of Sales, Operating Costs and Operating Surplus

	Turnover £	2012 Operating Costs £	Operating Surplus £	Turnover £	2011 restated Operating Costs £	Operating Surplus £
Social Lettings (Note 3)	2,025,815	1,457,236	568,579	1,524,646	1,142,238	382,408
Other activities (Note 4)	48,584	114,449	(65,865)	47,212	37,977	9,235
Total	<u>2,074,399</u>	<u>1,571,685</u>	<u>502,714</u>	<u>1,571,858</u>	<u>1,180,215</u>	<u>391,643</u>

Notes to the Financial Statements
For the year ended 31 March 2012

3. Particulars of income and expenditure from social letting

	General Needs Housing £	Supported Housing £	Shared Ownership £	2012 Total £	2011 restated Total £
Income from lettings					
Rent receivable net of identifiable service charges	1,507,124	200,558	19,943	1,727,625	1,350,818
Service charges receivable	26,693	278,498	-	305,191	176,490
Gross rents receivable	<u>1,533,817</u>	<u>479,056</u>	<u>19,943</u>	<u>2,032,816</u>	<u>1,527,308</u>
Less: rent losses from voids	(7,001)	-	-	(7,001)	2,662
Net rents receivable	<u>1,526,816</u>	<u>479,056</u>	<u>19,943</u>	<u>2,025,815</u>	<u>1,524,646</u>
Revenue grants from Scottish Ministers	-	-	-	-	-
Revenue grants from local authorities and other agents	-	-	-	-	-
Total income from social letting	<u>1,526,816</u>	<u>479,056</u>	<u>19,943</u>	<u>2,025,815</u>	<u>1,524,646</u>
Expenditure on social letting activities					
Service costs	26,693	142,984	-	169,677	176,490
Management and maintenance administration costs	593,393	-	6,327	599,720	534,276
Reactive maintenance	167,129	-	-	167,129	134,756
Bad debts – rents and service charges	6,619	-	-	6,619	(3,951)
Planned and cyclical maintenance including major repairs	184,859	-	-	184,859	115,249
Depreciation of social housing	294,955	32,569	1,708	329,232	185,418
Impairment of social housing	-	-	-	-	-
Operating costs of social letting	<u>1,273,648</u>	<u>175,553</u>	<u>8,035</u>	<u>1,457,236</u>	<u>1,142,238</u>
Operating Surplus on social letting activities, 2012	<u>253,168</u>	<u>303,503</u>	<u>11,908</u>	<u>568,579</u>	<u>382,408</u>
Operating Surplus on social letting activities, 2011(as restated)	<u>272,713</u>	<u>106,443</u>	<u>3,252</u>		

Notes to the Financial Statements for the year ended 31 March 2012

4. Particulars of turnover, operating costs and operating surplus or deficit from other activities

	Grants from Scottish Ministers £	Other revenue grants £	Supporting people income £	Other income £	Total turnover £	Operating costs Bad debts £	Operating costs Other £	Operating surplus/ (deficit) 2012 £	Operating surplus/ (deficit) 2011 £
Wider role activities	-	-	-	-	-	-	9,019	(9,019)	-
Care and repair of property	-	-	-	-	-	-	-	-	-
Factoring	-	-	-	1,584	1,584	-	1,584	-	(3)
Development and construction of property activities	-	-	-	-	-	-	-	-	-
Support activities	-	-	-	-	-	-	-	-	-
Care activities	-	-	-	-	-	-	-	-	-
Agency/management services for other RSLs	-	-	-	-	-	-	-	-	-
Shared ownership (first tranche sales)	-	-	-	-	-	-	-	-	-
Other agency or management services	-	-	-	-	-	-	-	-	-
Rechargeable repairs	-	-	-	-	-	11,672	-	(11,672)	174
Commercial rents	-	-	-	47,000	47,000	-	-	47,000	47,000
Tenant participation	-	-	-	-	-	-	31,262	(31,262)	(27,304)
Donations	-	-	-	-	-	-	60,912	(60,912)	(10,632)
Total from other activities, 2012	-	-	-	48,584	48,584	11,672	102,777	(65,865)	
Total from other activities, 2011	-	-	-	47,212	47,212	(174)	38,151		9,235

Notes to the Financial Statements
For the year ended 31st March 2012

5. Officers' emoluments

The officers are defined in s74 of the Industrial and Provident Societies Act 1965 as the members of the Management Committee, managers or servants of the Association.

	2012	2011
	£	£
Aggregate emoluments payable to officers with emoluments greater than £60,000 (excluding pension contributions)	153,362	150,527
Pension contributions made on behalf of officers with emoluments greater than £60,000	10,602	16,837
Emoluments paid to Director (excluding pension contributions)	82,217	81,666
Pension contributions to Director	5,905	9,387

In addition to the above pension contribution, the Association has made a past service contribution to the Scottish Housing Association Pension Scheme (SHAPS) in the year on behalf of the Director and Deputy Director. The payment in respect of the Director was £5,905 and the Deputy Director was £4,697. Thus the total pension contributions paid was £21,204.

The number of officers, including the Director, who received emoluments (excluding pension contributions) over £60,000 was in the following ranges:

	Number	Number
£60,001 - £70,000	-	1
£70,001 - £80,000	1	-
£80,001 - £90,000	1	1

6. Employee information

The average monthly number of full time equivalent persons employed during the year was

	2012	2011
The average monthly number of full time equivalent persons employed during the year was	10	10
Staff costs were:		
Wages and salaries	355,832	334,636
Social security costs	31,011	29,587
Other pension costs	39,774	30,144
	426,617	394,367

Notes to the Financial Statements
For the year ended 31st March 2012

7. Gain on sale of housing stock	2012	2011
	£	£
Sales proceeds	42,841	-
Cost of sales	(34,512)	-
	<u>8,329</u>	<u>-</u>
Gain on sale of housing stock	<u>8,329</u>	<u>-</u>
8. Interest payable	2012	2011
	£	£
On bank loans and overdrafts	336,383	232,196
On other loans	-	-
	<u>336,383</u>	<u>232,196</u>
Less: interest capitalised	72,195	92,327
	<u>264,188</u>	<u>139,869</u>

Interest incurred in the development period of housing properties which has been written off to the Income and Expenditure account amounted to £nil (2011: £nil).

Interest capitalised was incurred at varying rates of interest.

9. Operating surplus	2012	2011 restated
	£	£
The operating surplus is stated after charging:		
Depreciation	345,104	200,449
Auditors' remuneration - Audit services (incl VAT)	6,200	5,760
- Other services	2,000	817
Operating lease rentals - land and buildings	-	-
- other	-	-
Gain on sale of other fixed assets	-	-
	<u>-</u>	<u>-</u>

10. Tax on surplus on ordinary activities

The Association is a registered Scottish charity and is not liable to corporation tax on its charitable activities.

Notes to the Financial Statements
For the year ended 31st March 2012

11. Tangible Fixed Assets	Housing properties held for letting £	Housing properties in course of construction £	Completed shared ownership properties £	Shared ownership in course of construction £	Total £
(a) Housing properties					
As at 1 April 2011	43,712,640	11,376,828	625,900	-	55,715,368
Prior year adjustment	161,687	-	-	-	161,687
Restated Cost					
As at 1 April 2011	43,874,327	11,376,828	625,900	-	55,877,055
Additions	188,705	4,029,488	-	-	4,218,193
Disposals	(250,779)	-	-	-	(250,779)
Schemes completed	15,304,716	(15,304,716)	-	-	-
As at 31 March 2012	59,116,969	101,600	625,900	-	59,844,469
Depreciation					
As at 1 April 2011	1,030,615	-	23,134	-	1,053,749
Prior year adjustment	539,290	-	-	-	539,290
Restated Depreciation					
As at 1 April 2011	1,569,905	-	23,134	-	1,593,039
Charge for year	327,524	-	1,708	-	329,232
Disposals	(22,651)	-	-	-	(22,651)
As at 31 March 2012	1,874,778	-	24,842	-	1,899,620
Social Housing grant					
As at 1 April 2011	34,275,513	7,735,219	442,634	-	42,453,366
Prior year adjustment	(39,945)	-	-	-	(39,945)
Restated Social Housing grant					
As at 1 April 2011	34,235,568	7,735,219	442,634	-	42,413,421
Additions	38,573	2,075,320	-	-	2,113,893
Disposals	(212,959)	-	-	-	(212,959)
Schemes completed	9,708,939	(9,708,939)	-	-	-
As at 31 March 2012	43,770,121	101,600	442,634	-	44,314,355
Other capital grants					
As at 1 April 2011	1,700,383	1,362,901	529	-	3,063,813
Additions	-	33,110	-	-	33,110
Disposals	-	-	-	-	-
Schemes completed	1,396,011	(1,396,011)	-	-	-
As at 31 March 2012	3,096,394	-	529	-	3,096,923
Net book value					
As at 31 March 2012	10,375,676	-	157,895	-	10,533,571
As at 31 March 2011 restated	6,368,471	2,278,708	159,603	-	8,806,782

Additions to housing properties included capitalised development administration costs of £155,467 (2011: £220,692) of which development allowances of £68,852 (2011: £40,784) were received in respect of these costs and capitalised.

All land and properties are freehold.

Notes to the Financial Statements
For the year ended 31st March 2012

11. Tangible Fixed Assets	Estates equipment £	Office premises £	Furniture & equipment £	Total £
(b) Other tangible assets				
Cost				
As at 1 April 2011	6,311	50,638	118,673	175,622
Additions	774	-	8,416	9,190
Eliminated on disposals	-	-	-	-
As at 31 March 2012	<u>7,085</u>	<u>50,638</u>	<u>127,089</u>	<u>184,812</u>
Grants received				
As at 1 April 2011	-	-	17,896	17,896
Charge for year	-	-	-	-
Repaid on disposals	-	-	-	-
As at 31 March 2012	<u>-</u>	<u>-</u>	<u>17,896</u>	<u>17,896</u>
Aggregate depreciation				
As at 1 April 2011	5,730	13,245	78,945	97,920
Charge for year	515	3,376	11,981	15,872
Eliminated on disposals	-	-	-	-
As at 31 March 2012	<u>6,245</u>	<u>16,621</u>	<u>90,926</u>	<u>113,792</u>
Net book value				
As at 31 March 2012	<u>840</u>	<u>34,017</u>	<u>18,267</u>	<u>53,124</u>
As at 31 March 2011	<u>581</u>	<u>37,393</u>	<u>21,832</u>	<u>59,806</u>

12. Capital commitments	2012 £	2011 £
Capital expenditure that has been contracted for but has not Been provided for in the financial statements	<u>-</u>	<u>4,293,968</u>
Funded by:		
HAG	-	2,608,447
Other	-	106,312
Sales	-	1,263,600
Private finance	-	315,609
	<u>-</u>	<u>4,293,968</u>

Notes to the Financial Statements
For the year ended 31st March 2012

13. Stock

The Association has acquired properties in Dunbartonshire at a cost of £121,382. The intention is for these properties to be used as part of a future development, if funding can be secured, and if not then the properties will be resold. The Association has classified these properties as stock until funding for this development is approved. These properties are empty and are not generating any rental income. As stock they have been valued at the lower of their cost and net realisable value.

14. Debtors	2012 £	2011 £
Arrears of rent and service charges	71,635	50,470
Less: Provision for doubtful debts	(6,000)	(2,727)
	<u>65,635</u>	<u>47,743</u>
Social Housing grant receivable	357,968	2,643,500
Other debtors	93,459	121,342
Amounts due from group undertakings	4,880	180,496
NSSE Debtor	672,750	-
	<u>1,194,692</u>	<u>2,993,081</u>

Arrears of rent and service charges includes technical arrears of £38,110 (2011: £30,135).

15. Creditors – amounts falling due within one year	2012 £	2011 £
Bank overdrafts (secured)	-	10,506
Housing loans	487,354	5,507,554
Trade creditors	62,014	131,851
Rent in advance	11,794	14,240
Other taxation and social security	8,451	10,468
Amounts due to group undertakings	2,310	26,864
Other creditors	223,018	807,932
Accruals and deferred income	4,359	166,744
NSSE Creditor	672,750	-
	<u>1,472,050</u>	<u>6,676,159</u>

At the balance sheet date there were pension contributions outstanding of £3,306 (2011: £3,550).

Notes to the Financial Statements
For the year ended 31st March 2012

16. Creditors – amounts falling due after more than one year	2012	2011
	£	£
Housing loans	9,188,259	4,198,234
	<u>9,188,259</u>	<u>4,198,234</u>
Housing loans are secured by specific charges on the Association's housing properties and are repayable at varying rates of interest in instalments, due as follows:		
Within one year	487,354	5,507,554
Between one and two years	312,692	214,164
Between two and five years	980,154	687,743
In five years or more	7,895,413	3,296,327
	<u>9,675,613</u>	<u>9,705,788</u>
Less: Amount shown in current liabilities	487,354	5,507,554
	<u>9,188,259</u>	<u>4,198,234</u>

17. Cash flow statement	2012	2011
	£	£
Reconciliation of operating surplus to net cash (outflow)/inflow from operating activities		
Operating surplus	502,714	391,643
Depreciation	345,104	200,449
Change in provisions for liabilities and charges	-	-
Change in debtors	1,798,389	(2,162,011)
Change in creditors	(173,403)	(312,279)
Gain on sale of other fixed assets	-	-
Share capital written off	(45)	(26)
Change in properties held as stock	-	-
	<u>2,472,759</u>	<u>(1,882,224)</u>

Reconciliation of net cash flow to movement in net debt

	2012		2011
	£	£	£
(Decrease)/increase in cash	289,782		(548,384)
Cash flow from management of liquid resources	(264,626)		(244,872)
Cash flow from change in debt	30,175		(4,694,816)
	<u>55,331</u>		<u>(5,488,072)</u>
Movement in net debt during year		55,331	(5,488,072)
Net debt at 1 April 2011		(9,228,717)	(3,740,645)
		<u>(9,173,386)</u>	<u>(9,228,717)</u>
Net debt at 31 March 2012		<u>(9,173,386)</u>	<u>(9,228,717)</u>

Notes to the Financial Statements
For the year ended 31st March 2012

17. Cash flow statement (continued)

Analysis of changes in net debt

	At 1 April 2011 £	Cash Flows £	Other changes £	At 31 March 2012 £
Cash at bank and in hand	222,951	279,276	-	502,227
Bank overdrafts	(10,506)	10,506	-	-
	212,445	289,782	-	502,227
Liquid resources	264,626	(264,626)	-	-
Debt: Due within one year	(5,507,554)	-	5,020,200	(487,354)
Due after more than one year	(4,198,234)	30,175	(5,020,200)	(9,188,259)
Net debt	(9,228,717)	55,331	-	(9,173,386)

18. Share capital

	2012 £	2011 £
Shares of £1 each issued and fully paid		
At 1 April 2011	327	299
Issued in year	24	54
Cancelled in year	(45)	(26)
At 31 March 2012	306	327

Each member of the Association holds one share of £1 in the Association. These shares carry no rights to dividends or distributions on a winding-up. When a shareholder ceases to be a member, that person's share is cancelled and the amount paid thereon becomes the property of the Association. Each member has a right to vote at members' meetings.

19. Reserves

(a) Designated reserves

	Extra Care £	Cyclical Maintenance £	Major Repairs £	Total £
At 1 April 2011	-	77,988	1,417,170	1,495,158
Transfer from revenue reserves	64,458	-	48,397	112,855
At 31 March 2012	64,458	77,988	1,465,567	1,608,013

(b) Revenue reserves

	2012 £	2011 £
At 1 April 2011	98,950	363,731
Prior year adjustment (Note 25)	-	(303,418)
As restated	98,950	60,313
Surplus for year	150,473	257,273
Transfer (to) designated reserves	(112,855)	(218,636)
At 31 March 2012	136,568	98,950

**Notes to the Financial Statements
For the year ended 31st March 2012**

20. Housing stock	2012	2011
The number of units of accommodation in management at the year end was:		
General needs - New build	410	341
- Rehabilitation	73	73
Shared ownership	11	11
Supported housing	40	40
	<u>534</u>	<u>465</u>
Shop	1	1
Community development centre	1	1
	<u>536</u>	<u>467</u>
Total	<u>536</u>	<u>467</u>

21. Related party transactions

Members of the Management Committee are related parties of the Association as defined by Financial Reporting Standard 8.

The related party relationships of the members of the Management Committee are summarised as follows:-

9 members are tenants of the Association.

Those members that are tenants of the Association have tenancies that are on the Association's normal tenancy terms and they are precluded from using their positions to their advantage.

Any transaction between the Association and any entity with which a management committee member has a connection is made at arm's length and is under normal commercial terms.

The Association donated £60,912 (2011: £10,500) to the Renton Community Development Trust. One of the Association's Management Committee members during the year is an employee of the Renton Community Development Trust.

At the year end, Cordale Property Services Limited owed the Association £4,880 (2011: £180,496) in respect of property rates and insurance paid on behalf of Cordale Property Services Limited by the Association. The prior year balance includes VAT reclaimed on behalf of the Association by Cordale Property Services Limited, which was repaid in 2010/11. The balance owed is included within debtors.

At the year end, the Association owed Cordale Property Services Limited £2,310 (2011: £26,864) in respect of commercial rental income and fees paid on the Association's behalf. This is included within creditors.

Notes to the Financial Statements
For the year ended 31st March 2012

22. Fixed asset investment	2012	2011
	£	£
Shared equity properties		
Development cost of shared equity property	-	2,773,748
Less: Grants receivable	-	2,773,748
	<u> </u>	<u> </u>
	<u> </u>	<u> </u>

This relates to LIFT properties in the Dalquhurn Estate

The private owners have purchased a proportion of the equity of each unit. The remaining share held by the Association on behalf of the legal owner, the Scottish Government is included within debtors as a NSSE debtor. The HAG in relation to this share is included within creditors as NSSE creditor.

Investments in subsidiaries

As at 31 March 2012 and 31 March 2011	<u>200</u>	<u>200</u>
---------------------------------------	------------	------------

The Association has two 100% owned subsidiaries called Cordale Property Services Limited and Cordale Support Services Limited respectively. The relationship between the Association and its subsidiaries is set out in an independent agreement between the parties.

The aggregate amount of capital and reserves and the results of the subsidiaries for the year ended 30 September 2011 were as follows:

	Cordale Support Services Limited		Cordale Property Services Limited	
	2011	2010	2011	2010
	£	£	£	£
Capital and reserves	<u>32</u>	<u>32</u>	<u>238,695</u>	<u>244,898</u>
Loss for the year	<u>-</u>	<u>-</u>	<u>(6,203)</u>	<u>(8,841)</u>

In the opinion of the Management Committee the aggregate value of the assets of the subsidiaries is not less than the aggregate of the amounts at which those assets are stated in the Association's balance sheet.

23. Current asset investment	2012	2011
	£	£
Short term deposits	<u>-</u>	<u>264,626</u>

**Notes to the Financial Statements
For the year ended 31st March 2012**

24. Retirement benefit obligations

General

Cordale Housing Association Limited participates in the Scottish Housing Associations' Pension Scheme ('the Scheme').

The Scheme is a multi-employer defined benefit scheme. The Scheme is funded and is contracted out of the State Pension Scheme.

The Scheme offers five benefit structures to employers, namely:

- Final salary with a 1/60th accrual rate.
- Career average revalued earnings with a 1/60th accrual rate.
- Career average revalued earnings with a 1/70th accrual rate.
- Career average revalued earnings with a 1/80th accrual rate.
- Career average revalued earnings with a 1/120th accrual rate.

An employer can elect to operate different benefit structures for their active members (as at the first day of April in any given year) and their new entrants. An employer can only operate one open benefit structure at any one time. An open benefit structure is one which new entrants are able to join.

Cordale Housing Association Limited has elected to operate the final salary with a 1/60th accrual rate benefit structure for active members and all new members.

The actuarial valuation assesses whether the Scheme's assets at the valuation date are likely to be sufficient to pay the pension benefits accrued by members as at the valuation date. Asset values are calculated by reference to market levels. Accrued pension benefits are valued by discounting expected future benefit payments using a discount rate calculated by reference to the expected future investment returns.

During the accounting period, Cordale Housing Association Limited paid contributions at the rate of 9.6% of pensionable salaries. Member contributions were 9.6%. There was also a past deficit contribution of £21,612 made in the year.

As at the balance sheet date there were 5 active members of the Scheme employed by Cordale Housing Association Limited. The annual pensionable payroll in respect of these members was £190,332. Cordale Housing Association Limited continues to offer membership of the Scheme to its employees.

It is not possible in the normal course of events to identify the share of underlying assets and liabilities belonging to individual participating employers. As the Scheme is a multi-employer arrangement where the assets are co-mingled for investment purposes, benefits are paid from the total scheme assets, and the contribution rate for all employers is set by reference to the overall financial position of the scheme rather than by reference to individual employer experience. Accordingly, due to the nature of the Scheme, the accounting charge for the period under FRS17 represents the employer contribution payable.

The Trustee commissions an actuarial valuation of the Scheme every 3 years. The main purpose of the valuation is to determine the financial position of the Scheme in order to determine the level of future contributions required, so that the Scheme can meet its pension obligations as they fall due.

The last formal valuation of the Scheme was performed as at 30 September 2009 by a professionally qualified Actuary using the Projected Unit Credit method. The market value of the Scheme's assets at the valuation date was £295 million. The valuation revealed a shortfall of assets compared with the value of liabilities of £160 million (equivalent to a past service funding level of 64.8%).

**Notes to the Financial Statements
For the year ended 31st March 2012**

24. Retirement benefit obligations (continued)

The Scheme Actuary has prepared an Actuarial Report that provides an approximate update on the funding position of the Scheme as at 30 September 2011. Such a report is required by legislation for years in which a full actuarial valuation is not carried out. The funding update revealed an increase in the assets of the Scheme to £341 million and indicated an increase in the shortfall of assets compared to liabilities to approximately £207 million, equivalent to a past service funding level of 62.2%.

Financial assumptions

The key valuation assumptions used to determine the assets and liabilities of the Scottish Housing Associations' Pension Scheme are:

<u>2009 Valuation Assumptions</u>	<u>% pa</u>
- Investment return pre retirement	7.4
- Investment return post retirement – non-pensioners	4.6
- Investment return post retirement – pensioners	4.8
- Rate of salary increases	4.5
- Rate of pension increases	
Pension accrued pre 6 April 2005 in excess of GMP	2.9
Pension accrued from 6 April 2005	2.2
(for leavers before 1 October 1993 pension increases are 5.0% pa)	
- Rate of price inflation	3.0

The valuation was carried out using SAPS (S1PA) All Pensioners Year of Birth Cohort with 1% p.a. minimum improvement for non-pensioners and pensioners.

Valuation results

The next actuarial valuation will be carried out as at 30 September 2012.

As a result of Pension Scheme legislation there is a potential debt on the employer that could be levied by the Trustee of the Scheme. The debt would be due in the event of the employer ceasing to participate in the Scheme or the Scheme winding up.

The debt for the Scheme as a whole is calculated by comparing the liabilities for the Scheme (calculated on a buyout basis i.e. the cost of securing benefits by purchasing annuity policies from an insurer, plus an allowance for expenses) with the assets of the Scheme. If the liabilities exceed assets there is a buy-out debt.

The leaving employer's share of the buy-out debt is the proportion of the Scheme's liability attributable to employment with the leaving employer compared to the total amount of the Scheme's liabilities (relating to employment with all the currently participating employers). The leaving employer's debt therefore includes a share of any "orphan" liabilities in respect of previously participating employers. The amount of the debt therefore depends on many factors including total Scheme liabilities, Scheme investment performance, the liabilities in respect of current and former employees of the employer, financial conditions at the time of the cessation event and the insurance buy-out market. The amounts of debt can therefore be volatile over time.

Notes to the Financial Statements
For the year ended 31st March 2012

24. Retirement benefit obligations (continued)

The Association has been notified by The Pensions Trust of the estimated employer debt on withdrawal from the Scheme based on the financial position of the Scheme as at 30 September 2011. As of this date the estimated employer debt for the Association was £1,626,340.

The Association does not intend to withdraw from the Scheme and the Trustee has confirmed that there is no intention to wind up the Scheme.

25. Prior year adjustment

In accordance with the Statement of Recommended Practice (SORP) – Accounting by registered social housing providers, 2010, the Association has implemented component accounting for the first time this year. As this is a change in accounting policy the impact of component accounting has resulted in a restatement of the prior year figures via a prior year adjustment.

The principle of component accounting is to treat major components of an asset as if each component is a separate asset in its own right and depreciate the components over their individual useful economic lives. If follows therefore, that when a component is replaced, the old component is written off, in order to avoid double counting, with the new component capitalised and then amortised over its expected useful life.

The effect of this change in accounting policy on the 2011 financial statements is shown below. The 2011 opening reserves have decreased by £303,418 of which £486,216 relates to increased depreciation and £182,798 relates to major repairs previously written off to the Income and Expenditure account now capitalised as components.

This change in accounting policy has also decreased the 2010/11 surplus by £34,240, represented by an increase in depreciation of £61,788 offset by £27,548 of major repairs that were previously written off now being capitalised.

	£
Decrease in 2011 opening reserves	(303,418)
Decrease in 2010/11 surplus	(34,240)
	<u>(337,658)</u>

26. Exceptional costs

These costs relate to capitalised expenditure in respect of an aborted second stage transfer proposal being written off.

27. Contingent liability

At the year end there is an ongoing dispute with a member of staff that is still to be resolved. At this stage the Association does not know whether this will lead to a liability or the quantum of any settlement should that be necessary.