

CORDALE HOUSING ASSOCIATION LIMITED

REPORT AND FINANCIAL STATEMENTS

For the year ended 31 March 2017

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 2017**

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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 2017.

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

L Bowden
L Campbell
P Coburn (appointed 25/04/16)
V Hamilton
G Kemsley
M McCallion (Chair)
P Morris
K Underhill
M Walker (Vice Chair)
L Peters (appointed 16/09/16)
J Bell (resigned 13/06/16)

Secretary

R Hunter

Executive Officer

Barry Johnstone

Area Director

Registered Office

1 Red Row
Renton
G82 4PL

Auditor

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 2017****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 2017**

- 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 2017. 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 518 (2016: 519) 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.

Caledonia Housing Association is one of Scotland's leading providers of high quality affordable homes with almost 4000 homes owned and managed across Tayside, Fife and the Highlands making them one of Scotland's largest Housing Associations.

Being part of the Caledonia Group, Cordale HA benefit from a range of specialist services, expertise and economies of scale whilst retaining the ability to address local priorities. Tenant services are delivered by Cordale HA staff from a local 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 2017****Strategic Objectives****Achieving Excellence**

Our new Achieving Excellence strategic objective expresses our commitment to achieve excellence through our people to deliver quality homes and services that are affordable, sustainable and valued by our customers. This involved a strong focus on achieving high levels of customer and service performance whilst also ensuring that our homes and services are cost effective for our tenants and other customers.

Building Success

Our new Building Success strategic objective expresses our commitment to make the Association stronger for the future by ensuring resilience in all areas of our business, creating a strong base for our continued growth. This involved ensuring that we are a well-managed and financially strong Association that has a clear focus on governance, financial planning and viability, treasury management, asset management and risk management. We will then use this resilience as a platform for our future business growth activities.

A new Group Asset Management Strategy has been developed that sets out the framework for ensuring the quality, sustainability and viability of the Association's housing assets. Implementing this Strategy was an important aspect of our work over the period of the Business Plan.

Creating Innovation

Our new Creating Innovation strategic objective sets out our intention to innovate to create efficiencies and deliver value for money through the effective use of our resources. This involved using our resources in the best way possible to ensure the efficiency and effectiveness of the Association as well as identifying and implementing improvements in key business areas. It will also involve a clear focus on the development of partnerships that will benefit the Association, investment in information technology and effectively using our housing and other business assets to achieve savings, generate capacity and improve services.

Financial Review

Cordale Housing Association achieved an operating surplus for the year of £1,086k (2016: £757k) and a net surplus of £879k (2016: £334k). This increase is due in the most part to a gain as a result of the remeasurement of the SHAPS past service deficit of £336k (see note 21).

Included in operating costs are sums for reactive, cyclical and planned maintenance of £392k (2016: £422k) whilst management costs rose by £55k due to investment in ICT and staff. Annual expenditure on planned maintenance is derived from a 30 year life cycle costing consultant's report designed to ensure that all housing properties are maintained to a specific standard, thereby continuing to extend the useful life of the properties. Despite this significant investment Cordale is required to depreciate its housing properties and retained surpluses are calculated after providing £1.4m (2016: £1.5m) for depreciation.

At 31 March 2017 the Association's total reserves amounted to £4.84m (2016: £3.96m), an increase of £880k. The increase in reserves is solely attributed to the surpluses achieved and in addition to providing funds for re-development are a necessary hedge against risk. Included within the surplus for the year is a £136k (2016: £nil) gain on the revaluation of investment property.

**Report of the Management Committee
For the year ended 31 March 2017**

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. 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 :

| Risk | Mitigation |
|--|---|
| <ul style="list-style-type: none"> The financial and social effects of welfare benefit reform | Interactive benefits calculator tools made available for tenants on website. Arrears policy and procedure reviewed. Staff restructure to create additional housing officer role and customer services assistant posts. Also specialist housing manager shared with Bellsmyre. Availability of welfare rights provision. |
| <ul style="list-style-type: none"> A serious incident resulting from failure of health & Safety Regulations | Comprehensive Health & Safety action plan in place which is considered by the Area Director on a monthly basis and the Health and Safety Committee on a quarterly basis. Specialist health and safety consultants (ACS) appointed through Employers in Voluntary Housing to advise the Ass relevant issues. |
| <ul style="list-style-type: none"> The failure of business continuity systems | Provisions of Group Policy and the revised procedural guidance being implemented. Cordale staff member to attend business continuity working group at Caledonia (involves annual meeting to review business continuity systems). |
| <ul style="list-style-type: none"> Compliance with new Scottish Government energy efficiency standards. | Cordale HA's housing stock is fully compliant with the energy efficiency standards |
| <ul style="list-style-type: none"> Failure of Group's ICT systems | <ul style="list-style-type: none"> -On-going development of electronic processing and data storage -Regular inspection and renewal of equipment -Internal audit of control systems -Central control of levels of system access and password protection. -All ICT systems being regularly monitored prior to moving all systems and data to the off-site Data Centre -Existing third party support organisations on stand-by to monitor systems and facilitate the transfer of systems - All systems now being hosted by the data centre who initiate comprehensive daily back-ups of all data. |

**Report of the Management Committee
For the year ended 31 March 2017**

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 15/16 |
|---------------------------------------|---------------|---------------|---------------------|
| • Void Loss | <0.5% | 0.7% | 0.3% |
| • Re-let Performance | <10 Days | 12.4 Days | 8.4 Days |
| • Arrears Performance | <4.0% | 4.5% | 4.5% |
| • Profitability – Operating surplus | >30% | 44% | 41% |
| • Financial Covenant - Interest Cover | >200% | 362.8% | 227% |
| • Financial Covenant - Gearing | <30% | 23.6% | 18% |

Indicators in line with ARC definitions were set for the year to 31 March 2017 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 31 March 2017 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, as auditors of the Association, will be proposed at the Annual General meeting.

By order of the committee

**Margaret McCallion
Chair**

Dated: 15th August 2017



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

Date *15 September 2017*

Opinion on financial statements

We have audited the financial statements of Cordale Housing Association for the year ended 31 March 2017 on pages 9 to 32. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the Association's affairs as at 31 March 2017 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.

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>

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.

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.

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

RSM UK Audit LLP

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

Date: *15 September 2017*

**Statement of Comprehensive Income
For the year ended 31 March 2017**

| | Notes | 2017 | | 2016 | |
|--|-------|------------------|------------------|------------------|----------------|
| | | £ | £ | £ | £ |
| Turnover | 2 | | 3,421,782 | | 3,426,590 |
| Operating expenditure | 2 | | (2,671,802) | | (2,669,479) |
| Remeasurement in respect of pension scheme | 21 | | 336,000 | | - |
| Operating surplus | | | <u>1,085,980</u> | | <u>757,111</u> |
| Gain on revaluation of investment property | 10 | | 135,589 | | - |
| Loss on sale of fixed assets | 6 | | (36,864) | | (66,321) |
| Interest receivable | | 819 | | 1,034 | |
| Interest and financing costs | 7 | <u>(306,626)</u> | | <u>(357,380)</u> | |
| | | | (305,807) | | (356,346) |
| Surplus for the year | | | <u>878,898</u> | | <u>334,444</u> |
| Total comprehensive income for the Year | | | <u>878,898</u> | | <u>334,444</u> |

All amounts relate to continuing activities.

The notes on pages 13 to 32 form part of these financial statements.

Statement of Financial Position
As at 31 March 2017

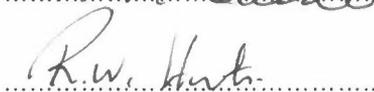
| | Notes | 2017 | | 2016 | |
|--|-------|------------------|-------------------|------------------|-------------------|
| | | £ | £ | £ | £ |
| Fixed assets | | | | | |
| Housing properties | 9(a) | | 40,178,654 | | 41,481,275 |
| Other fixed assets | 9(b) | | 50,382 | | 26,205 |
| Investment properties | 10 | | 950,000 | | 720,000 |
| Investments in subsidiaries | 11 | | 100 | | 100 |
| | | | <u>41,179,136</u> | | <u>42,227,580</u> |
| Current assets | | | | | |
| Trade and other debtors | 12 | 103,276 | | 108,123 | |
| Cash and cash equivalents | | 2,391,026 | | 2,277,117 | |
| | | <u>2,494,302</u> | | <u>2,385,240</u> | |
| Current liabilities | | | | | |
| Creditors: Amounts falling due within one year | 13 | (1,982,507) | | (1,837,934) | |
| Net current assets | | | <u>511,795</u> | | <u>547,306</u> |
| Total assets less current liabilities | | | <u>41,690,931</u> | | <u>42,774,886</u> |
| Creditors: Amounts falling due after more than one year | 14 | | (36,603,761) | | (38,191,574) |
| Provisions for liabilities | | | | | |
| Pension provision | 21 | | (248,000) | | (623,000) |
| Total net assets | | | <u>4,839,170</u> | | <u>3,960,312</u> |
| Capital and reserves | | | | | |
| Share capital | 17 | | 213 | | 253 |
| Revenue reserves | | | 4,838,957 | | 3,960,059 |
| | | | <u>4,839,170</u> | | <u>3,960,312</u> |

The financial statements were authorised for issue by the Management Committee on 15th August 2017 and were signed on its behalf by:

M McCallion, Chair



R Hunter, Secretary



The notes on pages 13 to 32 form part of these financial statements.

**Statement of Changes in Reserves
For the year ended 31 March 2017**

| | Share capital | Income and Expenditure Reserve | Total |
|------------------------------------|---------------|--------------------------------------|------------------|
| | £ | £ | £ |
| Balance at 1 April 2015 | 261 | 3,625,615 | 3,625,876 |
| Issued in the year | 1 | - | 1 |
| Cancelled in the year | (9) | - | (9) |
| Surplus for the year | - | 334,444 | 334,444 |
| Balance as at 31 March 2016 | 253 | 3,960,059 | 3,960,312 |
| Issued in the year | 3 | - | 3 |
| Cancelled in the year | (43) | - | (43) |
| Surplus for the year | - | 878,898 | 878,898 |
| Balance at 31 March 2017 | 213 | 4,838,957 | 4,839,170 |

Statement of Cashflows
For the year ended 31 March 2017

| | Note | 2017 £ | 2016 £ |
|---|------|------------------|------------------|
| Net cash generated from operating activities | 18 | 1,089,635 | 1,140,955 |
| CASH FLOW FROM INVESTING ACTIVITIES | | | |
| Purchase of tangible fixed assets | | (330,467) | (267,995) |
| Proceeds from sale of tangible fixed assets | | 27,742 | 42,630 |
| Grant repaid | | (59,899) | (69,960) |
| Interest received | | 819 | 1,034 |
| NET CASH USED IN INVESTING ACTIVITIES | | <u>(361,805)</u> | <u>(294,291)</u> |
| CASH FLOW FROM FINANCING ACTIVITIES | | | |
| Interest paid | | (306,626) | (357,380) |
| Repayments of borrowings | | (307,295) | (302,994) |
| NET CASH USED IN FINANCING ACTIVITIES | | <u>(613,921)</u> | <u>(660,374)</u> |
| NET INCREASE IN CASH AND CASH EQUIVALENTS | | 113,909 | 186,290 |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR | | <u>2,277,117</u> | <u>2,090,827</u> |
| CASH AND CASH EQUIVALENTS AT END OF YEAR | 18 | <u>2,391,026</u> | <u>2,277,117</u> |

**Notes to the Financial Statements
For the year ended 31 March 2017****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 address of the company's registered office and principal place of business is 1 Red Row, Renton, G82 4PL.

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:-

- 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
- Amortisation of 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.

Pension**Obligations under a defined benefit pension scheme**

The Association participates in a funded multi-employer defined benefit scheme, the Scottish Housing Association Pension Scheme (SHAPS). 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 will fund a deficit. Contributions are discounted when they are not expected to be settled wholly within 12 months of the period end.

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 £254k for the next 5 years has been discounted at a rate of 1.06% amounting to a net present value of £248k at 31 March 2017.

**Notes to the Financial Statements
For the year ended 31 March 2017****1. Principal accounting policies (continued)****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.

Going concern

The Management Committee, having performed a careful enquiry and review of the annual budget, 5 year plan 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.

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.

**Notes to the Financial Statements
For the year ended 31 March 2017**

1. Principal accounting policies (continued)

Works to existing properties which replace a component that has been treated separately for depreciation purposes, along with those works that enhance the economic benefits of the assets, are capitalised as improvements. Such enhancements can occur if improvements result in either:

- An increase in rental income
- A material reduction in future maintenance costs
- A significant extension to the life of the property

Capitalisation of development overheads

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

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.

Depreciation of Housing Properties

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 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 – 5 years |
| Estates equipment | - | 3 years |

**Notes to the Financial Statements
For the year ended 31 March 2017****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.

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.

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.

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.

**Notes to the Financial Statements
For the year ended 31 March 2017**

1. Principal accounting policies (continued)

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.

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 31 March 2017

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

| | Turnover | Operating Costs | 2017 Gain in respect of pension scheme | Operating Surplus 31 March 2017 | Turnover | 2016 Operating Costs | Operating Surplus 31 March 2016 |
|--|------------------|------------------|--|--|------------------|----------------------------|--|
| | £ | £ | | £ | £ | £ | £ |
| Affordable Lettings (Note 3) | 3,316,895 | 2,613,956 | - | 702,939 | 3,332,568 | 2,624,282 | 708,286 |
| Other activities (Note 4) | 104,887 | 57,846 | - | 47,041 | 94,022 | 45,197 | 48,825 |
| Remeasurement gain in respect of pension scheme (note 21) | - | - | 336,000 | 336,000 | - | - | - |
| Total | 3,421,782 | 2,671,802 | 336,000 | 1,085,980 | 3,426,590 | 2,669,479 | 757,111 |

Notes to the Financial Statements
For the year ended 31 March 2017

3. Particulars of income and expenditure from affordable letting

| | General Needs Housing £ | Supported Housing £ | Shared Ownership £ | 2017 Total £ | 2016 Total £ |
|--|-------------------------------|---------------------------|--------------------------|--------------------|--------------------|
| Income from lettings | | | | | |
| Rent receivable net of identifiable service charges | 1,742,994 | 176,798 | 22,152 | 1,941,944 | 1,941,622 |
| Service charges receivable | 23,443 | 154,388 | - | 177,831 | 177,830 |
| Gross rents receivable | 1,766,437 | 331,186 | 22,152 | 2,119,775 | 2,119,452 |
| Less: rent losses from voids | (9,726) | (4,667) | - | (14,393) | (7,280) |
| Net rents receivable | 1,756,711 | 326,519 | 22,152 | 2,105,382 | 2,112,172 |
| Grants released from deferred income | 1,086,159 | 116,491 | 8,863 | 1,211,513 | 1,220,396 |
| Revenue grants from Scottish Ministers | - | - | - | - | - |
| Total income from affordable letting | 2,842,870 | 443,010 | 31,015 | 3,316,895 | 3,332,568 |
| Expenditure on affordable letting activities | | | | | |
| Service costs | 49,572 | 125,810 | 69 | 175,451 | 153,834 |
| Management and maintenance administration costs | 494,327 | 88,273 | 5,884 | 588,484 | 533,626 |
| Planned and cyclical maintenance including major repairs costs | 181,827 | 1,240 | - | 183,067 | 247,218 |
| Reactive maintenance costs | 201,549 | 6,748 | 538 | 208,835 | 174,744 |
| Bad debts – rents and service charges | 16,083 | - | - | 16,083 | 12,227 |
| Depreciation of affordable housing | 1,290,116 | 139,402 | 12,518 | 1,442,036 | 1,502,633 |
| Operating costs of affordable letting | 2,233,474 | 361,473 | 19,009 | 2,613,956 | 2,624,282 |
| Operating Surplus on affordable letting activities 2017 | 609,396 | 81,537 | 12,006 | 702,939 | |
| Operating Surplus on affordable letting activities 2016 | 585,142 | 109,983 | 13,161 | | 708,286 |

Notes to the Financial Statements for the year ended 31 March 2017

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) 2017 £ | Operating surplus 2016 £ |
|-----------------------------------|--|---------------------------------|-------------------------------------|----------------------|------------------------|--------------------------------------|----------------------------------|---|-----------------------------------|
| Agency Services | - | - | - | 10,687 | 10,687 | - | (10,687) | - | - |
| Factoring | - | - | - | 6,863 | 6,863 | - | (6,863) | - | - |
| Commercial rents | - | - | - | 47,000 | 47,000 | - | - | 47,000 | 47,000 |
| Stage 3 Adaptations | 23,019 | - | - | - | 23,019 | - | (24,143) | (1,124) | 80 |
| Tenant participation | - | - | - | 8,150 | 8,150 | - | (8,150) | - | - |
| Big Lottery funding | - | - | - | 8,736 | 8,736 | - | (8,003) | 733 | - |
| Donations | - | - | - | - | - | - | - | - | 1,745 |
| Other income | - | - | - | 432 | 432 | - | - | 432 | - |
| Total from other activities, 2017 | 23,019 | - | - | 81,868 | 104,887 | - | (57,846) | 47,041 | |
| Total from other activities, 2016 | 20,051 | - | - | 73,971 | 94,022 | - | (45,197) | | 48,825 |

**Notes to the Financial Statements
For the year ended 31 March 2017**

5. Employees

| | 2017 Number | 2016 Number |
|---|------------------------|------------------------|
| The average monthly number of full time equivalent persons (including key management personnel) employed during the year was: | | |
| Office and management /administration | 10 | 12 |
| | <u> </u> | <u> </u> |
| | 2017 | 2016 |
| Staff costs for the above persons were: | £ | £ |
| Wages and salaries | 228,073 | 219,269 |
| Social security costs | 17,275 | 23,483 |
| Other pension costs | 20,251 | 64,348 |
| | <u> </u> | <u> </u> |
| | <u>265,599</u> | <u>358,016</u> |

The key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity.

There were no key management personnel employed by the Association; key management personnel are employed by Caledonia Housing Association.

| 6. Loss on sale of housing stock | 2017 £ | 2016 £ |
|--|-------------------|-------------------|
| Net sales proceeds | 28,700 | 42,630 |
| Cost of sales | (60,865) | (69,960) |
| | <u> </u> | <u> </u> |
| Loss on sale of housing stock | (32,165) | (27,330) |
| Deficit on disposal of components | (4,699) | (38,991) |
| | <u> </u> | <u> </u> |
| | <u>(36,864)</u> | <u>(66,321)</u> |
| | | |
| 7. Interest payable and financing costs | 2017 £ | 2016 £ |
| Interest arising on: | | |
| On bank loans and overdrafts | 292,626 | 343,380 |
| Defined benefit pension charge | 14,000 | 14,000 |
| | <u> </u> | <u> </u> |
| | <u>306,626</u> | <u>357,380</u> |

Interest incurred in the development period of housing properties which has been written off to the Income and Expenditure account amounted to £nil (2016: £nil).

Notes to the Financial Statements
For the year ended 31 March 2017

| 8. Operating surplus | 2017 | 2016 |
|---|-----------------------------|-----------------------------|
| | £ | £ |
| The operating surplus is stated after charging/(crediting): | | |
| Depreciation of housing properties | 1,442,036 | 1,502,633 |
| Depreciation of other tangible fixed assets | 7,858 | 6,333 |
| | <u> </u> | <u> </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 | 12,250 | 12,480 |
| Other services: | | |
| Accounting Advice FRS 102 | - | 7,200 |
| Corporation tax return | 1,500 | - |
| iXBRL Tagging of accounts | 780 | - |
| | <u> </u> | <u> </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 31 March 2017

| 9. Tangible Fixed Assets | Housing properties held for letting £ | Completed shared ownership properties £ | Total £ |
|-------------------------------|---|---|-------------------|
| (a) Housing properties | | | |
| As at 1 April 2016 | 56,666,460 | 625,900 | 57,292,360 |
| Additions | 204,021 | - | 204,021 |
| Disposals | (314,257) | - | (314,257) |
| | <u>56,556,224</u> | <u>625,900</u> | <u>57,182,124</u> |
| As at 31 March 2017 | | | |
| Depreciation | | | |
| As at 1 April 2016 | 15,573,243 | 237,842 | 15,811,085 |
| Charge for year | 1,429,518 | 12,518 | 1,442,036 |
| Disposals | (249,651) | - | (249,651) |
| | <u>16,753,110</u> | <u>250,360</u> | <u>17,003,470</u> |
| As at 31 March 2017 | | | |
| Net book value | | | |
| As at 31 March 2017 | <u>39,803,114</u> | <u>375,540</u> | <u>40,178,654</u> |
| As at 31 March 2016 | <u>41,093,217</u> | <u>388,058</u> | <u>41,481,275</u> |

Additions to housing properties included capitalised development administration costs of £8,212 (2016: £8,153) of which development allowances of £nil (2016: £nil) were received in respect of these costs and capitalised.

The aggregate amount of capitalised interest included in housing properties is £nil (2016 £nil).

Major repairs in the year amounted to £238,415 (2016: £278,885). Of the total £195,809 (2016: £252,868) was capitalised and related to replacement of components with enhancements of £nil (2016: £nil). The remaining £42,606 (2016: £26,017) was charged to the statement of comprehensive income.

Notes to the Financial Statements
For the year ended 31 March 2017

| 9. Tangible Fixed Assets | Estates equipment £ | Office premises £ | Furniture & equipment £ | Total £ |
|----------------------------------|---------------------------|-------------------------|-------------------------------|----------------|
| (b) Other tangible assets | | | | |
| Cost | | | | |
| As at 1 April 2016 | 11,824 | 50,638 | 115,883 | 178,345 |
| Additions | - | 25,525 | 6,510 | 32,035 |
| As at 31 March 2017 | <u>11,824</u> | <u>76,163</u> | <u>122,393</u> | <u>210,380</u> |
| Aggregate depreciation | | | | |
| As at 1 April 2016 | 10,566 | 30,125 | 111,449 | 152,140 |
| Charge for year | 794 | 3,376 | 3,688 | 7,858 |
| As at 31 March 2017 | <u>11,360</u> | <u>33,501</u> | <u>115,137</u> | <u>159,998</u> |
| Net book value | | | | |
| As at 31 March 2017 | <u>464</u> | <u>42,662</u> | <u>7,256</u> | <u>50,382</u> |
| As at 31 March 2016 | <u>1,258</u> | <u>20,513</u> | <u>4,434</u> | <u>26,205</u> |

10. Investment Properties

| | 2017 £ | 2016 £ |
|-------------------|----------------|----------------|
| At 1 April 2016 | 720,000 | 720,000 |
| Additions at cost | 94,411 | - |
| Revaluation gains | 135,589 | - |
| At 31 March 2017 | <u>950,000</u> | <u>720,000</u> |

The initial investment property was valued at December 2012 by DTZ and DVS at £720,000 on an open market value basis. Subsequently, in July 2016 investment property with an initial value of £690,000 was revalued at £750,000 by Jones Lang LaSalle Limited. The remaining £30,000 is held at the 2012 valuation.

During the year the Association purchased a pharmacy from its subsidiary Cordale Property Services Limited for £94,411, which was initially recognised at cost. The pharmacy was valued in July 2016 at £170,000 by Jones Lang LaSalle Limited and has been revalued to this amount.

The revaluation gains have been recognised in the Statement of Comprehensive Income.

**Notes to the Financial Statements
For the year ended 31 March 2017**

11. Investments in subsidiaries

| | 2017 £ | 2016 £ |
|-----------------------------|-----------|-----------|
| Investments in subsidiaries | 100 | 100 |

The aggregate amount of capital and reserves and the results of Cordale Property Services Limited for the year ended 31 March 2017 were as follows:

| | Cordale Property Services Limited | |
|----------------------------|--|-----------|
| | 2017 £ | 2016 £ |
| Capital and reserves | 3,002 | 25,312 |
| (Loss)/profit for the year | (22,310) | 1,628 |

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 | 2017 £ | 2016 £ |
|-------------------------------------|-----------|-----------|
| Arrears of rent and service charges | 98,431 | 120,654 |
| Less: Provision for doubtful debts | (36,034) | (53,893) |
| | 62,397 | 66,761 |
| Other debtors | 36,415 | 33,732 |
| Amounts due from group undertakings | 4,464 | 7,630 |
| | 103,276 | 108,123 |

Arrears of rent and service charges includes technical arrears of £20,374 (2016: £26,980).

Notes to the Financial Statements
For the year ended 31 March 2017

| 13. Creditors – amounts falling due within one year | 2017 | 2016 |
|--|------------------|------------------|
| | £ | £ |
| Loans (note 16) | 315,991 | 298,002 |
| Trade creditors | 224 | - |
| Rent in advance | 73,375 | 54,070 |
| Other taxation and social security | 5,258 | 4,579 |
| Amounts due to group undertakings | 58,706 | 119,589 |
| Other creditors | 153,855 | 77,274 |
| Deferred capital grants (note 15) | 1,211,513 | 1,220,396 |
| Accruals and deferred income | 163,585 | 64,024 |
| | <u>1,982,507</u> | <u>1,837,934</u> |

At the balance sheet date there were pension contributions outstanding of £7,063 (2016: £5,620).

| 14. Creditors – amounts falling due after more than one year | 2017 | 2016 |
|---|-------------------|-------------------|
| | £ | £ |
| Loan (note 16) | 7,887,769 | 8,213,053 |
| Deferred capital grants (note 15) | 28,715,992 | 29,978,521 |
| | <u>36,603,761</u> | <u>38,191,574</u> |

| 15. Deferred capital grant | 2017 | 2016 |
|--|-------------------|-------------------|
| | £ | £ |
| As at 1 April 2016 | 31,198,917 | 32,489,273 |
| Grant repaid during the year | (59,899) | (69,960) |
| Capital grant released during the year | (1,211,513) | (1,220,396) |
| As at 31 March 2017 | <u>29,927,505</u> | <u>31,198,917</u> |
| Amounts to be released within one year | 1,211,513 | 1,220,396 |
| Amounts to be released in more than one year | 28,715,992 | 29,978,521 |
| | <u>29,927,505</u> | <u>31,198,917</u> |

Notes to the Financial Statements
For the year ended 31 March 2017

16. Debt analysis - Borrowings

| | 2017 £ | 2016 £ |
|---|------------------|------------------|
| Creditors: amounts falling due within one year: | | |
| Bank loans | 315,991 | 298,002 |
| | <u>315,991</u> | <u>298,002</u> |
| Creditors: amounts falling due after one year: | | |
| Bank loans | 7,887,769 | 8,213,053 |
| | <u>7,887,769</u> | <u>8,213,053</u> |
| | <u>8,203,760</u> | <u>8,511,055</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 31 March 2029 and 31 March 2041. Fixed rate loans £3.2m (2016: £3.5m) bear average fixed-rate coupons of 5.45% per annum (2016: 4.95% per annum) and £5m (2016: £5.0m) variable rate loans bear average variable-rate coupons of 1.78% above LIBOR (2016: 2.0% above LIBOR). The Association makes quarterly interest payments on all bank borrowings.

Bank borrowings of £8.2m (2016: £8.5m) are secured by specific charges against the Association's housing properties.

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

| | 2017 £ | 2016 £ |
|----------------------------|------------------|------------------|
| Within one year | 315,991 | 298,002 |
| Between one and two years | 317,330 | 307,714 |
| Between two and five years | 987,081 | 982,471 |
| In five years or more | 6,583,358 | 6,922,868 |
| | <u>8,203,760</u> | <u>8,511,055</u> |

**Notes to the Financial Statements
For the year ended 31 March 2017**

| 17. Share capital | 2017 | 2016 |
|--|-------------------|-------------------|
| | £ | £ |
| Shares of £1 each issued and fully paid | | |
| At 1 April 2016 | 253 | 261 |
| Issued in the year | 3 | 1 |
| Cancelled in the year | (43) | (9) |
| | <u>213</u> | <u>253</u> |
| At 31 March 2017 | <u><u>213</u></u> | <u><u>253</u></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

| | 2017 | 2016 |
|---|--------------------------------|--------------------------------|
| | £ | £ |
| Reconciliation of operating surplus to net cash inflow from activities | | |
| Surplus for the year | 878,898 | 334,444 |
| Adjustments for non-cash items: | | |
| Depreciation of tangible fixed assets | 1,449,894 | 1,508,966 |
| Amortisation of capital grant | (1,211,513) | (1,220,396) |
| Fair value (gains) on investment properties | (135,589) | - |
| Defined benefit pension schemes | - | 39,000 |
| Loss on disposal of housing property | 36,864 | 27,330 |
| Interest received | (819) | (1,034) |
| Interest payable | 306,626 | 357,380 |
| Shares issued | 3 | 1 |
| Shares cancelled | (43) | - |
| Operating cash flows before movement in working capital | <u>1,324,321</u> | <u>1,045,691</u> |
| Decrease/(increase) in trade and other debtors | 4,847 | (16,507) |
| Increase in trade and other creditors | 135,467 | 150,771 |
| (Decrease) in provisions | (375,000) | (39,000) |
| Cash generated from operations | <u><u>1,089,635</u></u> | <u><u>1,140,955</u></u> |

Cash and Cash Equivalents

| | | |
|------------------------|-------------------------|-------------------------|
| Cash at bank | 2,328,218 | 2,230,355 |
| Short-term deposits | 51,021 | 42,175 |
| Loan servicing account | 11,787 | 4,587 |
| | <u><u>2,391,026</u></u> | <u><u>2,277,117</u></u> |

**Notes to the Financial Statements
For the year ended 31 March 2017**

19 a) Housing stock

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

| | | |
|---------------------------|------------|------------|
| General needs - New build | 406 | 407 |
| - Rehabilitation | 61 | 61 |
| Shared ownership | 11 | 11 |
| Supported housing | 40 | 40 |
| | <u>518</u> | <u>519</u> |

19 b) Investment properties

| | | |
|--------|----------|----------|
| Office | 1 | 1 |
| Other | 3 | 2 |
| | <u>4</u> | <u>3</u> |

Other investment properties comprise the community hall, medical centre and pharmacy.

20. Related party transactions

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 £15,384 (2016: £18,340) of rent was receivable from these tenant members. At the year-end there were £1,130 (2016: £1,276) 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, a member of Caledonia Housing Association Group, owed the Association £nil (2016: £7,630) in respect of expenses paid on behalf of Cordale Property Services Limited by the Association. During the year £86,354 was paid by the Association on behalf of Cordale Property Services in respect of repayment of a loan and consultancy fees. The opening balance owed to the Association as at 31 March 2016 and the expenses paid during year ended 31 March 2017 were taken as payment for the pharmacy that transferred ownership to the Association on 31 March 2017.

At the year end, the Association owed Caledonia Housing Association Limited, the Association's 100% parent, a net amount of £50,121 (2016: £119,589) in respect of management fees services and also owed Bellsmyre Housing Association Limited, a member of the Caledonia Housing Association Group, a net amount £4,121 (2016: £nil) in respect of expenditure paid on the Association's behalf. £4,464 (2016: £nil) of the balance is included within debtors and £58,706 (2016: £119,589) is included in creditors.

During the year the association paid £45,000 to Caledonia Housing Association Limited in respect of management fees. The Association received £10,687 from Caledonia Housing Association Limited in respect of agency services provided.

Notes to the Financial Statements
For the year ended 31 March 2017

21. Retirement benefit obligations

General

The company participates in the scheme, a multi-employer scheme which provides benefits to over 150 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) |
|---|--|

A full actuarial valuation for the scheme was carried out at 30 September 2015. This actuarial valuation showed assets of £616m, liabilities of £814m and a deficit of £198m. To eliminate this funding shortfall, the Trustee has asked the participating employers to pay additional contributions to the scheme as follows:

Deficit contributions

| | |
|--|--|
| From 1 April 2017 to 28 February 2022: | £25,735,092 per annum (payable monthly and increasing by 3% each on 1st April) |
|--|--|

| | |
|------------------------------------|---|
| From 1 April 2017 to 30 June 2025: | £727,217 per annum (payable monthly, increasing by 3% each 1st April) |
|------------------------------------|---|

| | |
|---------------------------------------|---|
| From 1 April 2017 to 31 October 2026: | £1,239,033 per annum (payable monthly, increasing by 3% each 1st April) |
|---------------------------------------|---|

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 31 March 2017**

PRESENT VALUES OF PROVISION

| | 31 March 2017 (£000s) | 31 March 2016 (£000s) | 31 March 2015 (£000s) |
|----------------------------|--------------------------|--------------------------|--------------------------|
| Present value of provision | 248 | 623 | 663 |

RECONCILIATION OF OPENING AND CLOSING PROVISIONS

| | Period Ending 31 March 2017 (£000s) | Period Ending 31 March 2016 (£000s) |
|--|---|---|
| Provision at start of period | 623 | 663 |
| Unwinding of the discount factor (interest expense) | 14 | 14 |
| Deficit contribution paid | (53) | (52) |
| Remeasurements - impact of any change in assumptions | 7 | (2) |
| Remeasurements - amendments to the contribution schedule | (343) | - |
| Provision at end of period | 248 | 623 |

INCOME AND EXPENDITURE IMPACT

| | Period Ending 31 March 2017 (£000s) | Period Ending 31 March 2016 (£000s) |
|--|---|---|
| Interest expense | 14 | 14 |
| Remeasurements – impact of any change in assumptions | 7 | (2) |
| Remeasurements – amendments to the contribution schedule | (343) | - |
| Contributions paid in respect of future service* | 20 | 12 |
| Costs recognised in income and expenditure account | 302 | 24 |

*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.

ASSUMPTIONS

| | 31 March 2017 % per annum | 31 March 2016 % per annum | 31 March 2015 % per annum |
|------------------|------------------------------|------------------------------|------------------------------|
| Rate of discount | 1.06 | 2.29 | 2.22 |

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 31 March 2017

22. Contingent Liabilities

The Association participates in a multi-employer pension scheme. Should the Association leave the scheme, the amount of the employer debt has been calculated as £2,422,476 (2016: £2,039,251). At this time there is no intention to leave the scheme.

23. Capital commitments

| | 2017 | 2016 |
|---|-----------|------|
| Capital expenditure authorised by the Management Committee but not contracted for | 1,300,000 | - |

24. 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.

Caledonia Housing Association is the smallest entity which prepares consolidated accounts including Cordale Housing Association. It is also the largest entity in the Group. The consolidated accounts of Caledonia Housing Association Limited are available from its registered office 5 South St Johns Place, Perth, PH1 5SU.

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

25. Post balance sheet events

On 12 April 2017, the Association sold the office premises and purchased a group of shops in Renton which will be demolished and the site will be used to build a new office. There was no transfer of money involved in this transaction as the office and shops were valued at the same amount (£75,000). As at 31 March 2017 there were no capital commitments relating to the build of the new office. Since the year end, the Association has entered into a two year lease with the new owner of the office at an annual cost of £14,060.