

CORDALE HOUSING ASSOCIATION LIMITED

REPORT AND FINANCIAL STATEMENTS

For the year ended 31 March 2015

Registered Housing Association No: HCB 259

FCA Reference No: 2411R (S)

Scottish Charity No: SCO32859

CORDALE HOUSING ASSOCIATION LIMITED

**Report and Financial Statements
For the year ended 31 March 2015**

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Management Committee, Executives and Advisers

The Management Committee present their report and audited financial statements for the year to 31 March 2015.

Principal Activity

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

Members of the Management Committee

I Barr (resigned 12/05/15)	Chair
L Bowden	
E Buckley (resigned 23/09/14)	
L Campbell	
R Grant	
C Hollern	
V Hamilton	
G Kemsley	
J Linton (resigned 07/08/14)	
M McCallion	Vice Chair (appointed Chair 12/05/15)
T McKeown (resigned 02/12/14)	
J McMorrow (resigned 28/10/14)	
T Potter	
S Robison (resigned 08/04/14)	
B Ronald (resigned 08/04/14)	
S Stephen (resigned 08/04/14)	
M Walker	Vice Chair (appointed 12/05/15)

Executive Officer

Barry Johnstone (appointed 10/10/14)	Area Director
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Registered Office

1 Red Row
Renton
G82 4PL

Auditors

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

Bankers

Bank of Scotland
133 Main Street
Alexandria
G83 0NX

Solicitors

T C Young
7 West George Street
Glasgow
G2 1BA

**Report of the Management Committee
For the year ended 31 March 2015**

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.

Statement of Management Committee's responsibilities

The Co-operative and Community Benefit Societies Act 2014 and Registered Social Housing Association Legislation 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 for that period. In preparing these Financial Statements, the Management Committee are 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 and to enable them to ensure that the Financial Statements comply with the Co-operative and Community Benefit Societies Act 2014, the Housing Scotland Act 2010 and the Registered Social Landlords Determination of Accounting Requirements April 2012 and the RSL Statement of Recommended Practice 2010. 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 their 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;

**Report of the Management Committee
For the year ended 31 March 2015**

- 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;
- 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.

The Management Committee has reviewed the effectiveness of the system of internal financial control in existence in the Association for the year ended 31 March 2015. No weaknesses were found in internal financial controls which resulted in material losses, contingencies, or uncertainties which require disclosure in the Financial Statements or in the auditor's report on the Financial Statements.

In so far as the Committee are aware:

- There is no relevant audit information (information needed by the Association's auditors in connection with preparing their report) of which the Association's auditors are unaware, and
- The Committee members have taken all the steps that they ought to have taken to make themselves aware of the relevant audit information and to establish that the Association's auditors are aware of that information.

Review of business and future developments

Cordale Housing Association owns and manages 520 high quality affordable homes in Renton West Dunbartonshire for people in housing need. The Association became a wholly owned subsidiary of Caledonia Housing Association on 1 April 2014. This followed a vote at a special general meeting early in 2014, where members voted with a substantial majority to accept a rule change enabling the change.

Caledonia Housing Association is one of Scotland's leading providers of high quality affordable homes for people in housing need. With almost 4000 homes owned and managed across Tayside, Fife and the Highlands they are also one of Scotland's largest Housing Associations.

As part of the integration process, all permanent Cordale HA staff were retained in the new structure and tenants continue to benefit from services being delivered from Cordale HA's existing office in Renton.

In general terms Caledonia Group strategic objectives have been adopted by Cordale HA but in recognition of the specific requirements of the organisation and the community which it serves these objectives have been tailored to take into account local issues and priorities.

**Report of the Management Committee
For the year ended 31 March 2015**

Strategic Objectives

Customer Excellence

We will deliver excellent services that are valued by our customers, aim to meet their needs and provide value for money.

Business Growth

We will continue to develop the range of services that we can offer to current and future tenants.

Business Sustainability

We will make our Association stronger for the future through effective governance, sound financial and risk management, investing in our homes and striving for continuous improvement.

Investment in People

We will invest in the skills and knowledge of our staff team and Committee of Management to enable them to do their best for the Association.

The Association's current business plan is based on the assumption that no new housing development will be undertaken but as a result of the partnership three sites under development by Caledonia HA will be managed by Cordale on completion.

Financial Review

Cordale Housing Association made a surplus of £342,321 in the 12 month period to March 2015 (year to March 2014 – surplus £1,524,704). During the year Commercial Property comprising a Healthy Living Centre was recategorised from Other Fixed Assets to Investment Property. This should have been transferred in 2013 and at that time it should have been revalued to open market valuation. The valuation of this property at 31 December 2012 was £690,000 so a prior year adjustment to reflect the reduction in value of £346,087 has been reflected in these financial statements, as detailed in note 26.

Operating Surplus

The operating surplus for the 12 months to March 2015 was £651,644 (year to 31 March 2014 - £622,058).

The Committee of Management has plans under consideration for reinvestment of the balance of funds to meet the Association's objectives.

Risk Management

As part of the Caledonia Group has adopted a comprehensive risk management policy which details how corporate risks are identified, assessed in terms of importance and the steps taken in mitigation. The resultant risk map is reviewed in detail by the Group Audit Committee, informs the internal audit needs assessment and is discussed at Cordale HA Committee of Management and Caledonia HA Board meetings. Actions to mitigate existing and emerging risks are reviewed regularly by the Group Audit Committee and reported to the appropriate management group.

The Group Audit Committee has determined that the key risks facing the Association are :

- The financial and social effects of welfare benefit reform.
- The failure of business continuity systems and/or ICT systems.

**Report of the Management Committee
For the year ended 31 March 2015**

Performance

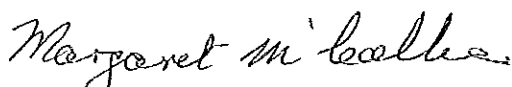
The Association monitors corporate performance in terms of finance and housing operations. A range of financial and non-financial ratios and indicators are produced on a quarterly basis which are used to monitor how the organisation is performing and more importantly initiate corrective action in under-performing areas.

Indicators	Target	Actual
• Void Loss	<0.5%	0.19%
• Re-let Performance	<10 Days	11.6 Days
• Arrears Performance	<4.0%	4.66%
• Profitability – Operating surplus	>30%	29.5%
• Financial Covenant - Interest Cover	>200%	242.1%
• Financial Covenant - Gearing	<30%	18.2%

Indicators in line with ARC definitions were set for the year to 31st March 2015 based on historic and benchmark material and the variance against target will be used to inform our control mechanisms and targets in future years. Much of the year to 31st March 2015 was taken up integrating stand-alone policies and procedures with those of the Caledonia Group and in this respect it is pleasing to note that despite this increased workload the Association has met or where not met is just under target for most key ratios whilst the important financial covenants were well met. Arrears performance whilst being improved from last year still remains below target principally due to the timing of housing benefit payments and the integration of changes to the Association's control mechanisms. This performance indicator will be monitored closely as Government proposals for welfare benefit reform are rolled out.

Sensitivity analysis has been carried out on our five and thirty year plans to ensure the Association's long term viability and a stock condition survey completed to inform asset management decisions and ensure compliance with Scottish Housing Quality Standards by 2015. In this respect at March 2015 our stock was 100% compliant.

By order of the committee



**Margaret McCallion
Vice Chair**

Dated:

Independent Auditor's Report to the Members of Cordale Housing Association Limited

In addition to our audit of the Financial Statements, we have reviewed your Statement on pages 2 and 3 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 2006/5 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 2 and 3 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".

Baker Tilly UK Audit LLP

BAKER TILLY UK AUDIT LLP, Statutory Auditor
Chartered Accountants
First Floor, Quay 2
139 Fountainbridge
Edinburgh
EH3 9QG

Dated: 11/07/15

CORDALE HOUSING ASSOCIATION LIMITED

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Independent Auditor's Report 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 2015 (the "financial statements") on pages 8 to 27. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the Association's members as a body, in accordance with part 7 of the Co-operative and Community Benefit Societies Act 2014. Our audit work has been undertaken so that we might state to the Association's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Association and the Association's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Board and auditor

As explained more fully in the Board's Responsibilities Statement set out on page 2, the Board are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at <http://www.frc.org.uk/auditscopeukprivate>

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Association's affairs as at 31 March 2015 and of its income and expenditure for the year then ended; and
- have been prepared in accordance with the requirements of the Co-operative and Community Benefit Societies Act 2014, Part 6 of the Housing (Scotland) Act 2010 and the Determination of Accounting Requirements - April 2012.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Co-operative and Community Benefit Societies Act 2014 requires us to report to you if, in our opinion:

- a satisfactory system of control over transactions has not been maintained; or
- the Association has not kept proper accounting records; or
- the financial statements are not in agreement with the books of account of the Association; or
- we have not received all the information and explanations we require for our audit.

Baker Tilly UK Audit LLP

BAKER TILLY UK AUDIT LLP
Statutory Auditor
Chartered Accountants
First Floor, Quay 2
139 Fountainbridge
Edinburgh
EH3 9QG

Date: 11/04/15

Income and Expenditure Account
For the year ended 31 March 2015

	Notes	2015		2014	
		£	£	£	£
Turnover	2		2,207,014		2,203,044
Less: Operating costs	2		(1,555,370)		(1,580,986)
Operating surplus	9		651,644		622,058
Gain on sale of housing stock	7		-		1,210,015
Gain on sale of fixed assets	9		6,835		-
Interest receivable and other income		994		668	
Interest payable and similar charges	8	(317,152)		(308,037)	
			(316,158)		(307,369)
Surplus on ordinary activities	19b		342,321		1,524,704

All amounts relate to continuing activities.

Statement of Total Recognised Gains and Losses
For the year ended 31 March 2015

	Notes	2015	2014
		£	£
Surplus for the year		342,321	1,524,704
Total recognised surpluses and deficits for the year		342,321	1,524,704
Prior period adjustment	26	(346,087)	
Total surpluses and deficits recognised since the last reporting period		(3,766)	

The notes on pages 11 to 27 form part of these financial statements.

**Balance Sheet
As at 31st March 2015**

	Notes	2015		2014 (as restated)	
		£	£	£	£
Tangible fixed assets					
Housing properties – depreciated cost	11(a)		54,766,145		54,994,753
Less: Social housing grant	11(a)		(41,980,156)		(42,215,548)
Other public grants	11(a)		(2,810,997)		(2,810,997)
			<u>9,974,992</u>		<u>9,968,208</u>
Other fixed assets	11(b)		745,564		720,398
			<u>10,720,556</u>		<u>10,688,606</u>
Fixed asset investments					
Investment in subsidiaries	22	100		100	
			100		100
Current assets					
Stock	13	-		30,000	
Debtors	14	91,616		236,303	
Cash at bank and in hand		2,090,827		1,907,009	
		<u>2,182,443</u>		<u>2,173,312</u>	
Creditors: Amounts falling due within one year	15	(460,869)		(602,515)	
Net current assets			<u>1,721,574</u>		<u>1,570,797</u>
Total assets less current liabilities			<u>12,442,230</u>		<u>12,259,503</u>
Creditors: Amounts falling due after more than one year	16		(9,212,155)		(9,371,665)
Net assets			<u><u>3,230,075</u></u>		<u><u>2,887,838</u></u>
Capital and reserves					
Share capital	18		261		345
Designated reserves	19(a)		422,054		1,579,345
Revenue reserves	19(b)		2,807,760		1,308,148
			<u>3,230,075</u>		<u>2,887,838</u>

The financial statements were authorised for issue by the Management Committee on 18th August 2015 and were signed on its behalf by:

<i>Margaret McLaughlin</i>	
<i>Walter Smith</i>	
<i>A. W. H. K.</i>	

The notes on pages 11 to 27 form part of these financial statements.

Cash Flow Statement
For the year ended 31 March 2015

	Notes	2015		2014	
		£	£	£	£
Net cash inflow from operating activities	17		969,235		865,321
Returns on investments and servicing of finance					
Interest received		994		668	
Interest paid		(317,152)		(308,037)	
Net cash outflow from investment and servicing of finance			(316,158)		(307,369)
Net cash inflow from taxation			-		-
Capital expenditure and financial investment					
Acquisition and construction of Properties		(343,851)		(377,896)	
Purchase of other fixed assets		(1,601)		(1,820)	
Grant received		59,942		71,657	
Social Housing Grant repaid		-		(41,055)	
Proceeds on disposal of properties		-		1,266,368	
Net cash (outflow)/inflow from capital expenditure and financial investment			(345,452)		917,254
Net cash inflow before use of liquid resourcing and Financing			367,567		1,475,206
Financing					
Loan principal repayments		(183,754)		(399,693)	
Share capital issued		5		72	
Net cash outflow from financing			(183,749)		(399,621)
Increase in cash	17		183,818		1,075,585

**Notes to the Financial Statements
For the year ended 31st March 2015**

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 Co-operative and Community Benefit Societies Acts, 2014, 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 became part of the Caledonia Housing Association Group on 1 April 2014. As part of the partnership arrangement, it was agreed with the Scottish Government that a direct financial injection of £1.8m was made to the cash flows of Cordale Housing Association Limited. The funding package concluded saw an injection of £1.2m at the date the partnership was created with a further £600k 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 Conduct Authority from producing consolidated financial statements. 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 contribution scheme (Scottish Housing Association Pension Scheme) the cost of which is written off to the Income and Expenditure Account on an accruals basis. The Association is also a member of the SHAPS final salary scheme which has been closed to new members. 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 2015

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	-	3 – 4 years
Estates equipment	-	3 years

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.

In accordance with SSAP 19, (i) investment properties are revalued annually by persons holding a recognised professional qualification and at least every five years by an external valuer, and the aggregate surplus or deficit is transferred to a revaluation reserve, and (ii) no depreciation or amortisation is provided in respect of freehold investment properties and leasehold investment properties.

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 sale. 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 2015**

1. Principal accounting policies (continued)

Designated Reserves

The designation reflects the Association's anticipated future liability to meet the cost of pension deficit payments made to SHAPS (Scottish Housing Association Pension Scheme). The sums set aside represent the net present value of this liability.

Notes to the Financial Statements
For the year ended 31st March 2015

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

	2015		2014	
	Turnover £	Operating Costs £	Turnover £	Operating Costs £
Social Lettings (Note 3)	2,131,563	1,513,009	2,115,342	1,517,637
Other activities (Note 4)	75,451	42,361	87,702	63,349
Total	2,207,014	1,555,370	2,203,044	1,580,986
				Operating Surplus £
				597,705
				24,353
				622,058

Notes to the Financial Statements
For the year ended 31 March 2015

3. Particulars of income and expenditure from social letting

	General Needs Housing £	Supported Housing £	Shared Ownership £	2015 Total £	2014 Total £
Income from lettings					
Rent receivable net of identifiable service charges	1,720,071	192,590	21,860	1,934,521	1,927,964
Service charges receivable	28,824	154,811	-	183,635	189,797
Gross rents receivable	<u>1,748,895</u>	<u>347,401</u>	<u>21,860</u>	<u>2,118,156</u>	<u>2,117,761</u>
Less: rent losses from voids	(3,204)	(1,389)	-	(4,593)	(2,419)
Net rents receivable	<u>1,745,691</u>	<u>346,012</u>	<u>21,860</u>	<u>2,113,563</u>	<u>2,115,342</u>
Revenue grants from Scottish Ministers	18,000	-	-	18,000	-
Total income from social letting	<u>1,763,691</u>	<u>346,012</u>	<u>21,860</u>	<u>2,131,563</u>	<u>2,115,342</u>
Expenditure on social letting activities					
Service costs	28,241	145,666	-	173,907	203,394
Management and maintenance administration costs	553,605	-	5,591	559,196	696,854
Stage 3 expenditure	24,168	-	-	24,168	-
Reactive maintenance	167,476	7,920	-	175,396	144,110
Bad debts – rents and service charges	43,571	-	-	43,571	4,025
Planned and cyclical maintenance including major repairs	193,422	-	-	193,422	125,417
Depreciation of social housing	315,255	26,386	1,708	343,349	343,837
Operating costs of social letting	<u>1,325,738</u>	<u>179,972</u>	<u>7,299</u>	<u>1,513,009</u>	<u>1,517,637</u>
Operating Surplus on social letting activities, 2015	<u>437,953</u>	<u>166,040</u>	<u>14,561</u>	<u>618,544</u>	
Operating Surplus on social letting activities, 2014	<u>447,681</u>	<u>137,141</u>	<u>12,883</u>		<u>597,705</u>

Notes to the Financial Statements for the year ended 31 March 2015

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) 2015 £	Operating surplus/ (deficit) 2014 £
Wider role activities	-	-	-	-	-	-	-	-	-
Community Jobs Fund	-	26,553	-	-	26,553	-	26,553	-	-
Factoring	-	-	-	1,508	1,508	-	1,508	-	494
Agency/management services for other RSLs	-	-	-	-	-	-	-	-	228
Rechargeable repairs	-	-	-	-	-	-	-	-	(6,353)
Commercial rents	-	-	-	47,000	47,000	-	-	47,000	47,000
Tenant participation	-	-	-	-	-	-	14,300	(14,300)	(17,016)
Donations	-	-	-	390	390	-	-	390	-
Total from other activities, 2015	-	26,553	-	48,898	75,451	-	42,361	33,090	
Total from other activities, 2014	-	25,249	-	62,453	87,702	6,353	56,996		24,353

Notes to the Financial Statements
For the year ended 31st March 2015

5. Officers' emoluments

Aggregate emoluments paid to officers with emoluments greater than £60,000 (excluding pension contributions). No emoluments over £60,000 were paid in this year due to support from their parent.

	2015 £	2014 £
Acting Director	-	56,550
Former Director	-	-
Former Deputy Director	-	-

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

	2015 £	2014 £
Former Director	-	-
Former Deputy Director	-	20,000

Pension contributions made were:

	2015 £	2014 £
Acting Director	-	-
Former Director	-	-
Former Deputy Director	-	-

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:

	2015 Number	2014 Number
£60,001 - £70,000	-	-
£70,001 - £80,000	-	-
£80,001 - £90,000	-	-

6. Employee information

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

	2015 Number	2014 Number
	14	12

Staff costs were:

	2015 £	2014 £
Wages and salaries	273,723	293,597
Social security costs	20,647	21,939
Other pension costs	59,582	32,306
	<u>353,952</u>	<u>347,842</u>

Notes to the Financial Statements
For the year ended 31st March 2015

7. Gain on sale of housing stock	2015 £	2014 £
Net sales proceeds	-	1,266,368
Cost of sales	-	(56,353)
	<u> </u>	<u> </u>
Gain on sale of housing stock	<u> </u>	<u>1,210,015</u>

8. Interest payable	2015 £	2014 £
On bank loans and overdrafts	317,152	308,037
Less: interest capitalised	-	-
	<u> </u>	<u> </u>
	<u>317,152</u>	<u>308,037</u>

Interest incurred in the development period of housing properties which has been written off to the Income and Expenditure account amounted to £nil (2014: £nil).

9. Operating surplus	2015 £	2014 £
The operating surplus is stated after charging:		
Depreciation	349,788	343,837
Auditors' remuneration - Audit services (incl VAT)	9,600	14,973
- Other services	-	2,280
Gain on sale of other fixed assets	6,835	-
	<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 2015

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 2014	56,763,919	-	625,900	57,389,819
Additions	343,851	-	-	343,851
Disposals	(307,451)	-	-	(307,451)
Transfer	-	-	-	-
As at 31 March 2015	<u>56,800,319</u>	<u>-</u>	<u>625,900</u>	<u>57,426,219</u>
Depreciation				
As at 1 April 2014	2,366,808	-	28,258	2,395,066
Charge for year	341,641	-	1,708	343,349
Disposals	(78,341)	-	-	(78,341)
Transfer	-	-	-	-
As at 31 March 2015	<u>2,630,108</u>	<u>-</u>	<u>29,966</u>	<u>2,660,074</u>
Social Housing grant				
As at 1 April 2014	41,772,914	-	442,634	42,215,548
Additions	-	-	-	-
Disposals	(235,392)	-	-	(235,392)
Transfer	-	-	-	-
As at 31 March 2015	<u>41,537,522</u>	<u>-</u>	<u>442,634</u>	<u>41,980,156</u>
Other capital grants				
As at 1 April 2014	2,810,468	-	529	2,810,997
Additions	-	-	-	-
Disposals	-	-	-	-
Transfer	-	-	-	-
As at 31 March 2015	<u>2,810,468</u>	<u>-</u>	<u>529</u>	<u>2,810,997</u>
Net book value				
As at 31 March 2015	<u>9,822,221</u>	<u>-</u>	<u>152,771</u>	<u>9,974,992</u>
As at 31 March 2014	<u>9,813,729</u>	<u>-</u>	<u>154,479</u>	<u>9,968,208</u>

Additions to housing properties included capitalised development administration costs of £8,635 (2014: £22,131) of which development allowances of £nil (2014: £nil) were received in respect of these costs and capitalised. Major repairs capitalised in year totalled £227,215 (2014: £204,315) with enhancements of £108,001

All land and properties are freehold.

Notes to the Financial Statements
For the year ended 31st March 2015

11. Tangible Fixed Assets	Investment Properties £	Estates equipment £	Office premises £	Furniture & equipment £	Total £
(b) Other tangible assets					
Cost					
As at 1 April 2014 (as restated)	690,000	9,443	50,638	127,671	877,752
Additions	-	989	-	612	1,601
Eliminated on disposals	-	-	-	(17,982)	(17,982)
Transfer	30,000	-	-	-	30,000
As at 31 March 2015	720,000	10,432	50,638	110,301	891,371
Grants received					
As at 1 April 2014 (as restated)	-	-	-	17,896	17,896
Repaid on disposals	-	-	-	(17,896)	(17,896)
Transfer	-	-	-	-	-
As at 31 March 2015	-	-	-	-	-
Aggregate depreciation					
As at 1 April 2014 (as restated)	-	7,353	23,373	108,732	139,458
Charge for year	-	1,955	3,376	1,108	6,439
Eliminated on disposals	-	-	-	(90)	(90)
Transfer	-	-	-	-	-
As at 31 March 2015	-	9,308	26,749	109,750	145,807
Net book value					
As at 31 March 2015	720,000	1,124	23,889	551	745,564
As at 31 March 2014 (as restated)	690,000	2,090	27,265	1,043	720,398

The initial investment property was valued at December 2012 by DTZ at £690,000 on an open market value basis. The property transferred in from Stock was valued on an open market value basis at £30,000 on 13 December 2012 by DVS.

12. Capital commitments

There were no capital commitments in 2013/14 or 2014/15.

13. Stock

The property previously included in Stock has a carrying value of £30,000 which was transferred in the year to Investment Properties.

Notes to the Financial Statements
For the year ended 31st March 2015

14. Debtors	2015 £	2014 £
Arrears of rent and service charges	128,609	156,911
Less: Provision for doubtful debts	(44,044)	(12,000)
	<u>84,565</u>	<u>144,911</u>
Social Housing grant receivable	-	59,942
Other debtors	5,166	29,650
Amounts due from group undertakings	1,885	1,800
	<u>91,616</u>	<u>236,303</u>

Arrears of rent and service charges includes technical arrears of £34,206 (2014: £34,405).

15. Creditors – amounts falling due within one year	2015 £	2014 £
Housing loans	292,144	316,388
Trade creditors	18,984	108,857
Rent in advance	41,490	31,213
Other taxation and social security	6,231	5,720
Amounts due to group undertakings	6,250	432
Other creditors	9,799	121,695
Accruals and deferred income	85,971	18,210
	<u>460,869</u>	<u>602,515</u>

At the balance sheet date there were pension contributions outstanding of £5,301 (2014: £3,228).

16. Creditors – amounts falling due after more than one year	2015 £	2014 (as restated) £
Deferred income	690,250	690,250
Housing loans	8,521,905	8,681,415
	<u>9,212,155</u>	<u>9,371,665</u>

Housing loans are secured by specific charges on the Association's housing properties and are repayable at rates of interest of between 0.95% and 5.89%, due as follows:

Within one year	292,144	316,388
Between one and two years	300,614	326,590
Between two and five years	959,270	1,048,990
In five years or more	7,262,021	7,305,835
	<u>8,814,049</u>	<u>8,997,803</u>
Less: amount shown in current liabilities	(292,144)	(316,388)
	<u>8,521,905</u>	<u>8,681,415</u>

Notes to the Financial Statements
For the year ended 31st March 2015

17. Cash flow statement	2015	2014
	£	£
Reconciliation of operating surplus to net cash		
Inflow from operating activities		
Operating surplus	651,644	622,058
Depreciation	349,788	343,837
Change in debtors	84,744	(38,007)
Change in creditors	(116,852)	(92,518)
Share capital written off	(89)	(49)
Decrease in stock	-	30,000
	<u>969,235</u>	<u>865,321</u>
Net cash inflow from operating activities	<u>969,235</u>	<u>865,321</u>

Reconciliation of net cash flow to movement in net debt

	2015		2014	
	£	£	£	£
Increase in cash	183,278		1,075,585	
Cash flow from change in debt	183,754		399,693	
	<u>367,032</u>		<u>1,475,278</u>	
Movement in net debt during year		367,032		1,475,278
Net debt at 1 April 2014		(7,090,794)		(8,566,072)
		<u>(6,723,762)</u>		<u>(7,090,794)</u>
Net debt at 31 March 2015		<u>(6,723,762)</u>		<u>(7,090,794)</u>

Analysis of changes in net debt

	At 1	Cash	Other	At 31
	April 2014	Flows	changes	March 2015
	£	£	£	£
Cash at bank and in hand	1,907,009	183,818	-	2,090,827
Debt: Due within one year	(316,388)	24,244	-	(292,144)
Due after more than one year	(8,681,415)	159,510	-	(8,521,905)
	<u>(7,090,794)</u>	<u>367,572</u>	<u>-</u>	<u>(6,723,222)</u>
Net debt	<u>(7,090,794)</u>	<u>367,572</u>	<u>-</u>	<u>(6,723,222)</u>

18. Share capital	2015	2014
	£	£
Shares of £1 each issued and fully paid		
At 1 April 2014	345	322
Issued in the year	5	72
Cancelled/returned in the year	(89)	(49)
	<u>261</u>	<u>345</u>
At 31 March 2015	<u>261</u>	<u>345</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 2015

19. Reserves

(a) Designated reserves	Pension Provision	Extra Care	Cyclical Maintenance £	Major Repairs £	Total £
At 1 April 2014	-	74,472	39,306	1,465,567	1,579,345
Transfer from revenue reserves	473,566	-	-	-	473,566
Transfer to revenue reserves	(51,512)	(74,472)	(39,306)	(1,465,567)	(1,630,857)
At 31 March 2015	<u>422,054</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>422,054</u>

All designated reserve (except the pension reserve) are deemed to be no longer required and so have been transferred out to the revenue reserve

(b) Revenue reserves	2015 £	2014 £
At 1 April as originally reported	1,308,148	90,849
Prior period adjustment (note 26)	-	(346,087)
At 1 April as restated	<u>1,308,148</u>	<u>(255,238)</u>
Surplus for year	342,321	1,524,704
Transfer from designated reserves	1,630,857	-
Transfer to designated reserves	(473,566)	38,682
At 31 March	<u>2,807,760</u>	<u>1,308,148</u>

20 a) Housing stock

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

	2015	2014
General needs - New build	408	408
- Rehabilitation	61	61
Shared ownership	11	11
Supported housing	40	40
	<u>520</u>	<u>520</u>

20 b) Investment properties

Shop	0	1
Office	1	2
Other	2	2
Total	<u>3</u>	<u>5</u>

Other investment properties comprise the community hall and medical centre.

Notes to the Financial Statements
For the year ended 31st March 2015

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 members are tenants of the Association 2015: 6 (2014: 8).

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.

At the year end, Cordale Property Services Limited owed the Association £1,885 (2014: £1,800) 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 Caledonia Housing Association £6,250 (2014: £nil) in respect of management fees services and also owed Cordale Property Services Limited £nil (2014: £432) 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

	2015 £	2014 £
Investments in subsidiaries	<u>100</u>	<u>100</u>

The aggregate amount of capital and reserves and the results of Cordale Property Services Limited for the year ended 31 March 2015 were as follows:

	Cordale Property Services Limited	
	31 March 2015 £	31 March 2014 £
Capital and reserves	<u>23,684</u>	<u>20,054</u>
Profit for the year	<u>3,630</u>	<u>3,705</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 2015

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, and now offers the option of a defined contribution scheme which is not contracted out of the State Pension Scheme.

Following a staff consultation, and with the agreement of the members of the scheme, Cordale Housing Association closed the final salary scheme to new members, and the existing members transferred to the SHAPS defined contribution scheme with effect from 1 April 2014. In the year to 31 March 2015, Cordale Housing Association Limited operated the DC scheme 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 10% of pensionable salaries. Member contributions were 5%. There was also a past deficit contribution of £51,512 made in the year (2014: £23,595).

Additional deficit contributions are payable from 1 April 2015 and will increase by 3% per annum thereafter. Technical Provisions liabilities as at 30 September 2012 will be used as the reference point to calculating the additional contributions.

As at the balance sheet date there were 3 active members of the Scheme employed by Cordale Housing Association Limited. The annual pensionable payroll in respect of these members was £80,692 (2014: £79,053).

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 2012 by a professionally qualified Actuary using the Projected Unit Credit method. The market value of the Scheme's assets at the valuation date was £394 million. The valuation revealed a shortfall of assets compared with the value of liabilities of £304 million (equivalent to a past service funding level of 56.4%).

Notes to the Financial Statements
For the year ended 31st March 2015

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 2014. 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 £539 million and indicated an increase in the shortfall of assets compared to liabilities to approximately £281 million, equivalent to a past service funding level of 66%.

Financial assumptions

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

<u>2012 Valuation Assumptions</u>	% pa
- Investment return pre-retirement	5.3
- Investment return post retirement – non-pensioners	3.4
- Investment return post retirement – pensioners	3.4
- Rate of salary increases	4.1
- Rate of pension increases	
Pension accrued pre 6 April 2005 in excess of GMP	2.0
Pension accrued from 6 April 2005	1.7
(for leavers before 1 October 1993 pension increases are 5.0% pa)	
- Rate of price inflation	2.6

Mortality Tables

Non – pensioners: 44% of S1PMA (males) and S1PFA (females) projected using CMI_2011 with a long term rate of improvement of 1.5% p.a. for males and 1.25% p.a. for females.

Pensioners: 90% of S1PMA (males) and S1PFA (females) projected using CMI_2011 with a long term rate of improvement of 1.5% p.a. for males and 1.25% p.a. for females

Valuation results

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 2015

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 2013. As of this date the estimated employer debt for the Association was £2,039,250. This is shown in note 24 of these Financial Statements as a contingent liability.

The designated reserves reflects the Association's anticipated future liability to meet the cost of pension deficit payments made to SHAPS (Scottish Housing Association Pension Scheme). An amount of £51,512 per annum increasing at 3% per annum is payable from April 2015 for thirteen years. The sums set aside represent the net present value of this liability.

24. Contingent liabilities

The Association participated in a multi- employer pension scheme. Should the Association leave the scheme, the amount of the employer debt has been calculated as at 31 March 2015 £2,039,250 (2014:£1,523,931). At this time there is no intention to leave the scheme.

25. Controlling party

At a special general meeting during the year the members voted to accept a rule change which enabled the Association to become a wholly owned subsidiary of Caledonia Housing Association from the 1 April 2014.

The members consider that the controlling party of the Association is Caledonia Housing Association Limited.

26. Prior period adjustment

During the preparation of the financial statements, it was noted that the property included in Other Fixed Assets under Commercial Property, should have been classified as Investment Property when it was transferred in during the year ended 31 March 2013. The investment property should have been shown at the December 2012 valuation and, as an investment property, this valuation is kept under review and no depreciation is charged. As a result of this, the grant income which was received in respect of this property should have been reallocated to long term deferred income given there are no ongoing costs against which to offset the grant.

The effect of this change on the comparative year Balance Sheet of 31 March 2014 has been to:

	£
Reduce Other Fixed Asset cost by impairing the value to £690,000 as at 31 March 2013	(402,387)
Eliminate Other Fixed Asset aggregate depreciation on commercial properties when adjusting to market value	56,300
Reduce Other Fixed Assets – grants received by reallocating to deferred income	690,250
Increase Creditors: due after one year by reallocating the grant received to deferred income	(690,250)
	<hr/>
Net movement in the Opening reserves at 1 April 2014	<u>(346,087)</u>

The effect of this change has had no effect on the surplus in the year to 31 March 2014, with the impairment of the investment property taking effect as at 31 March 2013.

