

CORDALE HOUSING ASSOCIATION LIMITED

REPORT AND FINANCIAL STATEMENTS

For the year ended 31 March 2018

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 2018**

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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 2018.

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 (resigned 12/11/2017)
L Campbell (resigned 5/12/2017)
P Coburn
V Hamilton
G Kemsley
M McCallion (Chair)
P Morris
K Underhill
M Walker (Vice Chair)
L Peters
J Bell (appointed 14/09/2017)
E Buckley (appointed 14/09/2017)
A Overend (co-opted 20/02/2018)
G Wilson (co-opted 20/02/2018)
P Rowan (appointed 14/09/2017, resigned 20/02/2018)

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

Royal Bank of Scotland
37 High Street
Dumbarton
G82 1LX

Solicitors

T C Young
7 West George Street
Glasgow
G2 1BA

**Report of the Management Committee
For the year ended 31 March 2018****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 2018**

- 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 2018. 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 ('Cordale HA') owns and manages 517 (2017: 518) 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 over 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's 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 2018****Strategic Objectives****Achieving Excellence**

Our 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 involves 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 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 involves 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 Group Asset Management Strategy was developed in 2016/17 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 2018-2023 Business Plan.

Creating Innovation

Our 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 involves 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 £664k (2017: £1,086k) and a net surplus of £403k (2017: £879k). This decrease is mostly due to a gain as a result of the remeasurement of the SHAPS past service deficit of £336k that was recognised in the Statement of Comprehensive Income during the prior year. This year there was a remeasurement gain of £2k.

Included in operating costs are sums for reactive, cyclical and planned maintenance of £470k (2017: £392k). 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 (2017: £1.4m) for depreciation.

At 31 March 2018 the Association's total reserves amounted to £5.24m (2017: £4.84m), an increase of £403k (2017: £879k). 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 £19k (2017: £nil) gain on the revaluation of office premises. Last year the surplus included a gain of £136k in respect of the revaluation of investment property. This year the gain was £nil. During the year, the office premises were revalued to £70k. The office premises subsequently formed part of an excambion agreement in exchange for a development site with an equal market value. A new office premises is under construction on this site and is scheduled to be completed during the year ending 31 March 2019.

**Report of the Management Committee
For the year ended 31 March 2018**

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 	Welfare Reform Staff Focus Group & Action Plan in place. Arrears recovery & tenancy sign up procedures amended. Further review in advance of UC roll out. Structural re -organisation to create dedicated tenancy sustainment team.
<ul style="list-style-type: none"> A serious incident resulting from failure of Health & Safety Regulations 	Health & Safety. Permanent Health & Safety advisor in place. Comprehensive Health & Safety action plan in place. Key issues considered by the Executive Team on a monthly basis and the Health and Safety Committee on a quarterly basis. Specialist health and safety consultants (Ellis Whittam) appointed to advise the Association on relevant issues.
<ul style="list-style-type: none"> The failure of business continuity systems 	Comprehensive asset management strategy in place. Significant investment is subject to specific Management Board approval. Compliance reviewed by Internal Audit.
<ul style="list-style-type: none"> Cost increases that cannot be offset by increased rental income. 	Comprehensive thirty year financial planning. Sensitivity analysis. Detailed project risk assessment.
<ul style="list-style-type: none"> Failure of Group's ICT systems 	All data and processing carried out at a tier 3 data centre off site. Internal audit of control systems. Central control of levels of system access and password protection. All ICT systems being regularly monitored.

**Report of the Management Committee
For the year ended 31 March 2018**

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	2017/18 Actual	2016/17 Actual
• Void Loss	<0.5%	0.4%	0.7%
• Re-let Performance	<10 days	11.1 days	12.4 days
• Arrears Performance	<4.0%	3.9%	4.5%
• Profitability – Operating surplus	>25.5%	27.7%	44%
• Financial Covenant - Interest Cover	>200%	296.6%	362.8%
• Financial Covenant - Gearing	<30%	23.2%	23.6%

Indicators in line with Annual Return on Charter ('ARC') definitions were set for the year to 31 March 2018 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 2018 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.

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.

Martin Walker
Deputy Chair

Dated: 14th August 2018

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CORDALE HOUSING ASSOCIATION**Opinion**

We have audited the financial statements of Cordale Housing Association (the 'Association') for the year ended 31 March 2018 which comprise the statement of comprehensive income, statement of financial position, statement of changes in reserves, statement of cashflow and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards 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 2018 and of its income and expenditure for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- 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.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Association in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Board's ("Management Committee's") use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Board has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Association's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The Board is responsible for the other information. Our opinion on the financial statements does not cover the other information and, we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CORDALE HOUSING ASSOCIATION**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.

Responsibilities of the Board

As explained more fully in the Board's responsibilities statement set out on pages 2 and 3, the Board is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Board determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board is responsible for assessing the Association's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board either intends to liquidate the Association or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Use of our report

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

Date 

Report by the Auditors to the Members of Cordale Housing Association 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
Statutory Auditor
Chartered Accountants
First Floor, Quay 2
139 Fountainbridge
Edinburgh
EH3 9QG

Date 

Statement of Comprehensive Income
For the year ended 31 March 2018

	Notes	2018 £	£	2017 £	£
Turnover	2		3,401,570		3,421,782
Operating expenditure	2		(2,739,348)		(2,671,802)
Remeasurement in respect of pension scheme	23		2,000		336,000
Operating surplus	8		664,222		1,085,980
Gain on revaluation of investment property	10		-		135,589
Gain on revaluation of other fixed assets	9(b)		19,362		-
Gain/(loss) on sale of fixed assets	6		1,867		(36,864)
Interest receivable		1,138		819	
Interest and financing costs	7	(283,672)		(306,626)	
			(282,534)		(305,807)
Surplus for the year			402,917		878,898
Total comprehensive income for the Year			402,917		878,898

All amounts relate to continuing activities.

The notes on pages 14 to 34 form part of these financial statements.

Statement of Financial Position
As at 31 March 2018

	Notes	£	2018 £	£	2017 £
Fixed assets					
Housing properties	9(a)		38,724,362		40,178,654
Other fixed assets	9(b)		274,762		50,382
Investment properties	10		950,000		950,000
Investments in subsidiaries	11		100		100
			<u>39,949,224</u>		<u>41,179,136</u>
Current assets					
Trade and other debtors	12	136,439		103,276	
Cash and cash equivalents		<u>2,474,214</u>		<u>2,391,026</u>	
		2,610,653		2,494,302	
Current liabilities					
Creditors: Amounts falling due within one year	13	<u>(1,987,801)</u>		<u>(1,982,507)</u>	
Net current assets			622,852		511,795
Total assets less current liabilities			<u>40,572,076</u>		<u>41,690,931</u>
Creditors: Amounts falling due after more than one year	14		(35,130,017)		(36,603,761)
Provisions for liabilities					
Pension provision	23		<u>(200,000)</u>		<u>(248,000)</u>
Total net assets			<u>5,242,059</u>		<u>4,839,170</u>
Capital and reserves					
Share capital	18		185		213
Revenue reserves	19		<u>5,241,874</u>		<u>4,838,957</u>
			<u>5,242,059</u>		<u>4,839,170</u>

The financial statements were approved and authorised for issue by the Management Committee on 14th August 2018 and were signed on its behalf by:

The notes on pages 14 to 34 form part of these financial statements.

Statement of Changes in Reserves
For the year ended 31 March 2018

	Share capital	Income and Expenditure Reserve	Total
	£	£	£
Balance at 1 April 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 as at 31 March 2017	213	4,838,957	4,839,170
Issued in the year	4	-	4
Cancelled in the year	(32)	-	(32)
Surplus for the year	-	402,917	402,917
Balance at 31 March 2018	185	5,241,874	5,242,059

Statement of Cashflows
For the year ended 31 March 2018

	Note	2018 £	2017 £
Net cash generated from operating activities	20	915,992	1,089,635
CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of tangible fixed assets		(300,393)	(330,467)
Proceeds from sale of tangible fixed assets		107,494	27,742
Grant repaid		(44,494)	(59,899)
Interest received		1,138	819
NET CASH USED IN INVESTING ACTIVITIES		<u>(236,255)</u>	<u>(361,805)</u>
CASH FLOW FROM FINANCING ACTIVITIES			
Interest paid		(283,672)	(306,626)
Repayments of borrowings		(312,877)	(307,295)
NET CASH USED IN FINANCING ACTIVITIES		<u>(596,549)</u>	<u>(613,921)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS		83,188	113,909
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		<u>2,391,026</u>	<u>2,277,117</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	20	<u>2,474,214</u>	<u>2,391,026</u>

**Notes to the Financial Statements
For the year ended 31 March 2018****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 which is the functional currency of the Association. Monetary amounts in these financial statements are rounded to the nearest £.

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 £205k for the next 4 years has been discounted at a rate of 1.51% amounting to a net present value of £200k at 31 March 2018.

**Notes to the Financial Statements
For the year ended 31 March 2018****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 Association's business activities, together with the factors likely to affect its future development, performance and position are set out within the Strategic Objectives and Financial Review.

The Association's financial projections demonstrate that the Association has sufficient financial resources to ensure that it meets its commitments in the short, medium and longer term. Therefore, the Management Committee believes that the Association is well placed to manage its business risks successfully despite the current uncertain economic outlook.

The Management Committee has a reasonable expectation that the Association has adequate resources to continue in operational existence for the foreseeable future. For this reason, the going concern basis has been adopted in these 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 which is dormant.

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 2018

1. Principal accounting policies (continued)

Housing Properties (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.

Assets under construction

Assets in the course of construction are carried at cost, less any identified impairment loss. Cost includes professional fees and other directly attributable costs that are necessary to bring the property to its operating condition. Depreciation commences when the properties are ready for their intended use.

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
Lighting	– over 15 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 2018****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.

**Notes to the Financial Statements
For the year ended 31 March 2018**

1. Principal accounting policies (continued)

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.

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 2018

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

	2018				2017			
	Turnover	Operating Costs	Gain in respect of pension scheme	Operating Surplus 31 March 2018	Turnover	Operating Costs	Gain in respect of pension scheme	Operating Surplus 31 March 2017
	£	£	£	£	£	£	£	£
Affordable Lettings (Note 3)	3,307,037	2,701,384	-	605,653	3,316,895	2,613,956	-	702,939
Other activities (Note 4)	94,533	37,964	-	56,569	104,887	57,846	-	47,041
Remeasurement gain in respect of pension scheme (note 23)	-	-	2,000	2,000	-	-	336,000	336,000
Total	<u>3,401,570</u>	<u>2,739,348</u>	<u>2,000</u>	<u>664,222</u>	<u>3,421,782</u>	<u>2,671,802</u>	<u>336,000</u>	<u>1,085,980</u>

Notes to the Financial Statements
For the year ended 31 March 2018

3. Particulars of income and expenditure from affordable letting

	General Needs Housing £	Supported Housing £	Shared Ownership £	2018 Total £	2017 Total £
Income from lettings					
Rent receivable net of identifiable service charges	1,769,541	180,336	22,595	1,972,472	1,941,944
Service charges receivable	23,874	157,473	-	181,347	177,831
Gross rents receivable	1,793,415	337,809	22,595	2,153,819	2,119,775
Less: rent losses from voids	(4,462)	(3,121)	-	(7,583)	(14,393)
Net rents receivable	1,788,953	334,688	22,595	2,146,236	2,105,382
Grants released from deferred income	1,035,449	116,489	8,863	1,160,801	1,211,513
Total income from affordable letting	2,824,402	451,177	31,458	3,307,037	3,316,895
Expenditure on affordable letting activities					
Service costs	23,167	138,761	-	161,928	175,451
Management and maintenance administration costs	538,397	60,269	6,027	604,693	588,484
Planned and cyclical maintenance including major repairs costs	189,779	3,879	-	193,658	183,067
Reactive maintenance costs	267,528	8,712	-	276,240	208,835
Bad debts – rents and service charges	26,189	-	-	26,189	16,083
Depreciation of affordable housing	1,290,247	139,404	9,025	1,438,676	1,442,036
Operating costs of affordable letting	2,335,307	351,025	15,052	2,701,384	2,613,956
Operating Surplus on affordable letting activities 2018	489,095	100,152	16,406	605,653	
Operating Surplus on affordable letting activities 2017	609,396	81,537	12,006		702,939

Notes to the Financial Statements for the year ended 31 March 2018

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) 2018 £	Operating surplus/ (deficit) 2017 £
Agency Services	-	-	-	6,569	6,569	-	(6,569)	-	-
Factoring	-	-	-	6,262	6,262	-	(6,262)	-	-
Commercial rents	-	-	-	59,375	59,375	-	-	59,375	47,000
Stage 3 Adaptations	20,000	-	-	-	20,000	-	(23,574)	(3,574)	(1,124)
Tenant participation	-	-	-	1,559	1,559	-	(1,559)	-	-
Big Lottery funding	-	-	-	-	-	-	-	-	733
Other income	-	-	-	768	768	-	-	768	432
Total from other activities 2018	<u>20,000</u>	<u>-</u>	<u>-</u>	<u>74,533</u>	<u>94,533</u>	<u>-</u>	<u>(37,964)</u>	<u>56,569</u>	
Total from other activities 2017	<u>23,109</u>	<u>-</u>	<u>-</u>	<u>81,868</u>	<u>104,887</u>	<u>-</u>	<u>(57,846)</u>		<u>47,041</u>

Notes to the Financial Statements
For the year ended 31 March 2018

5. Employees

	2018	2017
	Number	Number
The average monthly number of full time equivalent persons (including key management personnel) employed during the year was:		
Office and management /administration	7	10
	<u>7</u>	<u>10</u>
	2018	2017
	£	£
Staff costs for the above persons were:		
Wages and salaries	191,369	228,073
Social security costs	13,687	17,275
Other pension costs	19,713	20,251
Temporary, agency and seconded staff	13,000	-
	<u>235,769</u>	<u>265,599</u>

Severance pay of £8,000 (2017: £nil) was paid during the year.

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 and recharged via a management charge.

6. Gain / (loss) on disposal of fixed assets

	2018	2017
	£	£
Net sales proceeds – housing property	37,494	28,700
Cost of sales	(59,480)	(60,865)
	<u>(21,986)</u>	<u>(32,165)</u>
Loss on sale of housing stock	(21,986)	(32,165)
Deficit on disposal of components	(9,648)	(4,699)
Gain on sale of other fixed assets	33,501	-
	<u>1,867</u>	<u>(36,864)</u>

7. Interest payable and financing costs

	2018	2017
	£	£
Interest arising on:		
On bank loans and overdrafts	280,672	292,626
Defined benefit pension charge (note 23)	3,000	14,000
	<u>283,672</u>	<u>306,626</u>

Interest incurred in the development period of housing properties which has been written off to the Income and Expenditure account amounted to £nil (2017: £nil).

Notes to the Financial Statements
For the year ended 31 March 2018

8. Operating surplus	2018	2017
	£	£
The operating surplus is stated after charging/(crediting):		
Depreciation of housing properties	1,438,676	1,442,036
Depreciation of other tangible fixed assets	5,364	7,858
	<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	11,900	12,250
Other services:		
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 2018

9. Tangible Fixed Assets	Housing properties held for letting £	Completed shared ownership properties £	Total £
(a) Housing properties			
Cost			
As at 1 April 2017	56,556,224	625,900	57,182,124
Additions	53,512	-	53,512
Disposals	(113,409)	-	(113,409)
As at 31 March 2018	56,496,327	625,900	57,122,227
Depreciation			
As at 1 April 2017	16,753,110	250,360	17,003,470
Charge for year	1,429,651	9,025	1,438,676
Disposals	(44,281)	-	(44,281)
As at 31 March 2018	18,138,480	259,385	18,397,865
Net book value			
As at 31 March 2018	38,357,847	366,515	38,724,362
As at 31 March 2017	39,803,114	375,540	40,178,654

Additions to housing properties included capitalised development administration costs of £781 (2017: £8,212) of which development allowances of £nil (2017: £nil) were received in respect of these costs and capitalised.

The aggregate amount of capitalised interest included in housing properties is £nil (2017 £nil).

Major repairs in the year amounted to £74,781 (2017: £238,415). Of the total £52,731 (2017: £195,809) was capitalised and related to replacement of components with enhancements of £nil (2017: £nil). The remaining £22,050 (2017: £42,606) was charged to the statement of comprehensive income.

Notes to the Financial Statements
For the year ended 31 March 2018

9. Tangible Fixed Assets (continued)

	Estates equipment £	Office premises £	Furniture & equipment £	Assets under construction £	Total £
(b) Other tangible assets					
Cost / Valuation					
As at 1 April 2017	11,824	76,163	122,393	-	210,380
Additions	-	-	7,080	239,801	246,881
Revaluation	-	19,362	-	-	19,362
Disposals	-	(70,000)	-	-	(70,000)
Transfer	-	(25,525)	-	25,525	-
As at 31 March 2018	11,824	-	129,473	265,326	406,623
Aggregate depreciation					
As at 1 April 2017	11,360	33,501	115,137	-	159,998
Charge for year	464	-	4,900	-	5,364
Disposals	-	(33,501)	-	-	(33,501)
As at 31 March 2018	11,824	-	120,037	-	131,861
Net book value					
As at 31 March 2018	-	-	9,436	265,326	274,762
As at 31 March 2017	464	42,662	7,256	-	50,382

During the year, the market value with vacant possession of the office premises was stated to be £70,000 by RICS registered valuers DVS Property Specialists for the Public Sector. The office premises subsequently formed part of an excambion agreement in exchange for a development site with an equal market value. This development site is recognised in Assets Under Construction and is currently being developed into new office premises

Notes to the Financial Statements
For the year ended 31 March 2018

10. Investment Properties

	2018 £	2017 £
At 1 April 2017	950,000	720,000
Additions at cost	-	94,411
Revaluation gains	-	135,589
	<u>950,000</u>	<u>950,000</u>
At 31 March 2018	<u>950,000</u>	<u>950,000</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 ended 31 March 2017, 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 was revalued to this amount in the 2016/17 financial statements.

There has been no valuation during the year ended 31 March 2018 and the Management Committee believe there is no material change in the value of these properties in the year.

11. Investments in subsidiaries

	2018 £	2017 £
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 2018 were as follows:

	Cordale Property Services Limited	
	2018 £	2017 £
Capital and reserves	<u>(2,400)</u>	<u>3,002</u>
(Loss) for the year	<u>(5,501)</u>	<u>(22,310)</u>

Cordale Property Services Limited has not traded during the year apart from incurring the costs of winding up previous trading activities.

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

Notes to the Financial Statements
For the year ended 31 March 2018

12. Debtors	2018 £	2017 £
Arrears of rent and service charges	122,999	98,431
Less: Provision for doubtful debts	(41,728)	(36,034)
	<u>81,271</u>	<u>62,397</u>
Other debtors	55,168	36,415
Amounts due from group undertakings	-	4,464
	<u>136,439</u>	<u>103,276</u>

Arrears of rent and service charges includes technical arrears of £38,779 (2017: £26,747).

13. Creditors – amounts falling due within one year	2018 £	2017 £
Loans (note 17)	322,275	315,991
Trade creditors	1,043	224
Rent in advance	67,453	73,375
Other taxation and social security	3,825	5,258
Amounts due to group undertakings	68,713	58,706
Other creditors	198,523	153,855
Deferred capital grants (note 15)	1,160,801	1,211,513
Accruals and deferred income	165,168	163,585
	<u>1,987,801</u>	<u>1,982,507</u>

At the balance sheet date there were pension contributions outstanding of £6,327 (2017: £7,063).

14. Creditors – amounts falling due after more than one year	2018 £	2017 £
Loan (note 17)	7,568,608	7,887,769
Deferred capital grants (note 15)	27,561,409	28,715,992
	<u>35,130,017</u>	<u>36,603,761</u>

Notes to the Financial Statements
For the year ended 31 March 2018

15. Deferred capital grant	2018 £	2017 £
As at 1 April 2017	29,927,505	31,198,917
Grant repaid during the year	(44,494)	(59,899)
Capital grant released during the year	(1,160,801)	(1,211,513)
	<u>28,722,210</u>	<u>29,927,505</u>
As at 31 March 2018	<u>28,722,210</u>	<u>29,927,505</u>
Amounts to be released within one year	1,160,801	1,211,513
Amounts to be released in more than one year	27,561,409	28,715,992
	<u>28,722,210</u>	<u>29,927,505</u>
16. Financial instruments	2018 £	2017 £
Financial assets:		
Debt instruments measured at amortised cost	136,439	103,276
	<u>136,439</u>	<u>103,276</u>
Financial liabilities:		
Measured at amortised cost	8,324,330	8,580,130
	<u>8,324,330</u>	<u>8,580,130</u>

Notes to the Financial Statements
For the year ended 31 March 2018

17. Debt analysis - Borrowings

	2018 £	2017 £
Creditors: amounts falling due within one year:		
Bank loans	322,275	315,991
	<u>322,275</u>	<u>315,991</u>
Creditors: amounts falling due after one year:		
Bank loans	7,568,608	7,887,769
	<u>7,568,608</u>	<u>7,887,769</u>
	<u>7,890,883</u>	<u>8,203,760</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 (2017: £3.2m) bear average fixed-rate coupons 5.45% per annum (2017: 5.45% per annum) and £4.7m (2017: £5.0m) variable rate loans bear average variable-rate coupons of 1.82% above LIBOR (2017: 1.78% above LIBOR). The Association makes quarterly interest payments on all bank borrowings.

Bank borrowings of £7.9m (2017: £8.2m) are secured by specific charges against the Association's housing properties.

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

	2018 £	2017 £
Within one year	322,275	315,991
Between one and two years	327,839	317,330
Between two and five years	1,024,723	987,081
In five years or more	6,216,046	6,583,358
	<u>7,890,883</u>	<u>8,203,760</u>

Notes to the Financial Statements
For the year ended 31 March 2018

18. Share capital	2018	2017
	£	£
Shares of £1 each issued and fully paid		
At 1 April 2017	213	253
Issued in the year	4	3
Cancelled in the year	(32)	(43)
	<hr/>	<hr/>
At 31 March 2018	185	213
	<hr/>	<hr/>

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.

19. Reserves
Reserves of the Company represent the following:

Revenue Reserve
The cumulative surplus / deficit.

20. Notes to the cash flow statement	2018	2017
	£	£
Reconciliation of surplus to net cash inflow from activities		
Surplus for the year	402,917	878,898
Adjustments for non-cash items:		
Depreciation of tangible fixed assets	1,444,040	1,449,894
Amortisation of capital grant	(1,160,801)	(1,211,513)
Fair value gains on investment properties	-	(135,589)
Fair value gains on other fixed asset	(19,362)	-
(Gain)/loss on disposal of fixed assets	(1,867)	36,864
Interest received	(1,138)	(819)
Interest payable	283,672	306,626
Shares issued	4	3
Shares cancelled	(32)	(43)
	<hr/>	<hr/>
Operating cash flows before movement in working capital	947,433	1,324,321
(Increase)/decrease in trade and other debtors	(33,163)	4,847
Increase in trade and other creditors	49,722	135,467
(Decrease) in provisions	(48,000)	(375,000)
	<hr/>	<hr/>
Cash generated from operations	915,992	1,089,635
	<hr/>	<hr/>

Notes to the Financial Statements
For the year ended 31 March 2018

20. Notes to the cash flow statement (continued)		2018	2017
		£	£
Cash and Cash Equivalents			
Cash at bank		2,384,644	2,328,218
Short-term deposits		66,968	51,021
Loan servicing account		22,602	11,787
		<u>2,474,214</u>	<u>2,391,026</u>
21 a) Housing stock		2018	2017
The number of units of accommodation in management at the year end was:		Number	Number
General needs - New build		405	406
- Rehabilitation		61	61
Shared ownership		11	11
Supported housing		40	40
		<u>517</u>	<u>518</u>
21 b) Investment properties			
Office		-	1
Other		3	3
		<u>3</u>	<u>4</u>

During the year ended 31 March 2018 the office premises were exchanged in an excambion agreement for a development site with an equal market value. This development site is being used for the construction of new office premises. Other investment properties comprise the community hall, medical centre and pharmacy.

22. Related party transactions

V Hamilton, G Kemsley, P Morris, M Walker, E Buckley, P Rowan and J Bell, Management Committee members are also tenants of the Association. Their tenancies are on normal commercial terms. During the year £23,073 (2017: £15,384) of rent was receivable from these tenant members. At the year-end there were £408 (2017: £1,130) of rent arrears due from these tenant members and £124 (2017: £nil) of rent in advance due to 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, the Association owed Caledonia Housing Association Limited, the Association's 100% parent, a net amount of £47,885 (2017: £50,121) in respect of management fees services and also owed Bellsmyre Housing Association Limited, a member of the Caledonia Housing Association Group, a net amount £828 (2017: £4,121) in respect of expenditure paid on the Association's behalf.

Notes to the Financial Statements
For the year ended 31 March 2018

22. Related party transactions (continued)

During the year the association paid £45,000 (2017: £45,000) to Caledonia Housing Association Limited in respect of management fees. The Association received £6,569 (2017: £10,687) from Caledonia Housing Association Limited in respect of agency services provided.

23. 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.

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)

Unless a concession has been agreed with the Trustee the term to 28 February 2022 applies.

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 2018

23. Retirement benefit obligations (continued)

PRESENT VALUES OF PROVISION

	31 March 2018 (£000s)	31 March 2017 (£000s)	31 March 2016 (£000s)
Present value of provision	200	248	623

RECONCILIATION OF OPENING AND CLOSING PROVISIONS

	Period Ending 31 March 2018 (£000s)	Period Ending 31 March 2017 (£000s)
Provision at start of period	248	623
Unwinding of the discount factor (interest expense)	3	14
Deficit contribution paid	(49)	(53)
Remeasurements - impact of any change in assumptions	(2)	7
Remeasurements - amendments to the contribution schedule	-	(343)
Provision at end of period	200	248

INCOME AND EXPENDITURE IMPACT

	Period Ending 31 March 2018 (£000s)	Period Ending 31 March 2017 (£000s)
Interest expense	3	14
Remeasurements – impact of any change in assumptions	(2)	7
Remeasurements – amendments to the contribution schedule	-	(343)
Contributions paid in respect of future service*	18	20
Costs recognised in income and expenditure account	19	302

*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 2018 % per annum	31 March 2017 % per annum	31 March 2016 % per annum
Rate of discount	1.51	1.06	2.29

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 2018

24. 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 £1,820,072 (2017: £2,422,476). At this time there is no intention to leave the scheme.

25. Capital commitments

	2018	2017
Capital expenditure contracted for but not provided in the financial statements	<u>1,255,897</u>	<u>1,300,000</u>

26. Controlling party

The Association is a wholly owned subsidiary of Caledonia Housing Association.

Caledonia Housing Association is the smallest and largest company for which consolidated accounts including Cordale Housing Association are prepared. 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.