



CORDALE HOUSING ASSOCIATION LIMITED

REPORT AND FINANCIAL STATEMENTS

For the year ended 31 March 2013

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 2013**

	Page
Management Committee, Executives and Advisers	1
Report of the Management Committee	2
Report by the Auditor on Corporate Governance Matters	5
Report of the Auditor	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

I Barr
M McCallion
E Buckley
T McKeown
G Kemsley
P Rowan – Resigned October 2012
M Walker
J McMorrow – Appointed July 2012
S Robison – Appointed July 2012
S Stephen – Appointed July 2012
M McNicol – Resigned June 2012
E Brogan – Resigned July 2012
J Campbell – Resigned October 2012
G Brown – Removed June 2012
A Thomson MBE – Removed June 2012
W Melville - Removed February 2013
V Hamilton - Appointed June 2013
L Campbell – Appointed September 2012
C Hollern – Appointed September 2012
J Bollan – Resigned December 2012

Chair
Vice Chair
Secretary

Executive Officers

Colin Sherriff

Acting Director

Registered Office

1 Red Row
Renton
G82 4PL

Auditor

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 2013**

The Management Committee presents its report and the audited financial statements for the year ended 31 March 2013.

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 activity of the Association is the provision and management of affordable rented accommodation.

Review of business and future developments

During 2012 an independent investigation was commissioned by the Association and consequently three members left the management committee. The Committee was strengthened by the appointment at the Annual general Meeting of three experienced housing association professional leaders. The investigation identified issues in connection with governance and leadership which we continued to address in consultation with the Scottish Housing Regulator.

During the year our Director and Depute Director resigned and were replaced on a temporary basis by an Interim Director and an Operations Manager.

In November, the Committee requested that the Interim Director provide an initial Future Options Appraisal for the association and commissioned an independent Financial Viability Report. As a result of the Committee's conclusions from those reports, in January we approached a number of associations for proposals to form a partnership which would protect the services, property and identity of the association and provide the business with financial security for the long term.

In February we selected Caledonia Housing Association as our preferred partner and have been working closely with colleagues in the Scottish Housing Regulator, the Scottish Government and West Dunbartonshire Council to secure the pursuit of our business objectives and continue to serve the community of Renton.

The proposed strategic partnership will be going to a Special General Meeting by 25 September following approval of our business plan and case by our lenders and regulator.

Management Committee and executive officer

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

Each member of the Management Committee holds one fully paid share of £1 in the Association. The executive officer holds no interest in the Association's share capital and, although not having the legal status of a director, acts as an executive 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 the Committee members are precluded from using their positions to their advantage.

**Report of the Management Committee
For the year ended 31 March 2013****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; 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 2013**

- 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.

Disclosure of information to the auditor

To the knowledge and belief of each of the persons who are members of the Management Committee at the time the report is approved:

- So far as the Committee members are aware, there is no relevant information of which the Association's auditor is unaware, and
- He/she has taken all the steps that he/she ought to have taken as a Committee member in order to make himself / herself aware of any relevant audit information, and to establish that the Association's auditor is aware of the information.

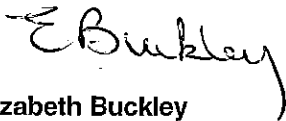
Donations

During the year the Association made charitable donations amounting to £10,000 (2012: £60,912).

Auditor

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: 20 August 2013

**Report by the Auditor 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: 20 August 2013

**Report of the Auditor
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 2013 which comprise the Income and Expenditure Account, the Statement of Total Recognised Gains and Losses, the Balance Sheet, the Cash Flow Statement and the related notes. The financial reporting framework that has been applied is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the Association's members as a body, in accordance with 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 the Management Committee and Auditor

As explained more fully in the Statement of Management Committee's Responsibilities set out on page 3, the Committee is 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 the 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 subsidiary 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 2013, because of the immaterial nature of the subsidiary's 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 2013 and of its income and expenditure for the year then ended; and
- 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 Determination of Accounting Requirements 2012 issued by the Scottish Housing Regulator.

**Report of the Auditor
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: 20 August 2013

**Income and Expenditure Account
For the year ended 31 March 2013**

	No tes	2013		2012	
		£	£	£	£
Turnover	2		2,170,125		2,074,399
Less: Operating costs	2		(1,734,192)		(1,571,685)
Operating surplus	9		435,933		502,714
Gain on sale of housing stock	7	6,673		8,329	
Exceptional costs	24	(114,698)		(100,000)	
Interest receivable and other income		491		3,618	
Disposal of Investment	22	(100)		-	
Interest payable and similar charges	8	(364,004)		(264,188)	
			(471,638)		(352,241)
(Deficit) / surplus on ordinary activities			<u>(35,705)</u>		<u>150,473</u>

All amounts relate to continuing activities.

**Statement of Total Recognised Gains and Losses
For the year ended 31 March 2013**


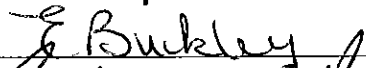
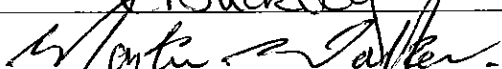
	Notes	2013	2012
		£	£
(Deficit) / surplus for the year		(35,705)	150,473
Prior year adjustment	26	-	(337,658)
		<u>(35,705)</u>	<u>(187,185)</u>

The notes form part of these financial statements.

Balance Sheet
As at 31st March 2013

	Notes	2013		2012	
		£	£	£	£
Tangible fixed assets					
Housing properties – depreciated cost	11(a)		56,566,676		57,944,849
Less: Social housing grant	11(a)		(44,049,841)		(44,314,355)
Other public grants	11(a)		(2,508,402)		(3,096,923)
			<u>10,008,433</u>		<u>10,533,571</u>
Other fixed assets	11(b)		387,086		53,124
			<u>10,395,519</u>		<u>10,586,695</u>
Fixed asset investments					
Shared equity housing units	22		-		-
Investment in subsidiaries	22		100		200
			<u>100</u>		<u>200</u>
Current assets					
Stock	13		60,000		121,382
Debtors	14		871,046		1,194,692
Cash at bank and in hand			831,424		502,227
			<u>1,762,470</u>		<u>1,818,301</u>
Creditors: Amounts falling due within one year	15		<u>(1,376,374)</u>		<u>(1,472,050)</u>
Net current assets			<u>386,096</u>		<u>346,251</u>
Total assets less current liabilities			<u>10,781,715</u>		<u>10,933,146</u>
Creditors: Amounts falling due after more than one year	16		<u>(9,072,517)</u>		<u>(9,188,259)</u>
Net assets			<u>1,709,198</u>		<u>1,744,887</u>
Capital and reserves					
Share capital	18		322		306
Designated reserves	19(a)		1,618,027		1,608,013
Revenue reserves	19(b)		90,849		136,568
			<u>1,709,198</u>		<u>1,744,887</u>

The financial statements were authorised for issue by the Management Committee on 20 August 2013 and were signed on its behalf by:

	I Barr – Chair
	E Buckley – Secretary
	M Walker

The notes form part of these financial statements.

Cash Flow Statement
For the year ended 31 March 2013

	Notes	2013		2012	
		£	£	£	£
Net cash inflow from operating activities	17		861,727		2,472,759
Returns on investments and servicing of finance					
Interest received		491		3,618	
Interest paid		(364,004)		(264,188)	
Net cash outflow from investment and servicing of finance			(363,513)		(260,570)
Net cash inflow from taxation			-		-
Capital expenditure and financial investment					
Acquisition and construction of Properties		(189,008)		(4,268,196)	
Purchase of other fixed assets		(1,120)		(9,190)	
Grant received		315,840		2,147,003	
Social Housing Grant repaid		(26,115)		-	
Exceptional costs (cash spent in year)		(29,748)		(50,000)	
Proceeds on disposal of properties		39,118		23,498	
Net cash outflow from capital expenditure and financial investment			108,967		(2,156,882)
Net cash inflow before use of liquid resourcing and Financing			607,181		55,307
Management of liquid resources					
Change in short term deposits with Banks			-		264,626
Financing					
Loan advances received				223,241	
Loan principal repayments		(278,117)		(253,416)	
Share capital issued		133		24	
Net cash outflow from financing			(277,984)		(30,151)
Increase in cash	17		329,197		289,782

Notes to the Financial Statements
For the year ended 31st March 2013

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 Determination of Accounting Requirements 2012 issued by the Scottish Housing Regulator 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, having performed a careful enquiry and review of the annual budget and 30 year forecasts prepared, are of the opinion that the Association has adequate resources to continue in operational existence for the foreseeable future. The Association is in discussion with Caledonia Housing Association Limited to form a constitutional partnership. As part of the partnership arrangement, it has been agreed with the Scottish Government that a direct financial injection of £1.8m will be made to the cash flows of Cordale Housing Association Limited. The funding package currently envisages an injection of £1.2m at the date the partnership is created with a further £600,000 being available by year 10 of the financial projections. As a result, the Management Committee have continued to adopt the going concern basis of accounting in preparing the 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, which includes its fully owned subsidiary Cordale Property Services Limited.

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 2013**

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

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 on disposal 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 schemes 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.

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.

Stock

Completed properties which are shared equity units have been included within stock rather than fixed assets as the cost and HAG held by the Association 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 2013**

1. Principal accounting policies (continued)

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 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.

Notes to the Financial Statements
For the year ended 31st March 2013

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

	2013		2012	
	Turnover £	Operating Costs £	Turnover £	Operating Costs £
Social Lettings (Note 3)	2,102,803	1,686,670	2,025,815	1,457,236
Other activities (Note 4)	67,322	47,522	48,584	114,449
Total	<u>2,170,125</u>	<u>1,734,192</u>	<u>2,074,399</u>	<u>1,571,685</u>
				<u>Operating Surplus £</u>
		416,133		568,579
		19,800		(65,865)
		<u>435,933</u>		<u>502,714</u>

Notes to the Financial Statements
For the year ended 31 March 2013

3. Particulars of income and expenditure from social letting

	General Needs Housing £	Supported Housing £	Shared Ownership £	2013 Total £	2012 Total £
Income from lettings					
Rent receivable net of identifiable service charges	1,640,981	208,382	20,720	1,870,083	1,727,625
Service charges receivable	32,860	207,442	-	240,302	305,191
Gross rents receivable	<u>1,673,841</u>	<u>415,824</u>	<u>20,720</u>	<u>2,110,385</u>	<u>2,032,816</u>
Less: rent losses from voids	(7,582)	-	-	(7,582)	(7,001)
Net rents receivable	<u>1,666,259</u>	<u>415,824</u>	<u>20,720</u>	<u>2,102,803</u>	<u>2,025,815</u>
Revenue grants from Scottish Ministers	-	-	-	-	-
Revenue grants from local authorities and other agents	-	-	-	-	-
Total income from social letting	<u>1,666,259</u>	<u>415,824</u>	<u>20,720</u>	<u>2,102,803</u>	<u>2,025,815</u>
Expenditure on social letting activities					
Service costs	17,409	197,428	-	214,837	169,677
Management and maintenance administration costs*	829,920	-	8,214	838,134	599,720
Reactive maintenance	142,574	-	-	142,574	167,129
Bad debts – rents and service charges	7,452	-	-	7,452	6,619
Planned and cyclical maintenance including major repairs	104,515	-	-	104,515	184,859
Depreciation of social housing	283,499	32,569	1,708	317,776	329,232
Impairment of social housing	61,382	-	-	61,382	-
Operating costs of social letting	<u>1,446,751</u>	<u>229,997</u>	<u>9,922</u>	<u>1,686,670</u>	<u>1,457,236</u>
Operating Surplus on social letting activities, 2013	<u>219,508</u>	<u>185,827</u>	<u>10,798</u>	<u>416,133</u>	
Operating Surplus on social letting activities, 2012	<u>253,168</u>	<u>303,503</u>	<u>11,908</u>		<u>568,579</u>

* Includes exceptional costs of £36,099 in relation to Grievance Investigation

Notes to the Financial Statements for the year ended 31 March 2013

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) 2013 £	Operating surplus/ (deficit) 2012 £
Wider role activities	-	-	-	-	-	-	-	-	(9,019)
Community Jobs Fund	-	11,723	-	-	11,723	-	11,723	-	-
Factoring	-	-	-	1,478	1,478	-	1,475	3	-
Development and construction of property activities	-	-	-	-	-	-	-	-	-
Support activities	-	-	-	-	-	-	-	-	-
Care activities	-	-	-	-	-	-	-	-	-
Agency/management services for other RSLs	-	-	-	7,121	7,121	-	7,121	-	-
Shared ownership (first tranche sales)	-	-	-	-	-	-	-	-	-
Rechargeable repairs	-	-	-	-	-	4,168	-	(4,168)	(11,672)
Commercial rents	-	-	-	47,000	47,000	-	-	47,000	47,000
Tenant participation	-	-	-	-	-	-	13,035	(13,035)	(31,262)
Donations	-	-	-	-	-	-	10,000	(10,000)	(60,912)
Total from other activities, 2013	-	11,723	-	55,599	67,322	4,168	43,354	19,800	
Total from other activities, 2012	-	-	-	48,584	48,584	11,672	102,777		(65,865)

Notes to the Financial Statements
For the year ended 31st March 2013

5. Officers' emoluments

Aggregate emoluments paid to officers with emoluments greater than £60,000 (excluding pension contributions).

	2013 £	2012 £
Acting Director	79,388	-
Former Director	66,898	81,666
Former Deputy Director	46,063	68,861

The Association also incurred costs of £29,134 comprising expenses and irrecoverable VAT in respect of the services provided by the Acting Director.

Included within this total is amounts relating to loss of office of:

	2013 £
Former Director	21,739
Former Deputy Director (see note 25)	-

Pension contributions made were:

	2013 £	2012 £
Acting Director	-	-
Former Director	6,052	11,810
Former Deputy Director	5,616	9,394

These contributions were made to the Scottish Housing Association Pension Scheme (see note 23).

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

	2013 Number	2012 Number
£60,001 - £70,000	1	1
£70,001 - £80,000	1	-
£80,001 - £90,000	-	1

6. Employee information

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

	2013 Number	2012 Number
	10	10

Staff costs were:

	2013 £	2012 £
Wages and salaries	315,237	355,832
Social security costs	28,205	31,011
Other pension costs	37,429	39,774
	<u>380,871</u>	<u>426,617</u>

Payments made to the Acting Director are invoiced and are not included in the above. The total payment made in the year was £108,522 in relation to salary, expenses and irrecoverable VAT (2012:£nil).

Notes to the Financial Statements
For the year ended 31st March 2013

7. Gain on sale of housing stock	2013 £	2012 £
Net sales proceeds	39,118	42,841
Cost of sales	(32,445)	(34,512)
	<u>6,673</u>	<u>8,329</u>
8. Interest payable	2013 £	2012 £
On bank loans and overdrafts	364,004	336,383
Less: interest capitalised	-	72,195
	<u>364,004</u>	<u>264,188</u>

Interest incurred in the development period of housing properties which has been written off to the Income and Expenditure account amounted to £nil (2012: £nil).

9.. Operating surplus	2013 £	2012 £
The operating surplus is stated after charging:		
Depreciation	330,771	345,104
Auditors' remuneration - Audit services (incl VAT)	8,467	6,200
- Other services	863	2,000
Operating lease rentals - land and buildings	-	-
- other	-	-
Gain on sale of other fixed assets	-	-
	<u>330,771</u>	<u>345,104</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 2013

11. Tangible Fixed Assets	Housing properties held for letting £	Housing properties in course of construction £	Completed shared ownership properties £	Total £
(a) Housing properties				
As at 1 April 2012	59,116,969	101,600	625,900	59,844,469
Additions	189,008	-	-	189,008
Disposals	(231,489)	-	-	(231,489)
Transfer	(990,787)	(101,600)	-	(1,092,387)
	<u>58,083,701</u>	<u>-</u>	<u>625,900</u>	<u>58,709,601</u>
Depreciation				
As at 1 April 2012	1,874,778	-	24,842	1,899,620
Charge for year	316,068	-	1,708	317,776
Disposals	(18,171)	-	-	(18,171)
Transfer	(56,300)	-	-	(56,300)
	<u>2,116,375</u>	<u>-</u>	<u>26,550</u>	<u>2,142,925</u>
Social Housing grant				
As at 1 April 2012	43,770,121	101,600	442,634	44,314,355
Additions	214,111	-	-	214,111
Disposals	(732,875)	-	-	(732,875)
Transfer	101,600	(101,600)	-	-
	<u>43,352,957</u>	<u>-</u>	<u>442,634</u>	<u>43,795,591</u>
Other capital grants				
As at 1 April 2012	3,096,394	-	529	3,096,923
Additions	101,729	-	-	101,729
Disposals	-	-	-	-
Transfer	(436,000)	-	-	(436,000)
	<u>2,762,123</u>	<u>-</u>	<u>529</u>	<u>2,762,652</u>
Net book value				
As at 31 March 2013	<u>9,852,246</u>	<u>-</u>	<u>156,187</u>	<u>10,008,433</u>
As at 31 March 2012	<u>10,375,676</u>	<u>-</u>	<u>157,895</u>	<u>10,533,571</u>

Additions to housing properties included capitalised development administration costs of £70,644 (2012: £155,467) of which development allowances of £1,025 (2012: £68,852) were received in respect of these costs and capitalised. Major repairs capitalised in year totalled £43,837 (2012: £112,718).

All land and properties are freehold.

Notes to the Financial Statements
For the year ended 31st March 2013

11. Tangible Fixed Assets	Commercial Properties £	Estates equipment £	Office premises £	Furniture & equipment £	Total £
(b) Other tangible assets					
Cost					
As at 1 April 2012	-	7,085	50,638	127,089	184,812
Additions	-	964	-	156	1,120
Eliminated on disposals	-	-	-	-	-
Transfer	1,092,387	-	-	-	1,092,387
As at 31 March 2013	1,092,387	8,049	50,638	127,245	1,278,319
Grants received					
As at 1 April 2012	-	-	-	17,896	17,896
Repaid on disposals	-	-	-	-	-
Transfer	690,250	-	-	-	690,250
As at 31 March 2013	690,250	-	-	17,896	708,146
Aggregate depreciation					
As at 1 April 2012	-	6,245	16,621	90,926	113,792
Charge for year	-	322	3,376	9,297	12,995
Eliminated on disposals	-	-	-	-	-
Transfer	56,300	-	-	-	56,300
As at 31 March 2013	56,300	6,567	19,997	100,223	183,087
Net book value					
As at 31 March 2013	345,837	1,482	30,641	9,426	387,086
As at 31 March 2012	-	840	34,017	18,267	53,124

12. Capital commitments

There were no capital commitments in 2012/13 or 2011/12.

13. Stock

The Association previously acquired properties in Dunbartonshire at a cost of £121,382. The intention was for these properties to be used as part of a future development, if funding could be secured, and if not then the properties would 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. Recent valuations of these properties have resulted in a write down of the carrying value to £60,000.

Notes to the Financial Statements
For the year ended 31st March 2013

14. Debtors	2013 £	2012 £
Arrears of rent and service charges	107,395	71,635
Less: Provision for doubtful debts	(12,000)	(6,000)
	<u>95,395</u>	<u>65,635</u>
Social Housing grant receivable	58,020	357,968
Other debtors	38,823	93,459
Amounts due from group undertakings	6,058	4,880
NSSE Debtor	672,750	672,750
	<u>871,046</u>	<u>1,194,692</u>

Arrears of rent and service charges includes technical arrears of £25,283 (2012: £38,110).

15. Creditors – amounts falling due within one year	2013 £	2012 £
Housing loans	324,979	487,354
Trade creditors	211,184	62,014
Rent in advance	11,754	11,794
Other taxation and social security	6,208	8,451
Amounts due to group undertakings	19,020	2,310
Other creditors	127,169	223,018
Accruals and deferred income	3,310	4,359
NSSE Creditor	672,750	672,750
	<u>1,376,374</u>	<u>1,472,050</u>

At the balance sheet date there were pension contributions outstanding of £11,074 (2012: £3,306).

16. Creditors – amounts falling due after more than one year	2013 £	2012 £
Housing loans	<u>9,072,517</u>	<u>9,188,259</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	324,979	487,354
Between one and two years	324,173	312,692
Between two and five years	1,018,397	980,154
In five years or more	7,729,947	7,895,413
	<u>9,397,496</u>	<u>9,675,613</u>
Less: amount shown in current liabilities	(324,979)	(487,354)
	<u>9,072,517</u>	<u>9,188,259</u>

Notes to the Financial Statements
For the year ended 31st March 2013

17. Cash flow statement	2013	2012
	£	£
Reconciliation of operating surplus to net cash (outflow)/ inflow from operating activities		
Operating surplus	435,933	502,714
Depreciation	330,771	345,104
Change in debtors	(32,941)	1,798,389
Change in creditors	66,699	(173,403)
Share capital written off	(117)	(45)
Impairment of stock	61,382	-
	<u>861,727</u>	<u>2,472,759</u>

Reconciliation of net cash flow to movement in net debt

	2013		2012	
	£	£	£	£
Increase in cash	329,197		289,782	
Cash flow from management of liquid resources	-		(264,626)	
Cash flow from change in debt	<u>278,117</u>		<u>30,175</u>	
Movement in net debt during year		607,314		55,331
Net debt at 1 April 2012		<u>(9,173,386)</u>		<u>(9,228,717)</u>
Net debt at 31 March 2013		<u><u>(8,566,072)</u></u>		<u><u>(9,173,386)</u></u>

Analysis of changes in net debt

	At 1	Cash	Other	At 31
	April 2012	Flows	changes	March 2013
	£	£	£	£
Cash at bank and in hand	502,227	329,197	-	831,424
Liquid resources	-	-	-	-
Debt: Due within one year	(487,354)	-	162,375	(324,979)
Due after more than one year	(9,188,259)	278,117	(162,375)	(9,072,517)
Net debt	<u>(9,173,386)</u>	<u>607,314</u>	<u>-</u>	<u>(8,566,072)</u>

18. Share capital	2013	2012
	£	£
Shares of £1 each issued and fully paid		
At 1 April 2012	306	327
Issued in the year	133	24
Cancelled/returned in the year	(117)	(45)
At 31 March 2013	<u>322</u>	<u>306</u>

Each member of the Association holds one share of £1 in the Association. These shares carry no rights to dividends or distributions on 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.

Notes to the Financial Statements
For the year ended 31st March 2013

19. Reserves

(a) Designated reserves	Extra Care	Cyclical Maintenance £	Major Repairs £	Total £
At 1 April 2012	64,458	77,988	1,465,567	1,608,013
Transfer from revenue reserves	10,014	-	-	10,014
	<u>74,472</u>	<u>77,988</u>	<u>1,465,567</u>	<u>1,618,027</u>
At 31 March 2013	<u>74,472</u>	<u>77,988</u>	<u>1,465,567</u>	<u>1,618,027</u>
(b) Revenue reserves			2013 £	2012 £
At 1 April 2012			136,568	98,950
(Deficit)/surplus for year			(35,705)	150,473
Transfer to designated reserves			(10,014)	(112,855)
At 31 March 2013			<u>90,849</u>	<u>136,568</u>

20 a) Housing stock

2013

2012

The number of units of accommodation in management at the year end was:

General needs - New build	409	410
- Rehabilitation	73	73
Shared ownership	11	11
Supported housing	40	40
	<u>533</u>	<u>534</u>

20 b) Commercial properties

Shop	1	1
Office	2	2
Other	3	3
Total	<u>6</u>	<u>6</u>

Other commercial properties comprise the community hall, medical centre and former Leven cottage.

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:-

5 (2012: 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 £10,000 (2012: £60,912) to the Renton Community Trust. One of the Association's Management Committee members during the year was an employee of the Renton Community Trust, however is no longer in this position at the year end. This person is no longer on the Management Committee.

**Notes to the Financial Statements
For the year ended 31st March 2013**

21. Related party transactions

At the year end, Cordale Property Services Limited owed the Association £6,058 (2012: £4,880) in respect of property rates and insurance paid on behalf of Cordale Property Services Limited by the Association. This is included within debtors.

At the year end, the Association owed Cordale Property Services Limited £19,020 (2012: £2,310) in respect of commercial rental income and fees (net of Management Fee due to Cordale Property Services Limited) paid on the Association's behalf. This is included within creditors.

22. Fixed asset investment

Shared equity properties

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.

	2013	2012
	£	£
Investments in subsidiaries	<u>100</u>	<u>200</u>

The investment above represents the 100% share capital of Cordale Property Services Limited. The investment is held at cost. The relationship between the Association and Cordale Property Services Limited is set out in an independent agreement between the parties. During the year, Cordale Support Services Limited was wound up and the £100 investment has thus been written off.

The aggregate amount of capital and reserves and the results of Cordale Property Services Limited for the year ended 31 March 2013 were as follows:

	Cordale Property Services Limited	
	31 March	30 September
	2013	2011
	£	£
Capital and reserves	<u>16,349</u>	<u>238,695</u>
Loss for the year	<u>222,346</u>	<u>6,203</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.

**Notes to the Financial Statements
For the year ended 31st March 2013**

23. Retirement benefit obligations

General

Cordale Housing Association Limited participates in the Scottish Housing Associations' Pension Scheme (SHAPS) ('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; and
Career average revalued earnings with a 1/120th accrual rate, contracted in

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 £22,579 made in the year.

As at the balance sheet date there were 4 active members of the Scheme employed by Cordale Housing Association Limited. The annual pensionable payroll in respect of these members was £114,048. 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 2013

23. 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>	% pa
- 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 Scheme's 30 September 2012 valuation is currently in progress and will be finalised by 31 December 2013.

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 2013

23. 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 2012. As of this date the estimated employer debt for the Association was £1,667,232.

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.

24. Exceptional costs

These costs relate to £66,204 (2012: £100,000) of capitalised expenditure in respect of an aborted second stage transfer proposal and £48,494 (2012: £nil) of costs relating to an aborted proposed commercial partnership.

25. Contingent liabilities

A) The Association was given circa £700k of HAG to clean up and decontaminate a site at Dalquhurn. This funding was not used for this purpose but was used to help fund the development at Dalquhurn that completed in 2011/12. The Scottish Government have not requested repayment of this money at this time but will work with the Association to determine how the Association can fund future developments from its own reserves to offset this funding.

B) There is a potential HAG repayment in respect of the units constructed at Waterside View. The Scottish Government have not requested repayment of this money at this time and will work with the Association to achieve a resolution.

C) At the year-end there is an on-going 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.

26. 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. It 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)
	<hr/>
	(337,658)
	<hr/> <hr/>