

CORDALE HOUSING ASSOCIATION LIMITED

REPORT AND FINANCIAL STATEMENTS

For the year ended 31 March 2020

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 2020**

	Page
Management Committee, Executives and Advisers	1
Report of the Management Committee	2
Independent Auditor's Report to the Members of Cordale Housing Association	8
Report by the Auditors to the Members of Cordale Housing Association on Corporate Governance Matters	10
Statement of Comprehensive Income	11
Statement of Financial Position	12
Statement of Changes in Reserves	13
Statement of Cashflows	14
Notes to the Financial Statements	15

Management Committee, Executives and Advisers

The Management Committee present their report and audited Financial Statements for the year to 31 March 2020.

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

V Hamilton
L Keegan (resigned 13 May 2020)
S Kelly (appointed 21 January 2020 and resigned 3 September 2020)
G Logan
M McCallion (Chair)
A Overend
C Paton (appointed 11 August 2020)
L Peters
M Walker (Vice Chair)
G Wilson

Secretary

L Grubb

Executive Officer

Julie Cosgrove

Registered Office

118 Strathern Road
Broughty Ferry
DD5 1JW
118

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 2020****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, the Registered Social Landlords Determination of Accounting Requirements 2019 and the Statement of Recommended Practice for Registered Social Landlords 2018. 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 2020**

- 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.
- A detailed review of the Group's governance arrangements was undertaken during the year ahead of the Group's first annual assurance statement being submitted to the Scottish Housing Regulator. A continuous improvement plan has been developed, though no major weaknesses were identified or reported to the regulator.

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 2020. 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 (2019: 517) 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 benefits 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. On 1 April 2020, all employees of Cordale HA transferred their employment to Caledonia HA, although the same local presence is maintained within 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 2020****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.

The Group has a strong commitment to investing in its homes and delivering a programme of new housing development. The Association contributes to these initiatives through its own ambitious plans to develop new homes at the Dalquhurn site and this project, for which funding was secured during the year, is a key focus for the Association.

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 resources. This involves using our resources and Group 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 £669k (2019: £673k) and a net surplus of £790k (2019: £113k). This increase is due to an actuarial gain made on the Scottish Housing Association Pension Scheme (SHAPS) pension liability resulting in a £432k decrease in the liability, of which £391k is recognised as an actuarial gain in the Statement of Comprehensive Income. In the prior year there was an aggregate charge of £269k to the Statement of Comprehensive Income. There is no cash impact of these gains and losses. The new defined benefit liability as at 31 March 2020 is £nil (2019: £432k). The accounting gain recognised in the current year is disregarded for the purposes of calculating loan covenant compliance.

Included in operating costs are sums for reactive, cyclical and planned maintenance of £495k (2019: £490k). 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. Cordale is also required to depreciate its housing properties and retained surpluses are calculated after providing £1.4m (2019: £1.4m) for depreciation.

At 31 March 2020 the Association's total reserves amounted to £6.14m (2019: £5.35m), an increase of £790k (2019: £113k). 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.

**Report of the Management Committee
For the year ended 31 March 2020**

Going Concern

In response to the ongoing public health crisis, the associated restrictions on the Association’s activities and the economic uncertainties which the coronavirus pandemic has introduced, the Management Committee and the Executive Officers have undertaken a careful analysis and review of the financial position and cash flow projections of the Association and its longer term financial outlook. Our business plan projections now incorporate revised and more prudent assumptions on levels of rent voids and rent arrears which negatively impact the Association’s projected income. The impact of these revised assumptions has been offset through a rescheduling of the Association’s planned investment programme which will ensure the Association continues to comply with all lenders’ financial covenants. The Management Committee is satisfied, on the basis of stress testing and scenario planning, that it remains appropriate to prepare the accounts on a going concern basis.

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
The failure of financial controls	<ul style="list-style-type: none"> - Comprehensive rent setting policy and procedures - Treasury management policy with detailed delegated authorities - Detailed sensitivity analysis carried out on long term projections - Competitive tendering of all material expenditure - Budget monitoring processes in place - Regular internal audit - Stress testing of financial model to assess risks associated with the coronavirus pandemic - Active engagement with the Group’s principal lenders
Failure of the Group’s Health & Safety Procedures (including Fire Safety)	<ul style="list-style-type: none"> - Health, Safety and Wellbeing Advisor appointed to co-ordinate health and safety activities across the Group - Appointment of a specialist third party as competent Health & Safety officer - Group Health and Safety Policy and procedure manuals in place - Comprehensive policies, procedures and working practices in place for the business activities carried out across the Group - Health and safety advice, training and advice provided for the Group staff team - Risk assessments in place for key areas of activity across the Group and reviewed on a rolling programme basis - Comprehensive Health & Safety Action Plans in place across the Group - Key health and safety issues considered by the Executive Team on a monthly basis and the Health and Safety Committee on a quarterly basis - All new homes designed and constructed to Building Standards current at the time of construction, which includes Fire Safety - Fire detection equipment is installed in all homes and offices and regularly checked and maintained in accordance with Building Standards - Continuous monitoring of changes to legislation and regulation - Fire Risk Assessment programme in place and carried out on a regular basis by independent consultants to ensure all elements of fire safety are considered

**Report of the Management Committee
For the year ended 31 March 2020**

Risk	Mitigation
Failure of the Group's Health & Safety Procedures (including Fire Safety) (contd.)	<ul style="list-style-type: none"> - Transition planning to support a safe return to working from our office locations which were vacated in response to the coronavirus pandemic
The failure of business continuity systems	<ul style="list-style-type: none"> - Comprehensive Group Business Continuity Policy and procedures in place covering key areas of operation - Business continuity training provided to staff teams - Testing of the Group's business continuity systems carried out annually - Assessment of the Group's response to Covid-19 and steps taken to maintain critical services
Failure to apply the Asset Management Strategy	<ul style="list-style-type: none"> - Asset Management Report prepared for specific projects prior to significant investment and re-modelling - Asset Management Strategy approved by Management Committee in June 2019, subject to tenant consultation - Planned investment, including any stock re-modelling and works to comply with EESSH, based on analysis of stock condition information and built into five year budget projections - Phased investment programme approved by Management Committee to maximise investment whilst recognising risks to income in the current environment
Failure of Groups ICT systems	<ul style="list-style-type: none"> - All data and processing held and carried out at an off-site tier 3 data centre - Fully independent links established between area offices and the data centre - Comprehensive back-up and system monitoring procedures in place - Operational policies and procedures relating to ICT activities in place - Annual ICT action plan in place at departmental level - ICT team within the organisational structure supported by third party specialist ICT service providers - ICT Strategy implementation to be supported by specialist ICT consultants
Failure to comply with the requirements of data protection legislation and freedom of information requirements	<ul style="list-style-type: none"> - Comprehensive staff training on the requirements of the legislation - Data Protection Officer services provided by external consultant - Data held within a tier 3 data centre and subject to high levels of security and virus protection - Data Protection, CCTV and Document Retention Policies in place - All Group entities currently clearing out historic data that is no longer required - Operational policies and procedures relating to data protection activities in place - Operational policies and procedures relating to FOI being developed - Development of Group electronic document management system

**Report of the Management Committee
For the year ended 31 March 2020**

Risk	Mitigation
Failure to plan effectively for the UK's withdrawal from the European Union UK's withdrawal from the European	<ul style="list-style-type: none"> - Continuous monitoring of the political process and emerging legislation - Discussions amongst management team and governing body of key implications - Discussions with professional advisers and our regulator on likely impacts and responses - Ongoing monitoring of wider environment to identify risks and mitigation - Brexit resilience considered as part of business planning process

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	2019/20 Actual	2018/19 Actual
• Void Loss	<0.5%	0.13%	0.35%
• Re-let Performance	<10 days	8.3 days	8.9 days
• Arrears Performance	<3.75%	5.4%	5.2%
• Profitability – Operating surplus	>25%	28.9%	28.2%
• Financial Covenant - Interest Cover	>150%	216.4%	220.2%
• Financial Covenant - Gearing	<30%	12.6%	13.3%

Indicators in line with Annual Return on Charter ('ARC') definitions were set for the year to 31 March 2020 based on historic and benchmark material and the variance against target will be used to inform our control mechanisms and targets in future years. It is pleasing to note that the majority of our performance indicators are sitting within targets set. However arrears performance remains above target due to the rollout of universal credit in the West Dunbartonshire area. We are confident that increased tenancy support will control this situation though it is acknowledged that the current economic environment represents new risks in this area.

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:

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 2020 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 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 2020 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 – February 2019.

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 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.

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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CORDALE HOUSING ASSOCIATION**Responsibilities of the Board**

As explained more fully in the Board responsibilities statement set out on page 2, 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 2020**

	Notes	2020		2019	
		£	£	£	£
Turnover	2		3,586,934		3,458,860
Operating expenditure	2		(2,838,725)		(2,747,074)
Loss on sale of fixed assets			<u>(78,719)</u>		<u>(39,261)</u>
Operating surplus	7		669,490		672,525
Gain on revaluation of investment property	9	5,000		-	
Interest receivable		6,728		3,872	
Interest and financing costs	6	<u>(281,965)</u>	(270,237)	<u>(294,683)</u>	(290,811)
Surplus for the year			<u>399,253</u>		<u>381,714</u>
Other comprehensive income					
Initial recognition of multi-employer defined benefit scheme	21		-		(226,000)
Actuarial gain/(loss) in respect of pension scheme	21		<u>391,000</u>		<u>(43,000)</u>
Total comprehensive income for the year			<u>790,253</u>		<u>112,714</u>

All amounts relate to continuing activities.

The notes on pages 15 to 35 form part of these Financial Statements.

**Statement of Financial Position
As at 31 March 2020**

	Notes	2020		2019	
		£	£	£	£
Fixed assets					
Housing properties	8(a)		36,742,049		37,708,604
Other fixed assets	8(b)		1,748,782		1,735,330
Investment properties	9		955,000		950,000
Investments in subsidiaries	10		100		100
			<u>39,445,931</u>		<u>40,394,034</u>
Current assets					
Trade and other debtors	11	164,686		134,891	
Cash and cash equivalents		<u>2,814,332</u>		<u>983,855</u>	
		2,979,018		1,118,746	
Current liabilities					
Creditors: Amounts falling due within one year	12	<u>(2,118,089)</u>		<u>(2,057,964)</u>	
Net current assets / (liabilities)			<u>860,929</u>		<u>(939,218)</u>
Total assets less current liabilities			<u>40,306,860</u>		<u>39,454,816</u>
Creditors: Amounts falling due after more than one year	13		(34,161,909)		(33,668,106)
Provisions for liabilities					
Pension – defined benefit liability	21		-		(432,000)
Total net assets			<u>6,144,951</u>		<u>5,354,710</u>
Capital and reserves					
Share capital	16		110		122
Revenue reserves	17		6,144,841		5,354,588
			<u>6,144,951</u>		<u>5,354,710</u>

The Financial Statements were approved and authorised for issue by the Management Committee on
and were signed on its behalf by:

The notes on pages 15 to 35 form part of these Financial Statements.

**Statement of Changes in Reserves
For the year ended 31 March 2020**

	Share capital £	Income and expenditure reserve £	Total £
Balance at 1 April 2018	185	5,241,874	5,242,059
Issued in the year	6	-	6
Cancelled in the year	(69)	-	(69)
Total comprehensive income for the year	-	112,714	112,714
Balance as at 31 March 2019	122	5,354,588	5,354,710
Issued in the year	1	-	1
Cancelled in the year	(13)	-	(13)
Total comprehensive income for the year	-	790,253	790,253
Balance at 31 March 2020	110	6,144,841	6,144,951

Statement of Cashflows
For the year ended 31 March 2020

	Notes	2020 £	2019 £
Net cash generated from operating activities	18	1,009,280	1,027,070
CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of tangible fixed assets		(592,506)	(1,908,290)
Proceeds from sale of tangible fixed assets		-	1,900
Grant received		2,015,280	-
Interest received		6,728	3,872
NET CASH FROM/(USED IN) INVESTING ACTIVITIES		1,429,502	(1,902,518)
CASH FLOW FROM FINANCING ACTIVITIES			
Interest paid		(281,965)	(294,683)
Repayments of borrowings		(326,340)	(320,228)
NET CASH (USED IN) FINANCING ACTIVITIES		(608,305)	(614,911)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		1,830,477	(1,490,359)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		983,855	2,474,214
CASH AND CASH EQUIVALENTS AT END OF YEAR	18	2,814,332	983,855

**Notes to the Financial Statements
For the year ended 31 March 2020****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 118 Strathern Road, Broughty Ferry, DD5 1JW.

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 2018 "Statement of Recommended Practice for Registered Housing Providers" and they comply with the Determination of Accounting Requirements 2019, and under the historical cost convention.

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
- Defined benefit pension obligation – see defined benefit pension scheme
- Gain or loss on sale of housing properties is deemed to be part of operating activities

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 Review of Business and Future Developments and Financial Review also includes a review of the financial position of the Association, its cash flows, liquidity position and borrowing facilities. It also reports on the Association's response and resilience in respect of the current health crisis and resulting economic uncertainties.

The Association has a healthy cash position, and during the year put in place a £4m fully secured undrawn lending facility to finance its development programme. The Association's financial projections, including stress testing in response to the coronavirus pandemic, 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.

**Notes to the Financial Statements
For the year ended 31 March 2020****1. Principal accounting policies (continued)**

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.

Housing properties

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

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.

**Notes to the Financial Statements
For the year ended 31 March 2020**

1. Principal accounting policies (continued)

Capitalisation of development overheads and interest

Directly attributable development administration costs and interest up to the date of practical completion 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

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	-	60 years
Furniture and equipment	-	3 – 5 years
Estates equipment	-	3 years

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.

**Notes to the Financial Statements
For the year ended 31 March 2020****1. Principal accounting policies (continued)**

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. 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.

Cash and cash equivalents

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.

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.

**Notes to the Financial Statements
For the year ended 31 March 2020****1. Principal accounting policies (continued)***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.

Pension**Defined benefit pension scheme**

The Association is a member of the Scottish Housing Association Pension Scheme, a defined benefit pension scheme. The Association recognises its share of assets and liabilities in these financial statements. The scheme assets are measured at fair value. Scheme liabilities are measured on an actuarial basis using the projected unit credit method and are discounted at appropriate high-quality corporate bond rates. The current service cost and costs from settlements and curtailments are charged against operating surplus.

Past service costs are recognised in the current reporting period within the income and expenditure account. Interest is calculated on the net defined benefit liability. Remeasurements and actuarial gains or losses are reported in other comprehensive income.

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.

Notes to the Financial Statements
For the year ended 31 March 2020

2. Particulars of turnover, cost of sales, operating costs and operating surplus

	2020				2019			
	Turnover £	Operating costs £	Loss on sale of fixed assets £	Operating surplus / (deficit) 31 March 2020 £	Turnover £	Operating costs £	Loss on sale of fixed assets £	Operating surplus / (deficit) 31 March 2019 £
Affordable lettings (Note 3)	3,432,888	(2,755,519)	-	677,369	3,360,031	(2,700,104)	-	659,927
Other activities (Note 4)	154,046	(83,206)	-	70,840	98,829	(46,970)	-	51,859
Loss on sale of fixed assets	-	-	(78,719)	(78,719)	-	-	(39,261)	(39,261)
Total	<u>3,586,934</u>	<u>(2,838,725)</u>	<u>(78,719)</u>	<u>699,490</u>	<u>3,458,860</u>	<u>(2,747,074)</u>	<u>(39,261)</u>	<u>672,525</u>

Notes to the Financial Statements
For the year ended 31 March 2020

3. Particulars of income and expenditure from affordable letting

	General needs housing £	Supported housing £	Shared ownership £	2020 Total £	2019 Total £
Income from lettings					
Rent receivable net of identifiable service charges	1,863,562	190,179	23,831	2,077,572	2,029,750
Service charges receivable	25,214	166,068	-	191,282	186,826
Gross rents receivable	1,888,776	356,247	23,831	2,268,854	2,216,576
Less: rent losses from voids	(2,303)	(728)	-	(3,031)	(7,783)
Net rents receivable	1,886,473	355,519	23,831	2,265,823	2,208,793
Grants released from deferred income	1,041,711	116,491	8,863	1,167,065	1,151,238
Total income from affordable letting	2,928,184	472,010	32,694	3,432,888	3,360,031
Expenditure on affordable letting activities					
Service costs	20,365	153,427	-	173,792	164,209
Management and maintenance administration costs	600,671	64,049	6,405	671,125	577,852
Planned and cyclical maintenance including major repairs costs	223,694	4,581	-	228,275	233,880
Reactive maintenance costs	246,177	20,211	321	266,709	255,698
Bad debts – rents and service charges	2,046	726	-	2,772	50,802
Depreciation of affordable housing	1,264,422	139,399	9,025	1,412,846	1,417,663
Operating costs of affordable letting	2,357,375	382,393	15,751	2,755,519	2,700,104
Operating Surplus on affordable letting activities 2020	570,809	89,617	16,943	677,369	
Operating Surplus on affordable letting activities 2019	541,926	98,068	19,933		659,927

Notes to the Financial Statements for the year ended 31 March 2020

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) 2020 £	Operating surplus/ (deficit) 2019 £
Agency services	-	-	-	6,932	6,932	-	(6,932)	-	-
Factoring	-	-	-	7,079	7,079	-	(7,079)	-	-
Commercial rents	-	-	-	59,375	59,375	-	-	59,375	59,375
Stage 3 adaptations	39,710	-	-	-	39,710	-	(23,621)	16,089	(5,421)
Tenant participation	-	-	-	-	-	-	(4,624)	(4,624)	(2,095)
Other activities	-	40,950	-	-	40,950	-	(40,950)	-	-
Total from other activities 2020	39,710	40,950	-	73,386	154,046	-	(83,206)	70,840	
Total from other activities 2019	20,000	5,132	-	73,697	98,829	-	(46,970)		51,859

**Notes to the Financial Statements
For the year ended 31 March 2020**

5. Employees	2020 Number	2019 Number
The average monthly number of full time equivalent persons (including key management personnel) employed during the year was:		
Office and management /administration	<u>5</u>	<u>7</u>
	2020 £	2019 £
Staff costs for the above persons were:		
Wages and salaries	135,502	167,695
Social security costs	12,785	12,124
Other pension costs	13,373	15,737
Temporary, agency and seconded staff	13,052	62,218
	<u>174,712</u>	<u>257,774</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 staff employed by the Association; all staff are employed by Caledonia Housing Association and recharged via a management charge.

6. Interest payable and financing costs	2020 £	2019 £
Interest arising on:		
On bank loans and overdrafts	278,695	287,126
Defined benefit pension charge (note 21)	10,000	11,000
Less: interest capitalised on housing properties under construction	(6,730)	(3,443)
	<u>281,965</u>	<u>294,683</u>

Interest incurred in the development period of housing properties which has been capitalised in the year to 31 March 2020 amounted to £6,730 (2019: £3,443).

7. Operating surplus	2020 £	2019 £
The operating surplus is stated after charging:		
Depreciation of housing properties	1,412,846	1,417,663
Depreciation of other tangible fixed assets	54,044	4,656
	<u>1,466,890</u>	<u>1,422,319</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	<u>11,850</u>	<u>12,480</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 2020**

8.	Tangible fixed assets	Housing properties held for letting £	Under construction £	Completed shared ownership properties £	Total £
(a)	Housing properties				
	Cost				
	As at 1 April 2019	56,397,551	155,220	625,900	57,178,671
	Additions	375,475	149,145	-	524,620
	Disposals	(382,942)	-	-	(382,942)
	As at 31 March 2020	<u>56,390,084</u>	<u>304,365</u>	<u>625,900</u>	<u>57,320,349</u>
	Depreciation				
	As at 1 April 2019	19,201,657	-	268,410	19,470,067
	Charge for year	1,403,821	-	9,025	1,412,846
	Disposals	(304,613)	-	-	(304,613)
	As at 31 March 2020	<u>20,300,865</u>	<u>-</u>	<u>277,435</u>	<u>20,578,300</u>
	Net book value				
	As at 31 March 2020	<u>36,089,219</u>	<u>304,365</u>	<u>348,465</u>	<u>36,742,049</u>
	As at 31 March 2019	<u>37,195,894</u>	<u>155,220</u>	<u>357,490</u>	<u>37,708,604</u>

Additions to housing properties included capitalised development administration costs of £12,228 (2019: £nil) of which development allowances of £nil (2019: £nil) were received in respect of these costs and capitalised.

The aggregate amount of capitalised interest included in housing properties is £6,730 (2019 £3,443).

Major repairs in the year amounted to £439,049 (2019: £306,234). Of the total £363,247 (2019: £287,846) was capitalised and related to replacement of components with enhancements of £97,551 (2019: £nil). The remaining £63,574 (2019: £18,388) was charged to the statement of comprehensive income.

**Notes to the Financial Statements
For the year ended 31 March 2020**

8. Tangible fixed assets (continued)

	Estates equipment £	Office premises £	Furniture & equipment £	Total £
(b) Other tangible assets				
Cost / Valuation				
As at 1 April 2019	9,924	1,728,643	131,380	1,869,947
Additions	-	57,006	10,880	67,886
Disposals	(9,924)	-	(15,641)	(25,565)
Transfer	-	(50,080)	50,080	-
As at 31 March 2020	<u>-</u>	<u>1,735,569</u>	<u>176,699</u>	<u>1,912,268</u>
Aggregate depreciation				
As at 1 April 2019	9,924	-	124,693	134,617
Charge for the year	-	28,926	25,118	54,044
Disposals	(9,924)	-	(15,251)	(25,175)
As at 31 March 2020	<u>-</u>	<u>28,926</u>	<u>134,560</u>	<u>163,486</u>
Net book value				
As at 31 March 2020	<u>-</u>	<u>1,706,643</u>	<u>42,139</u>	<u>1,748,782</u>
As at 31 March 2019	<u>-</u>	<u>1,728,643</u>	<u>6,687</u>	<u>1,735,330</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 was being used for the construction of new office premises which has been completed. Other investment properties comprise the community hall, medical centre and pharmacy.

9. Investment properties

	2020 £	2019 £
At 1 April 2019	950,000	950,000
Revaluation gains	5,000	-
At 31 March 2020	<u>955,000</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 and July 2019 the 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 and revalued in July 2019 to £175,000 by Jones Lang LaSalle Limited, the £5,000 revaluation gain has been recognised in the Statement of Comprehensive Income in the year.

**Notes to the Financial Statements
For the year ended 31 March 2020**

10.	Investments in subsidiaries	2020	2019
		£	£
	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 2020 were as follows:

	Cordale Property Services Limited	
	2020	2019
	£	£
Capital and reserves	<u>(2,400)</u>	<u>(2,400)</u>
Result for the year	<u>-</u>	<u>-</u>

Cordale Property Services Limited has not traded during the year.

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.

11.	Debtors	2020	2019
		£	£
	Arrears of rent and service charges	123,560	141,055
	Less: Provision for doubtful debts	<u>(70,765)</u>	<u>(72,096)</u>
		52,795	68,959
	Other debtors	111,891	34,429
	Amounts due from group undertakings	-	31,503
		<u>164,686</u>	<u>134,891</u>

**Notes to the Financial Statements
For the year ended 31 March 2020**

12. Creditors – amounts falling due within one year	2020	2019
	£	£
Loans (note 15)	334,527	322,283
Trade creditors	-	4,834
Rent in advance	132,981	93,309
Other taxation and social security	1,895	3,978
Amounts due to group undertakings	95,192	56,438
Other creditors	220,688	224,782
Deferred capital grants (note 14)	1,167,065	1,151,238
Accruals and deferred income	165,741	201,102
	<u>2,118,089</u>	<u>2,057,964</u>

At the balance sheet date there were pension contributions outstanding of £5,960 (2019: £6,356).

13. Creditors – amounts falling due after more than one year	2020	2019
	£	£
Loan (note 15)	6,909,788	7,248,372
Deferred capital grants (note 14)	27,252,122	26,419,734
	<u>34,161,910</u>	<u>33,668,106</u>

14. Deferred capital grant	2020	2019
	£	£
As at 1 April 2019	27,570,972	28,722,210
Additions	2,015,280	-
Capital grant released during the year	(1,167,065)	(1,151,238)
As at 31 March 2020	<u>28,419,187</u>	<u>27,570,972</u>
Amounts to be released within one year	1,167,065	1,151,238
Amounts to be released in more than one year	27,252,122	26,419,734
	<u>28,419,187</u>	<u>27,570,972</u>

Notes to the Financial Statements
For the year ended 31 March 2020

15. Debt analysis - Borrowings	2020	2019
	£	£
Creditors: amounts falling due within one year:		
Bank loans	<u>334,527</u>	<u>322,283</u>
	<u>334,527</u>	<u>322,283</u>
Creditors: amounts falling due after one year:		
Bank loans	<u>6,909,788</u>	<u>7,248,372</u>
	<u>6,909,788</u>	<u>7,248,372</u>
	<u><u>7,244,315</u></u>	<u><u>7,570,655</u></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 £3.0m (2019: £3.1m) bear average fixed-rate coupons 5.45% per annum (2019: 5.5% per annum) and £4.2m (2019: £4.5m) variable rate loans bear average variable-rate coupons of 1.82% above LIBOR (2019: 1.86% above LIBOR). The Association makes quarterly interest payments on all bank borrowings.

Bank borrowings of £7.2m (2019: £7.6m) are secured by specific charges against the Association's housing properties.

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

	2020	2019
	£	£
Within one year	334,527	322,283
Between one and two years	340,935	329,359
Between two and five years	1,069,060	1,033,887
In five years or more	5,499,793	5,885,126
	<u><u>7,244,315</u></u>	<u><u>7,570,655</u></u>

**Notes to the Financial Statements
For the year ended 31 March 2020**

16. Share capital	2020	2019
	£	£
Shares of £1 each issued and fully paid		
At 1 April 2019	122	185
Issued in the year	1	6
Cancelled in the year	(13)	(69)
At 31 March 2020	<u>110</u>	<u>122</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.

17. Reserves

Reserves of the Company represent the following:

Revenue Reserve

The cumulative surplus / deficit.

18. Notes to the cash flow statement	2020	2019
	£	£
Reconciliation of surplus to net cash inflow from activities		
Surplus for the year	790,253	112,714
Adjustments for non-cash items:		
Depreciation of tangible fixed assets	1,466,890	1,422,319
Amortisation of capital grant	(1,167,065)	(1,151,238)
Fair value gains on Investment Property	(5,000)	-
Loss / (gain) on disposal of fixed assets	78,719	39,261
Interest received	(6,728)	(3,872)
Interest payable	281,965	294,683
Shares issued	1	6
Shares cancelled	(13)	(69)
Operating cash flows before movement in working capital	<u>1,439,022</u>	<u>713,804</u>
(Increase) / Decrease in trade and other debtors	(29,795)	1,548
Increase in trade and other creditors	32,053	79,718
(Decrease) / Increase in provisions	(432,000)	232,000
Cash generated from operations	<u>1,009,280</u>	<u>1,027,070</u>
	2020	2019
	£	£
Cash and cash equivalents		
Cash at bank	2,720,007	879,547
Short-term deposits	79,417	74,275
Loan servicing account	14,908	30,033
	<u>2,814,332</u>	<u>983,855</u>

**Notes to the Financial Statements
For the year ended 31 March 2020**

18. Notes to the cash flow statement (continued)

Net debt reconciliation

	1 April 2019	Cashflow	Other Non- cash movements	31 March 2020
Cash at bank and in hand	983,855	1,830,477	-	2,814,332
Bank Loan	(322,283)	322,283	(334,527)	(334,527)
Debt due within 1 year	<u>(322,283)</u>	<u>322,283</u>	<u>(334,527)</u>	<u>(334,527)</u>
Bank Loan	(7,248,372)	-	338,585	(6,909,787)
Debt due after 1 year	<u>(7,248,372)</u>	<u>-</u>	<u>338,585</u>	<u>(6,909,787)</u>
Total net debt	<u>(6,586,800)</u>	<u>2,152,760</u>	<u>4,058</u>	<u>(4,429,982)</u>

19a) Housing stock	2020 £	2019 £
The number of units of accommodation in management at the year end was:		
General needs - New build	405	405
- Rehabilitation	61	61
Shared ownership	11	11
Supported housing	40	40
	<u>517</u>	<u>517</u>
19b) Investment properties		
Other	3	3
Total	<u>3</u>	<u>3</u>

**Notes to the Financial Statements
For the year ended 31 March 2020****20. Related party transactions**

During the year, three Management Committee members were also tenants of the Association. Their tenancies are on normal commercial terms. The amount of rent receivable from tenant members for the year ended 31 March 2020 was £9,402 (2019: £22,937). During the year, one tenant ceased to be a member of the Management Committee and at the year-end there were £685 (2019: £413) of rent arrears due from two tenant members and £nil (2019: £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 £95,192 (2019: £56,438) in respect of management charges, salaries and administration expenses incurred. At the year end Bellsmyre Housing Association owed the Association £nil (2019: £31,494) in respect of administration expenses incurred.

During the year the Association paid £304,779 (2019: £77,862) to Caledonia Housing Association Limited in respect of management fees and recharged salary costs. The Association received £6,932 (2019: £6,779) from Caledonia Housing Association Limited in respect of agency services provided.

21. Pensions

The company participates in the Scottish Housing Associations' Pension Scheme (the Scheme), a multi-employer scheme which provides benefits to some 150 non-associated employers. The Scheme is a defined benefit scheme in the UK. 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 last triennial valuation of the scheme for funding purposes was carried out as at 30 September 2015. This valuation revealed a deficit of £198m. A Recovery Plan has been put in place to eliminate the deficit which runs to 28 February 2022 for the majority of employers, although certain employers have different arrangements. 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.

Under the defined benefit pension accounting approach, the SHAPS net deficit as at 1 April 2019 was £432k and is £nil as at 31 March 2020 as the liability was transferred to Caledonia Housing Association in the year to match the transfer of staff.

**Notes to the Financial Statements
For the year ended 31 March 2020**

21. Pensions (continued)

Present values of defined benefit obligation, fair value of assets and defined benefit asset (liability)

	2020 (£000's)	2019 (£000's)
Fair value of plan assets	2,071	1,718
Present value of defined benefit obligation	(1,997)	(2,150)
Unrecognised surplus	(74)	-
Defined benefit (liability)	<u>-</u>	<u>(432)</u>

Reconciliation of the impact of the asset ceiling

	2020 (£000's)	2019 (£000's)
Impact of asset ceiling at start of period	-	-
Effect of asset ceiling included in net interest cost	-	-
Actuarial losses on asset ceiling	74	-
Impact of asset ceiling at end of period	<u>74</u>	<u>-</u>

Reconciliation of opening and closing balances of the defined benefit obligation

	2020 (£000's)	2019 (£000's)
Defined benefit obligation at start of period	2,150	2,029
Current service cost	-	-
Expenses	2	2
Interest expense	51	53
Contributions by plan participants	-	-
Actuarial losses (gains) due to scheme experience	107	(79)
Actuarial (gains) losses due to changes in demographic assumptions	(12)	5
Actuarial (gains) losses due to changes in financial assumptions	(282)	159
Benefits paid and expenses	(19)	(19)
Liabilities acquired in a business combination	-	-
Liabilities extinguished on settlements	-	-
Losses (gains) on curtailments	-	-
Losses (gains) due to benefit changes	-	-
Exchanges rate changes	-	-
Defined benefit obligation at end of period	<u>1,997</u>	<u>2,150</u>

**Notes to the Financial Statements
For the year ended 31 March 2020**

21. Pensions (continued)

Reconciliation of opening and closing balances of the fair value of plan assets

	2020 (£000's)	2019 (£000's)
Fair value of plan assets start of period	1,718	1,603
Interest Income	41	42
Experience on plan assets (excluding amounts included in interest income) – gain (loss)	278	42
Contributions by the employer	53	50
Contributions by plan participants	-	-
Benefits paid and expenses	(19)	(19)
Exchange rate changes	-	-
	<u>2,071</u>	<u>1,718</u>

The actual return on the plan assets (including any changes in share of assets) over the period ended 31 March 2020 was £319,000.

Defined benefit costs recognised in statement of other comprehensive income (SOCl)

	2020 (£000's)	2019 (£000's)
Current service cost	-	-
Expenses	2	2
Net interest expense	10	11
	<u>12</u>	<u>13</u>

Defined benefit costs recognised in other comprehensive income

	2020 (£000's)	2019 (£000's)
Experience on plan assets (excluding amounts included in net interest cost) – gain	278	42
Experience gains and losses arising on the plan liabilities – (loss) gain	(107)	79
Effects of changes in the demographic assumptions underlying the present value of the defined benefit obligation – gain (loss)	12	(5)
Effects of changes in the financial assumptions underlying the present value of the defined obligation – gain (loss)	282	(159)
Total actuarial gains and losses (before restriction due to some of the surplus not being recognisable) – gain (loss)	465	(43)
Effects of changes in the amount of surplus that is not recoverable (excluding amounts included in net interest cost) - (loss)	(74)	-
Total amount recognised in other comprehensive income – gain (loss)	<u>391</u>	<u>(43)</u>

Notes to the Financial Statements
For the year ended 31 March 2020

21. Pensions (continued)

Assets	2020 (£000's)	2019 (£000's)
Global Equity	285	276
Absolute Return	127	146
Distressed Opportunities	38	29
Credit Relative Value	50	30
Alternative Risk Premia	166	96
Fund of Hedge Funds	-	5
Emerging Markets Debt	74	55
Risk Sharing	66	50
Insurance-Linked Securities	55	45
Property	39	34
Infrastructure	122	72
Private Debt	41	22
Opportunistic Illiquid Credit	50	-
Corporate Bond Fund	151	120
Liquid Credit	54	-
Long Lease Property	51	21
Secured Income	115	60
Over 15 Year Gilts	26	44
Index Linked All Stock Gilts	-	-
Liability Driven Investment	545	611
Net Current Assets	16	2
Total assets	2,071	1,718

None of the fair values of the assets shown above include any direct investments in the employer's own financial instruments or any property occupied by, or other assets used by, the employer.

Key assumptions	2020 % per annum	2019 % per annum
Discount Rate	2.33%	2.38%
Inflation (RPI)	2.51%	3.23%
Inflation (CPI)	1.51%	2.23%
Salary Growth	2.51%	3.23%
Allowance for commutation of pension cash at retirement	75% of maximum allowance	75% of maximum allowance

The mortality assumptions adopted at 31 March 2020 imply the following life expectancies:

	Life expectancy at age 65 (Years)
Male retiring in 2020	21.5
Female retiring in 2020	23.2
Male retiring in 2040	22.8
Female retiring in 2040	24.5

**Notes to the Financial Statements
For the year ended 31 March 2020**

22. Capital commitments	2020	2019
Capital expenditure authorised by the Board but not contracted	<u>12,569,459</u>	<u>12,701,780</u>

23. 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.