

CORDALE HOUSING ASSOCIATION LIMITED

REPORT AND FINANCIAL STATEMENTS

For the year ended 31 March 2016

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 2016**

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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 2016.

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)
J Bell (appointed 16/09/15 resigned 13/06/16)
L Bowden
L Campbell
P Coburn (appointed 25/04/16)
R Grant – (resigned 25/03/16)
C Hollern – (resigned 01/12/15)
V Hamilton
G Kemsley
M McCallion (Interim Chair)
P Morris (appointed 14/04/15)
T Potter – (resigned 16/09/15)
K Underhill
M Walker (Interim Vice Chair)

Executive Officer

Barry Johnstone

Area Director

Registered Office

1 Red Row
Renton
G82 4PL

Auditors

RSM 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 2016****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 2014. They are also responsible for safeguarding the assets of the Association and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Statement on internal financial 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 2016**

- 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 2016. 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 2016**

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

The financial statements reflect the introduction of Financial Reporting Standard 102 ('FRS 102') and the Statement of Recommended Practice for registered social landlords 2014 for the first time. Comparative figures have been updated accordingly. See note 24 to the financial statements for further detail.

Cordale Housing Association made a surplus of £334,444 in the 12 month period to March 2016 (year to March 2015 – surplus £363,851).

Operating Surplus

The operating surplus for the 12 months to March 2016 was £757,111 (year to March 2015 - £714,783).

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 Cordale HA 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.
- A serious incident resulting from failure of Health & Safety Regulations
- The failure of business continuity systems.
- Compliance with new Scottish Government energy efficiency standards.
- Changes to the funding for support services to older people.

**Report of the Management Committee
For the year ended 31 March 2016**

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	Actual 14/15
• Void Loss	<0.5%	0.3%	0.19%
• Re-let Performance	<10 Days	8.4 Days	11.6 Days
• Arrears Performance	<4.0%	4.5%	4.66%
• Profitability – Operating surplus	>30%	41%	29.5%
• Financial Covenant - Interest Cover	>200%	227%	242.1%
• Financial Covenant - Gearing	<30%	18%	18.2%

Indicators in line with ARC definitions were set for the year to 31st March 2016 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 2016 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 plans are in hand to ensure that the Association meets EESSH compliance by the due date in 2020.

Disclosure of Information to the Auditor

The members of the Management Committee at the date of approval of these financial statements have confirmed, as far as they are aware, that there is no relevant information of which the auditors are unaware. They confirm that they have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that it has been communicated to the auditors.

Auditor

A resolution for the reappointment of RSM UK Audit LLP (formerly Baker Tilly UK Audit LLP), as auditors of the Association, will be proposed at the Annual General meeting.

By order of the committee

Margaret McCallion
Chair
Dated: 11/8/16

Margaret McCallion

Independent Auditors to the Members of Cordale Housing Association Limited On Corporate Governance Matters

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 information required by the Regulatory Standards in respect of internal financial controls contained within the publication "Our Regulatory Framework" and associated Regulatory Advisory Notes which are issued by the Scottish Housing Regulator.

Basis of Opinion

We carried out our review having regard to the requirements to corporate governance matters within Bulletin 2006/5 issued by the Financial Reporting Council through enquiry of certain members of the Management Committee and Officers of the Association and examination of relevant documents. The Bulletin does not require us to review the effectiveness of the Association's procedures for ensuring compliance with the guidance notes, nor to investigate the appropriateness of the reason given for non-compliance.

Opinion

In our opinion the Statement on Internal Financial Control on pages 2 and 3 has provided the disclosures required by the relevant Regulatory Standards [for systemically important RSLs] within the publication "Our Regulatory Framework" and associated Regulatory Advisory Notes issued by the Scottish Housing Regulator in respect of internal financial controls and is consistent with the information which came to our attention as a result of our audit work on the Financial Statements.

RSM UK Audit LLP

RSM UK AUDIT LLP (formerly Baker Tilly UK Audit LLP)
Statutory Auditor
Chartered Accountants
First Floor, Quay 2
139 Fountainbridge
Edinburgh
EH3 9QG

Date *18 August 2016*

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 2016 on pages 8 to 32. 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), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

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 2016 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 – December 2014 .

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.

RSM UK AUDIT LLP

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

Date: 18 August 2016

**Statement of Comprehensive Income
For the year ended 31 March 2016**

	Notes	2016		2015	
		£	£	£	£
Turnover	2		3,426,590		3,439,903
Operating expenditure	2		(2,669,479)		(2,725,120)
Operating surplus			757,111		714,783
Loss on sale of housing stock	6		(27,330)		-
Loss on sale of property, plant and equipment	8		(38,991)		(13,774)
Interest receivable		1,034		994	
Interest and financing costs	7	(357,380)		(338,152)	
			(356,346)		(337,158)
Surplus for the year			334,444		363,851
Total comprehensive income for the year			334,444		363,851

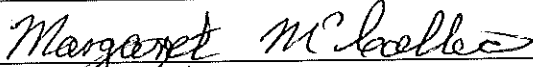
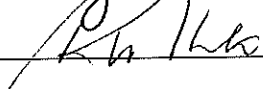
All amounts relate to continuing activities.

The notes on pages 12 to 32 form part of these financial statements.

Statement of Financial Position
As at 31st March 2016

	Notes	2016		2015	
		£	£	£	£
Fixed assets					
Housing properties	9(a)		41,481,275		42,831,817
Other fixed assets	9(b)		26,205		25,564
Investment properties	10		720,000		720,000
Investments in subsidiaries	11		100		100
			<u>42,227,580</u>		<u>43,577,481</u>
Current assets					
Trade and other debtors	12	108,123		91,616	
Cash and cash equivalents		<u>2,277,117</u>		<u>2,090,827</u>	
		2,385,240		2,182,443	
Current liabilities					
Creditors: Amounts falling due within one year	13	<u>(1,837,934)</u>		<u>(1,693,759)</u>	
Net current assets			<u>547,306</u>		<u>488,684</u>
Total assets less current liabilities			<u>42,774,886</u>		<u>44,066,165</u>
Creditors: Amounts falling due after more than one year	14		(38,191,574)		(39,778,289)
Provisions for liabilities					
Pension provision	21		<u>(623,000)</u>		<u>(662,000)</u>
Total net assets			<u>3,960,312</u>		<u>3,625,876</u>
Capital and reserves					
Share capital	17		253		261
Revenue reserves			<u>3,960,059</u>		<u>3,625,615</u>
			<u>3,960,312</u>		<u>3,625,876</u>

The financial statements were authorised for issue by the Management Committee on ^{11 August} 13th September 2016 and were signed on its behalf by:

	Chair
	Secretary

The notes on pages 12 to 32 form part of these financial statements.

Statement of Changes in Reserves
For the year ended 31 March 2016

	Share capital	Income and Expenditure Reserve	Total
	£	£	£
Balance at 1 April 2014	345	3,261,764	3,262,109
Issued in the year	5	-	5
Cancelled in the year	(89)	-	(89)
Surplus for the year	-	363,851	363,851
Balance as at 31 March 2015	<u>261</u>	<u>3,625,615</u>	<u>3,625,876</u>
Issued in the year	1	-	1
Cancelled in the year	(9)	-	(9)
Surplus for the year	-	334,444	358,279
Balance at 31 March 2016	<u>253</u>	<u>3,960,059</u>	<u>3,960,312</u>

Statement of Cashflows
For the year ended 31 March 2016

	Note	2016 £	2015 £
Net cash generated from operating activities	18	1,140,955	1,050,182
CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of tangible fixed assets		(267,995)	(345,452)
Proceeds from sale of tangible fixed assets		42,630	-
Grant repaid		(69,960)	-
Interest received		1,034	994
NET CASH (USED IN) INVESTING ACTIVITIES		<u>(294,291)</u>	<u>(344,458)</u>
CASH FLOW FROM FINANCING ACTIVITIES			
Interest paid		(357,380)	(338,152)
Repayments of borrowings		(302,994)	(183,754)
NET CASH (USED IN) FINANCING ACTIVITIES		<u>(660,374)</u>	<u>(521,906)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS		186,290	183,818
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		2,090,827	1,907,009
CASH AND CASH EQUIVALENTS AT END OF YEAR	18	<u>2,277,117</u>	<u>2,090,827</u>

**Notes to the Financial Statements
For the year ended 31st March 2016**

1. Principal accounting policies

Legal status

The Association is registered under the Co-operative and Community Benefit Societies Act 2014 and is registered with the Scottish Housing Regulator under the Housing (Scotland) Act 2010.

The Association's principal activities are 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.

Cordale Housing Association Limited is a Public Benefit Entity.

Basis of accounting

These financial statements have been prepared in accordance with UK Generally Accepted Accounting Practice (UK GAAP) including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102"), the Housing SORP 2014 "Statement of Recommended Practice for Registered Housing Providers" and they comply with the Determination of Accounting Requirements 2014, and under the historical cost convention, modified to include certain financial instruments at fair value.

The financial statements are prepared in Sterling (£).

Critical accounting estimates and areas of judgement

Preparation of the financial statements requires management to make critical judgements and estimates concerning the future. Estimates and judgements are continually evaluated and are based on historical experience, advice from qualified experts and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The resulting accounting estimates and assumptions will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are included below:-

- Valuation of Housing Property - see Tangible Fixed Assets
- Useful lives of Housing Property- see Depreciation and Impairment
- Components of Housing Properties - see Depreciation and Impairment
- The measurement of the recoverable amount of assets for impairment reviews - see Depreciation and Impairment
- Recoverable amount of rent arrears and other debtors - see Financial Instruments
- Government Grants – See Government Grants

Shared Ownership – Allocation of Costs

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

Valuation of Investment Property

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

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

If this departure from the Companies Act 2006 had not been made in order to give a true and fair view, the surplus/deficit for the financial year would have been reduced by depreciation. However the amount of depreciation cannot reasonably be quantified because depreciation is only one of many factors reflected in the annual valuation and the amount relating to the depreciation of the property cannot be separately identified.

**Notes to the Financial Statements
For the year ended 31st March 2016****Pension****Obligations under a defined benefit pension scheme**

The rate used to discount the past service deficit defined benefit obligations to their present value is based upon market yields for high quality corporate bonds with terms consistent with those of the benefit obligations. Our commitment to the SHAPS of £713k for the next 12 years has been discounted at a rate of 2.29% amounting to a net present value of £623k at 31 March 16.

Defined contribution plans

For defined contribution schemes the amount charged to income and expenditure is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments.

Defined benefit plans

The Association participates in a funded multi-employer defined benefit scheme, the Scottish Housing Association Pension Scheme (SHAPS). The SHAPS contributions are recognised in income and expenditure in the period to which they relate as there is insufficient information available to use defined benefit accounting. A liability is recognised for contributions arising from an agreement with the multi-employer plan that determines how the RSL

Change in accounting policy

These financial statements are the first financial statements of Cordale Housing Association Limited prepared in accordance with Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (FRS 102). The financial statements of Cordale Housing Association Limited for the year ended 31 March 2015 were prepared in accordance with previous UK GAAP. Some of the FRS 102 recognition, measurement, presentation and disclosure requirements and accounting policy choices differ from previous UK GAAP.

Consequently, the directors have amended certain accounting policies to comply with FRS 102. Comparative figures have been restated to reflect the adjustments made. Reconciliations and descriptions of the effect of the transition to FRS 102 on; (i) reserves at the date of transition to FRS 102; (ii) reserves at the end of the comparative period; and (iii) income or expenditure for the comparative period reported under previous UK GAAP are given in note 24.

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.

**Notes to the Financial Statements
For the year ended 31st March 2016**

1. Principal accounting policies (continued)

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.

Government grants

Government grants include grants receivable from the Scottish Government, local authorities and other government bodies. Government grants are recognised at the fair value of the asset received or receivable when there is reasonable assurance that the grant conditions will be met and the grants will be received.

Government grants received for housing properties are recognised in income over the useful economic life of the structure of the asset and, where applicable, the individual components of the structure on a pro-rata basis (excluding land) under the accruals model.

On disposal of an asset for which government grant was received, if there is no obligation to repay the grant, then any unamortised grant remaining is derecognised as a liability and recognised as income. Where there is a requirement to repay a grant a liability is included in the Statement of Financial Position to recognise this obligation.

Other grants

Grants received from non-government sources are recognised using the performance model. Grants are recognised as income when the associated performance conditions are met.

Housing Properties

Housing properties are properties for the provision of social housing or to otherwise provide social benefit and are principally properties available for rent and shared ownership.

Completed housing and shared ownership properties are stated at cost less accumulated depreciation and impairment losses.

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

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

**Notes to the Financial Statements
For the year ended 31st March 2016**

1. Principal accounting policies (continued)

Impairment of fixed assets

An assessment is made at each reporting date of whether there are indications that a fixed asset (including housing properties) may be impaired or that an impairment loss previously recognised has fully or partially reversed. If such indications exist, the RSL estimates the recoverable amount of the asset.

Shortfalls between the carrying value of fixed assets and their recoverable amounts, being the higher of fair value less costs to sell and value-in-use of the asset based on its service potential, are recognised as impairment losses in the income and expenditure account.

Recognised impairment losses are reversed if, and only if, the reasons for the impairment loss have ceased to apply. Reversals of impairment losses are recognised in income and expenditure. On reversal of an impairment loss, the depreciation or amortisation is adjusted to allocate the asset's revised carrying amount (less any residual value) over its remaining useful life.

Sales of housing properties

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 fixed asset investment with any related HAG in respect of the units recorded as deferred income.

Capitalisation of development overheads

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

Investment properties

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

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

If this departure from the Companies Act 2006 had not been made in order to give a true and fair view, the surplus/deficit for the financial year would have been reduced by depreciation. However the amount of depreciation cannot reasonably be quantified because depreciation is only one of many factors reflected in the annual valuation and the amount relating to the depreciation of the property cannot be separately identified.

Notes to the Financial Statements
For the year ended 31st March 2016

1. Principal accounting policies (continued)

Deposits and liquid resources

Cash comprises cash in hand and deposits repayable on demand less overdrafts repayable on demand. Liquid resources are current asset investments that are disposable without curtailing or disrupting the business and are readily convertible into known amounts of cash at or close to their carrying value.

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. A liability is recognised for contributions arising from an agreement with the multi-employer plan that determines how the RSL will fund a deficit. Contributions are discounted when they are not expected to be settled wholly within 12 months of the period end.

Financial instruments

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

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

Financial assets

Debtors

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

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

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

Financial liabilities

Trade creditors

Trade creditors payable within one year that do not constitute a financing transaction are initially measured at the transaction price and subsequently measured at amortised cost, being the transaction price less any amounts settled.

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

**Notes to the Financial Statements
For the year ended 31st March 2016**

1. Principal accounting policies (continued)

Borrowings

Borrowings are initially recognised at the transaction price, including transaction costs, and subsequently measured at amortised cost using the effective interest method. Interest expense is recognised on the basis of the effective interest method and is included in interest payable and other similar charges.

Derecognition of financial assets and liabilities

A financial asset is derecognised only when the contractual rights to cash flows expire or are settled, or substantially all the risks and rewards of ownership are transferred to another party, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party. A financial liability (or part thereof) is derecognised when the obligation specified in the contract is discharged, cancelled or expires.

Provisions

Provisions are recognised when the RSL has an obligation at the reporting date as a result of a past event which it is probable will result in the transfer of economic benefits and that obligation can be estimated reliably.

Provisions are measured at the best estimate of the amounts required to settle the obligation. Where the effect of the time value of money is material, the provision is based on the present value of those amounts, discounted at the pre-tax discount rate that reflects the risks specific to the liability. The unwinding of the discount is recognised within interest payable and similar charges.

Notes to the Financial Statements
For the year ended 31st March 2016

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

	2016		2015	
	Turnover	Operating Costs	Turnover	Operating Costs
	£	£	£	£
Affordable Lettings (Note 3)	3,332,568	2,624,282	3,364,452	2,682,759
Other activities (Note 4)	94,022	45,197	75,451	42,361
Total	<u>3,426,590</u>	<u>2,669,479</u>	<u>3,439,903</u>	<u>2,725,120</u>
		Operating Surplus 31 st March 2016		Operating Surplus 31 st March 2015
		£		£
		708,286		681,693
		<u>48,825</u>		<u>33,090</u>
		<u>757,111</u>		<u>714,783</u>

Notes to the Financial Statements
For the year ended 31 March 2016

3. Particulars of income and expenditure from affordable letting

	General Needs Housing £	Supported Housing £	Shared Ownership £	2016 Total £	2015 Total £
Income from lettings					
Rent receivable net of identifiable service charges	1,742,672	176,798	22,152	1,941,622	1,934,521
Service charges receivable	24,247	153,583	-	177,830	183,635
Gross rents receivable	<u>1,766,919</u>	<u>330,381</u>	<u>22,152</u>	<u>2,119,452</u>	<u>2,118,156</u>
Less: rent losses from voids	(5,555)	(1,725)	-	(7,280)	(4,593)
Net rents receivable	<u>1,761,364</u>	<u>328,656</u>	<u>22,152</u>	<u>2,112,172</u>	<u>2,113,563</u>
Grants released from deferred income	1,095,046	116,487	8,863	1,220,396	1,232,889
Revenue grants from Scottish Ministers	-	-	-	-	18,000
Total income from affordable letting	<u>2,856,410</u>	<u>445,143</u>	<u>31,015</u>	<u>3,332,568</u>	<u>3,364,452</u>
Expenditure on affordable letting activities					
Service costs	45,188	108,646	-	153,834	173,907
Management and maintenance administration costs	448,246	80,044	5,336	533,626	555,196
Planned and cyclical maintenance including major repairs costs	247,218	-	-	247,218	217,590
Reactive maintenance costs	167,672	7,072	-	174,744	175,396
Bad debts – rents and service charges	12,227	-	-	12,227	43,571
Depreciation of affordable housing	1,350,717	139,398	12,518	1,502,633	1,517,098
Operating costs of affordable letting	<u>2,271,268</u>	<u>335,160</u>	<u>17,854</u>	<u>2,624,282</u>	<u>2,682,758</u>
Operating Surplus on affordable letting activities 2016	<u>585,142</u>	<u>109,983</u>	<u>13,161</u>	<u>708,286</u>	
Operating Surplus on affordable letting activities 2015	<u>498,321</u>	<u>170,758</u>	<u>12,614</u>		<u>681,693</u>

Notes to the Financial Statements for the year ended 31 March 2016

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) 2016 £	Operating surplus/ (deficit) 2015 £
Community Jobs Fund	-	-	-	932	932	-	(932)	-	-
Factoring	-	-	-	7,654	7,654	-	(7,654)	-	-
Commercial rents	-	-	-	47,000	47,000	-	-	47,000	47,000
Stage 3 Adaptations	20,051	-	-	-	20,051	-	(19,971)	80	-
Tenant participation	-	-	-	7,490	7,490	-	(7,490)	-	(14,300)
Big Lottery funding	-	-	-	9,150	9,150	-	(9,150)	-	-
Donations	-	-	-	1,745	1,745	-	-	1,745	390
Total from other activities, 2016	20,051	-	-	73,971	94,022	-	(45,197)	48,825	-
Total from other activities, 2015	-	26,553	-	48,898	75,451	-	42,361	33,090	-

Notes to the Financial Statements
For the year ended 31st March 2016

5. Employees

	2016 Number	2015 Number
The average monthly number of full time equivalent persons (including key management personnel) employed during the year was:		
Office and management /administration	12	14
Development	-	-
	<u>12</u>	<u>14</u>
	<u><u>12</u></u>	<u><u>14</u></u>
	2016	2015
Staff costs for the above persons were:	£	£
Wages and salaries	270,185	273,723
Social security costs	23,483	20,647
Other pension costs	64,348	59,582
	<u>358,016</u>	<u>353,952</u>
	<u><u>358,016</u></u>	<u><u>353,952</u></u>

There were no key management personnel who received emoluments in excess of £60,000 as key management personnel are employed by Caledonia Housing Association.

	No.	No.
£60,000 - £70,000	-	-
£70,001 - £80,000	-	-
£80,001 - £90,000	-	-
	<u>-</u>	<u>-</u>
	2016	2015
	£	£
Aggregate emoluments for the above key management personnel	<u>-</u>	<u>76,550</u>
The emoluments of the Chief Executive (excluding pension contributions)	<u>-</u>	<u>56,550</u>
Aggregate pension contributions in relation to the above key management personnel	<u>-</u>	<u>-</u>

No payment or fees or other remuneration was made to the Board members during the year.

Notes to the Financial Statements
For the year ended 31st March 2016

6. Loss on sale of housing stock	2016 £	2015 £
Net sales proceeds	42,630	-
Cost of sales	(69,960)	-
	<u>(27,330)</u>	<u>-</u>
Loss on sale of housing stock	<u>(27,330)</u>	<u>-</u>
7. Interest payable and financing costs	2016 £	2015 £
Interest arising on:		
On bank loans and overdrafts	343,380	317,152
Defined benefit pension charge	14,000	21,000
	<u>357,380</u>	<u>338,152</u>
	<u>357,380</u>	<u>338,152</u>
Interest incurred in the development period of housing properties which has been written off to the Income and Expenditure account amounted to £nil (2015: £nil).		
8. Operating surplus	2016 £	2015 £
The operating surplus is stated after charging/(crediting):		
Depreciation of housing properties	1,502,633	1,517,098
Depreciation of other tangible fixed assets	6,333	6,439
Loss on sale of other fixed assets	38,991	13,774
	<u>1,547,957</u>	<u>1,537,311</u>
Fees payable to RSM UK Audit LLP and its associates in Respect of both audit and non-audit services are as follows:		
Audit services	12,480	9,600
Other services:		
Accounting Advice FRS 102	7,200	-
	<u>19,680</u>	<u>9,600</u>

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 2016

9. Tangible Fixed Assets	Housing properties held for letting £	Completed shared ownership properties £	Total £
(a) Housing properties			
As at 1 April 2015	56,800,319	625,900	57,426,219
Additions	261,021	-	261,021
Disposals	(394,880)	-	(394,880)
Transfer	-	-	-
	<u>56,666,460</u>	<u>625,900</u>	<u>57,292,360</u>
Depreciation			
As at 1 April 2015	14,369,078	225,324	14,594,402
Charge for year	1,490,115	12,518	1,502,633
Disposals	(285,950)	-	(285,950)
Transfer	-	-	-
	<u>15,573,243</u>	<u>237,842</u>	<u>15,811,085</u>
Net book value			
As at 31 March 2016	<u>41,093,217</u>	<u>388,058</u>	<u>41,481,275</u>
As at 31 March 2015	<u>42,431,241</u>	<u>400,576</u>	<u>42,831,817</u>

Additions to housing properties included capitalised development administration costs of £8,153 (2015: £8,635) of which development allowances of £nil (2015: £nil) were received in respect of these costs and capitalised.

The aggregate amount of capitalised interest included in housing properties is £nil (2015 £nil).

Major repairs capitalised in the year totalled £252,868 (2015: £227,215). Of the total capitalised £261,021 (2015: £227,215) related to replacement of components, with enhancements of £nil, (2015, £108,001).

Notes to the Financial Statements
For the year ended 31st March 2016

9. Tangible Fixed Assets	Estates equipment £	Office premises £	Furniture & equipment £	Total £
(b) Other tangible assets				
Cost				
As at 1 April 2015	10,432	50,638	110,301	171,371
Additions	1,392	-	5,582	6,974
As at 31 March 2016	<u>11,824</u>	<u>50,638</u>	<u>115,883</u>	<u>178,345</u>
Aggregate depreciation				
As at 1 April 2015	9,308	26,749	109,750	145,807
Charge for year	1,258	3,376	1,699	6,333
As at 31 March 2016	<u>10,566</u>	<u>30,125</u>	<u>111,449</u>	<u>152,140</u>
Net book value				
As at 31 March 2016	<u>1,258</u>	<u>20,513</u>	<u>4,434</u>	<u>26,205</u>
As at 31 March 2015	<u>1,124</u>	<u>23,889</u>	<u>551</u>	<u>25,564</u>

10. Investment Properties	2016 £	2015 £
At 1 April 2015	720,000	690,000
Transfer	-	30,000
At 31 March 2016	<u>720,000</u>	<u>720,000</u>

The initial investment property was valued at December 2012 by DTZ at £690,000 on an open market value basis.

Notes to the Financial Statements
For the year ended 31st March 2016

11. Investments in subsidiaries

	2016 £	2015 £
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 2016 were as follows:

	Cordale Property Services Limited	
	2016 £	2015 £
Capital and reserves	<u>25,312</u>	<u>23,684</u>
Profit for the year	<u>1,628</u>	<u>3,630</u>

In the opinion of the Management Committee the aggregate value of the assets of the subsidiary is not less than the aggregate of the amounts at which those assets are stated in the Association's Statement of Financial Position.

12. Debtors

	2016 £	2015 £
Arrears of rent and service charges	120,654	128,609
Less: Provision for doubtful debts	(53,893)	(44,044)
	<u>66,761</u>	<u>84,565</u>
Other debtors	33,732	5,166
Amounts due from group undertakings	7,630	1,885
	<u>108,123</u>	<u>91,616</u>

Arrears of rent and service charges includes technical arrears of £26,980 (2015: £34,206).

Notes to the Financial Statements
For the year ended 31st March 2016

13. Creditors – amounts falling due within one year	2016 £	2015 £
Debt (note 16)	298,002	292,144
Trade creditors	-	18,984
Rent in advance	54,070	41,490
Other taxation and social security	4,579	6,231
Amounts due to group undertakings	119,589	6,251
Other creditors	77,274	9,799
Deferred capital grants (note 15)	1,220,396	1,232,889
Accruals and deferred income	64,024	85,971
	<u>1,837,934</u>	<u>1,693,759</u>

At the balance sheet date there were pension contributions outstanding of £5,620 (2015: £5,301).

14. Creditors – amounts falling due after more than one year	2016 £	2015 £
Debt (note 16)	8,213,053	8,521,905
Deferred capital grants (note 15)	29,978,521	31,256,384
	<u>38,191,574</u>	<u>39,778,289</u>

15. Deferred capital grant	2016 £	2015 £
As at 1 April 2015	32,489,273	33,722,162
Grant repaid during the year	(69,960)	-
Capital grant released during the year	(1,220,396)	(1,232,889)
As at 31 March 2016	<u>31,198,917</u>	<u>32,489,273</u>
Amounts to be released within one year	1,220,396	1,232,889
Amounts to be released in more than one year	29,978,521	31,256,384
	<u>31,198,917</u>	<u>32,489,273</u>

Notes to the Financial Statements
For the year ended 31st March 2016

16. Debt analysis - Borrowings

	2016 £	2015 £
Creditors: amounts falling due within one year:		
Bank loans	298,002	292,144
	<u>298,002</u>	<u>292,144</u>
Creditors: amounts falling due after one year:		
Bank overdraft	-	-
Bank loans	8,213,053	8,521,905
	<u>8,213,053</u>	<u>8,521,905</u>
	<u>8,511,055</u>	<u>8,814,049</u>

Borrowings are denominated and repaid in pounds sterling, have contractual interest rates that are either fixed rates or variable rates linked to LIBOR that are not leveraged, and do not contain conditional returns or repayment provisions other than to protect the lender against credit deterioration or changes in relevant legislation or taxation.

Bank borrowings mature between 31st March 2029 and 31st March 2041. Fixed rate loans £3.5m (2015: £3.6m) bear average fixed-rate coupons of 4.95% per annum (2015: 4.95% per annum) and £5.0m (2015: £5.2m) variable rate loans bear average variable-rate coupons of 2.0% above LIBOR (2015: 2.0% above LIBOR). The Association makes quarterly interest payments on all bank borrowings.

Bank borrowings of £8.5m (2015: £8.8m) are secured by specific charges against the Association's housing properties.

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

	2016 £	2015 £
Within one year	298,002	292,144
Between one and two years	307,714	300,614
Between two and five years	982,471	959,270
In five years or more	6,922,868	7,262,021
	<u>8,511,055</u>	<u>8,814,049</u>

Notes to the Financial Statements
For the year ended 31st March 2016

17. Share capital	2016 £	2015 £
Shares of £1 each issued and fully paid		
At 1 April 2015	261	345
Issued in the year	1	5
Cancelled in the year	(9)	(89)
	<u>253</u>	<u>261</u>
At 31 March 2016	<u>253</u>	<u>261</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.

18. Notes to the cash flow statement

	2016 £	2015 £
Reconciliation of operating surplus to net cash inflow from activities		
Surplus for the year	334,444	363,851
Adjustments for non-cash items:	-	-
Depreciation of tangible fixed assets	1,508,966	1,523,537
Amortisation of capital grant	(1,220,396)	(1,232,889)
Impairment losses on tangible fixed assets	-	-
Impairment losses on investments	-	-
Fair value (gains)/losses on investment properties	-	-
Defined benefit pension schemes	39,000	(17,000)
Fair value (gains)/losses on financial instruments	-	-
Increase/(decrease) in provisions	-	-
(Gain)/loss on disposal of tangible fixed assets	27,330	-
Interest received	(1,034)	(994)
Interest payable	357,380	338,152
Shares issued	1	5
Operating cash flows before movement in working capital	<u>1,045,691</u>	<u>974,662</u>

Cash and Cash Equivalents

Cash at bank	2,230,355	2,063,396
Short-term deposits	42,175	26,202
Loan servicing account	4,587	1,229
Cash generated from operations	<u>2,277,117</u>	<u>2,090,827</u>

Notes to the Financial Statements
For the year ended 31st March 2016

19 a) Housing stock

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

General needs - New build	407	408
- Rehabilitation	61	61
Shared ownership	11	11
Supported housing	40	40
	<u>519</u>	<u>520</u>

19 b) Investment properties

Office	1	1
Other	2	2
	<u>3</u>	<u>3</u>

Other investment properties comprise the community hall and medical centre.

20. Related party transactions

J Bell, V Hamilton, G Kemsley, P Morris and M Walker, Management Committee members are also tenants of the Association. Their tenancies are on normal commercial terms. During the year £18,340 (2015: £15,384) of rent was receivable from these tenant members. At the year-end there were £1,276 (2015: £469) of rent arrears due from these tenant members.

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 £7,630 (2015: £1,885) 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 £119,589 (2015: £6,250) in respect of management fees services and also owed Cordale Property Services Limited £nil (2015: £nil) 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.

**Notes to the Financial Statements
For the year ended 31st March 2016**

21. Retirement benefit obligations

General

The company participates in the scheme, a multi-employer scheme which provides benefits to some 155 non-associated employers. The scheme is a defined benefit scheme in the UK.

It is not possible for the company to obtain sufficient information to enable it to account for the scheme as a defined benefit scheme. Therefore it accounts for the scheme as a defined contribution scheme.

The scheme is subject to the funding legislation outlined in the Pensions Act 2004 which came into force on 30 December 2005. This, together with documents issued by the Pensions Regulator and Technical Actuarial Standards issued by the Financial Reporting Council, set out the framework for funding defined benefit occupational pension schemes in the UK.

The scheme is classified as a 'last-man standing arrangement'. Therefore the company is potentially liable for other participating employers' obligations if those employers are unable to meet their share of the scheme deficit following withdrawal from the scheme. Participating employers are legally required to meet their share of the scheme deficit on an annuity purchase basis on withdrawal from the scheme.

A full actuarial valuation for the scheme was carried out at 30 September 2012. This actuarial valuation showed assets of £394m, liabilities of £698m and a deficit of £304m. To eliminate this funding shortfall, the trustees and the participating employers have agreed that additional contributions will be paid to the scheme as follows:

Deficit contributions

From 1 April 2014 to 30 September 2027:	£26,304,000 per annum (payable monthly and increasing by 3% each on 1st April)
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The recovery plan contributions are allocated to each participating employer in line with their estimated share of the scheme liabilities.

Where the scheme is in deficit and where the company has agreed to a deficit funding arrangement the company recognises a liability for this obligation. The amount recognised is the net present value of the deficit reduction contributions payable under the agreement that relates to the deficit. The present value is calculated using the discount rate detailed in these disclosures. The unwinding of the discount rate is recognised as a finance cost.

Notes to the Financial Statements
For the year ended 31st March 2016

PRESENT VALUES OF PROVISION

	31 March 2016 (£000s)	31 March 2015 (£000s)	31 March 2014 (£000s)
Present value of provision	623	663	645

RECONCILIATION OF OPENING AND CLOSING PROVISIONS

	Period Ending 31 March 2016 (£000s)	Period Ending 31 March 2015 (£000s)
Provision at start of period	663	645
Unwinding of the discount factor (interest expense)	14	21
Deficit contribution paid	(51)	(50)
Remeasurements - impact of any change in assumptions	(2)	46
Remeasurements - amendments to the contribution schedule	-	-
Provision at end of period	624	662

INCOME AND EXPENDITURE IMPACT

	Period Ending 31 March 2016 (£000s)	Period Ending 31 March 2015 (£000s)
Interest expense	14	21
Remeasurements – impact of any change in assumptions	(2)	46
Remeasurements – amendments to the contribution schedule	-	-
Contributions paid in respect of future service*	*	*
Costs recognised in income and expenditure account	*	*

*includes defined contribution schemes and future service contributions (i.e. excluding any deficit reduction payments) to defined benefit schemes which are treated as defined contribution schemes. To be completed by the company.

ASSUMPTIONS

	31 March 2016 % per annum	31 March 2015 % per annum	31 March 2014 % per annum
Rate of discount	2.29	2.22	3.42

The discount rates shown above are the equivalent single discount rates which, when used to discount the future recovery plan contributions due, would give the same results as using a full AA corporate bond yield curve to discount the same recovery plan contributions.

**Notes to the Financial Statements
For the year ended 31st March 2016**

22. Capital commitments

There were no capital commitments in 2014/15 or 2015/16.

23. Controlling party

At a special general meeting 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.

24. First time adoption of FRS 102

The financial statements have been prepared in accordance with FRS102 for the year ended 31 March 2016. The transition to FRS102 has impacted on the following accounting policies adopted and as such the comparative figures have been restated accordingly.

A – Grant Accounting

Previously all capital grants received were netted off against the cost of housing properties. In line with FRS102 and SORP 2014 capital government grants are now treated under the accrual model and as such are shown as deferred income and amortised to income over the expected useful life of the housing property structure and its individual components (excluding land) on a pro-rata basis. Capital grants at 31 March 2015: £12,992,129 (1 April 2014: £11,779,850).

B – Depreciation of Housing Properties

Previously depreciation on housing properties was calculated on the net cost of properties after capital grant. In line with FRS102, and as noted above in A, grants are no longer netted off against the cost of housing properties and as such depreciation is now calculated on the gross cost of housing properties. Depreciation at 31 March 2015: £11,934,749 (1 April 2014: £10,760,579).

C – SHAPS Pension Scheme

The Association participates in the multi-employer defined benefit Scottish Housing Association Pension Scheme (SHAPS). Under FRS102 a contractual agreement under a multi-employer defined benefit pension scheme to fund a past deficit should be accrued for as a liability discounted to net present value. As at 31 March 2015 this liability was calculated as amounting to £662,000.

Under FRS 102, the Statement of Cash Flows presents changes in cash and cash equivalents (which include cash in hand, deposits repayable on demand and overdrafts and short-term, highly liquid investments), showing changes arising from operating activities, investing activities and financing activities separately. Under previous UK GAAP, the Cash Flow Statement presented changes in cash (which includes cash in hand, deposits repayable on demand and overdrafts) under the headings of operating activities, returns on investments and servicing of finance, taxation, capital expenditure and financial investment, acquisitions and disposals, equity dividends paid, management of liquid resources, and financing. SHAPS pension deficit at 31 March 2015: £662,000 (1 April 2014: £645,000).

Notes to the Financial Statements
For the year ended 31st March 2016

24. First time adoption of FRS 102 (cont'd)

RECONCILIATION OF RESERVES		1 April 2014 £	31 March 2015 £
	Notes		
Reserves as previously reported under UK GAAP		2,887,493	3,229,814
Grant Accounting	A	11,779,850	12,992,129
Depreciation	B	(10,760,579)	(11,934,328)
SHAPS Pension	C	(645,000)	(662,000)
Reserves reported under FRS 102		<u>3,261,764</u>	<u>3,625,615</u>
RECONCILIATION OF SURPLUS OR DEFICIT			Year ended 31 March 2015 £
	Notes		
Surplus or deficit as previously reported under UK GAAP			342,321
Grant Accounting	A		1,212,279
Depreciation	B		(1,173,749)
SHAPS Pension	C		(17,000)
Surplus or deficit reported under FRS 102			<u>363,851</u>

