

Registered Housing Association No.HAC 231
FCA Reference No. 2374R(S)
Scottish Charity No. SC036607

For the year ended 31st March 2013

Report and Financial Statements

Cernach Housing Association Limited

ALEXANDER
SUTHERLAND

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MANAGEMENT COMMITTEE, EXECUTIVES AND ADVISERS
YEAR ENDED 31st MARCH 2013

MANAGEMENT COMMITTEE

Resigned February 2013
Vice Chairperson
Secretary
Chairperson

Resigned May 2013
Resigned August 2012
Resigned July 2013
Resigned August 2012

Resigned August 2012
Resigned August 2012
Resigned August 2012

Removed June 2013

Appointed June 2012
Appointed August 2012 - Resigned December 2012
Appointed June 2013
Appointed June 2013
Appointed June 2013

EXECUTIVE OFFICER

Jean Thomson

Director

REGISTERED OFFICE

79 Airgold Drive
Drumchapel
Glasgow
G15 7HF

AUDITORS

Alexander Sloan
Chartered Accountants
38 Cadogan Street
Glasgow
G2 7HF

BANKERS

Bank of Scotland
789 Dumbarton Road
Clydebank
G81 4BY

SOLICITORS

Harper McLeod
The Cad'oro
45 Gordon Street
Glasgow
G1 3PE

FINANCE AGENT

FMD Financial Services
KCEDG Commercial Centre
Ladyloan Place
Drumchapel
Glasgow

The Management Committee presents its report and the Financial Statements for the year ended 31st March 2013.

Legal Status

The Association is a registered non-profit making organisation under the Industrial and Provident Societies Act 1965 No.2374R(S). The Association is constituted under its Rule Book. The Association is a registered Scottish Charity with the charity number SC036607.

Principal Activities

The principal activities of the Association are the provision and management of affordable rented accommodation.

Review of Business and Future Developments

The Members of the Management Committee are of the opinion that the state of affairs of the Association is satisfactory. The surplus for the year after taxation was £974,438 (2012 - £687,492). The transfer to Designated Reserves amounted to £730,830 (2012 - £515,619). Net assets now stand at £3,663,914 (2012 - £2,689,484).

During the year we progressed construction works for a new build housing development to be built on the site at Dunkenny Road, which previously accommodated dilapidated tenements demolished prior to the stock transfer by Glasgow Housing Association. This project upon its completion in February 2013 provided a mixture of 22 cottage flats and semi detached houses and associated parking.

This year has seen the Association devoting considerable staff resources to reach out to tenants affected by welfare reforms. Our allocation policy was reviewed to provide 50% of our allocations to internal transfer to enable tenants to move to housing more suited to their needs. Greater priority has been given to under occupancy to help tenants whose income was reduced as a consequence of the bedroom tax reduction from their housing benefit entitlement. The year ahead will see the Association carrying out a staff structure review to identify areas where resources could be deployed to give greater assistance to tenants to sustain their tenancies and where necessary increase staff resources to combat the impact of welfare reforms on our income.

Our repairs policy was revised this year to improve the response times for non emergency repairs from a 5 day response time to 3 days. In terms of housing quality overall, with the exception of 5 properties where owners failed to participate in the controlled entry installation programme, all of the Association's housing stock is fully compliant with the requirements of the SHQS.

Our community development work continued this year with the delivery of a Gala Day in the summer, a Xmas party and a Tea Dance towards the year end. This will continue in the year ahead with plans for a Gala Day and a Community Conference already underway and a commitment to providing other community events prioritised by the Community Development Focus Group before the year end.

The Association has been an Investors in People employer since March 2000 and attained Bronze Status in March 2012. This year has saw us work with Investors in People to develop plans for a further review with the aim of attaining the prestigious Investors in People Gold Status March 2014.

The members of the Management Committee and the Executive Officers are listed on Page 1.

Each member of the Management Committee holds one fully paid share of £1 in the Association. The Executive Officers hold no interest in the Association's share capital and, although not having the legal status of Directors, they act as Executives 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.

Statement of Management Committee's Responsibilities

The Industrial and Provident Societies Acts 1965 to 2002 require 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 of the Association for that period. In preparing those Financial Statements, the Management Committee is required to:-

- select suitable accounting policies and then apply them consistently;
- make judgments 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;
- prepare the Financial Statements on the going concern basis unless it is inappropriate to presume that the Association will continue in business;
- prepare a statement on Internal Financial Control.

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 Industrial and Provident Societies Act 1965 to 2002, the Housing (Scotland) Act 2010 and the Determination of Accounting Requirements 2012. 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. It is also responsible for ensuring the Association's suppliers are paid promptly.

The Management Committee must in determining how amounts are presented within items in the income and expenditure account and balance sheet, have regard to the substance of the reported transaction or arrangement, in accordance with generally accepted accounting practices.

In so far as the Management Committee are aware:

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

Statement on Internal Financial Control

The Management Committee acknowledges its 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;
- 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 mis-statement 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 Association's assets;

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;

- formal procedures have been established for instituting appropriate action to correct any weaknesses identified through internal or external audit reports.

Donations

During the year the Association made charitable donations amounting to £868.

Auditors

A resolution to re-appoint the Auditors, Alexander Sloan, Chartered Accountants, will be proposed at the Annual General Meeting.

By order of the Management Committee
David Unett

DAVID UNETT

Secretary
31 July 2013

**REPORT BY THE AUDITORS TO THE MANAGEMENT COMMITTEE OF
CERNACH HOUSING ASSOCIATION LIMITED
ON CORPORATE GOVERNANCE MATTERS**

In addition to our audit of the Financial Statements, we have reviewed your statement on Page 4 concerning the Association's compliance with the information required by the section on Internal Financial Control within SFHA's publication "Raising Standards in Housing".

Basis of Opinion

We carried out our review having regard to the requirements relating to corporate governance matters within Bulletin 2006/5 issued by the Auditing Practices Board. 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 reasons given for non-compliance.

Opinion

In our opinion the Statement on Internal Financial Control on page 4 has provided the disclosures required by the section on Internal Financial Control within SFHA's publication "Raising Standards in Housing" and is consistent with the information which came to our attention as a result of our audit work on the Financial Statements.

Through enquiry of certain members of the Management Committee and Officers of the Association, and examination of relevant documents, we have satisfied ourselves that the Management Committee's Statement on Internal Financial Control appropriately reflects the Association's compliance with the information required by the section on Internal Financial Control within SFHA's "Raising Standards in Housing".



ALEXANDER SLOAN

Chartered Accountants

GLASGOW

31 July 2013

We have audited the financial statements of Cernach Housing Association Limited for the year ended 31st March 2013 which comprise an income and expenditure account, balance sheet, cash flow statement and related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the Association's members, as a body, in accordance with Section 9 of the Friendly and Industrial and Provident Societies Act 1968. 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 auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Association and the Association's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective Responsibilities of Management Committee and Auditors

As explained more fully in the Statement of Management Committee's Responsibilities the Association's Management Committee, are responsible for the preparation of the Financial Statements that give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit on the Financial Statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Association's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Management Committee; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Management Committee's report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications of our report.

Opinion on the financial statements

In our opinion the Financial Statements:

- give a true and fair view of the state of the Association's affairs as at 31st March 2013 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been properly prepared in accordance with the Industrial and Provident Societies Acts 1965 to 2002, the Housing (Scotland) Act 2010 and the Determination of Accounting Requirements 2012.

Matters on which we are required to report by exception

We are required to report to you if, in our opinion:

- the information given in the Management Committee's Report is inconsistent with the financial statements.
- proper books of account have not been kept by the Association in accordance with the requirements of the legislation.
- a satisfactory system of control over transactions has not been maintained by the Association in accordance with the requirements of the legislation.

Matters on which we are required to report by exception (contd.)

- the Income and Expenditure Account to which our report relates, and the Balance Sheet are not in agreement with the books of the Association.

- we have not received all the information and explanations necessary for the purposes of our audit.

We have nothing to report in respect of these matters.



ALEXANDER SLOAN
Chartered Accountants
Statutory Auditors
GLASGOW
31 July 2013

INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED 31st MARCH 2013

	Notes	£	£	£
		2013	2012	2012
TURNOVER		2,750,942	2,595,396	
Operating Costs		(1,680,618)	(1,778,262)	
OPERATING SURPLUS		1,070,324	817,134	
Gain On Sale Of Housing Stock	7.	2,970	-	
Release of Negative Goodwill	25.	62,300	56,337	
Interest Receivable and Other Income		34,064	15,878	
Interest Payable and Similar Charges	8.	(195,220)	(201,857)	
SURPLUS ON ORDINARY ACTIVITIES BEFORE TAXATION		(95,886)	(129,642)	
Tax on surplus on ordinary activities	10.	-	-	
SURPLUS ON ORDINARY ACTIVITIES AFTER TAXATION		974,438	687,492	
Total gains recognised since last annual report		974,438	1,307,211	
Surplus for the financial year		974,438	687,492	
Prior year adjustment		-	619,719	
Total gains recognised since last annual report		974,438	1,307,211	

All amounts relate to continuing activities. All recognised surpluses and deficits have been included in the Income & Expenditure Account. Historical cost surpluses and deficits are identical to those shown in the accounts.

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

	£	£
	2013	2012
Surplus for the financial year	974,438	687,492
Prior year adjustment	-	619,719
Total gains recognised since last annual report	974,438	1,307,211


CERNACH HOUSING ASSOCIATION LIMITED

BALANCE SHEET AS AT 31st MARCH 2013

Notes	2013	2012
	£	£
TANGIBLE FIXED ASSETS		
Housing Properties - Depreciated Cost	31,767,786	29,913,246
Less: Social Housing Grant	(19,890,267)	(18,992,196)
: Other Public Grants	(1,024,457)	(1,024,457)
Other fixed assets	10,853,062	9,896,593
	575,385	595,095
	11,428,447	10,491,688
25.	(2,641,854)	(2,704,154)
CURRENT ASSETS		
Debtors	166,289	139,701
Cash at bank and in hand	3,609,713	1,960,073
	3,776,002	2,099,774
14.	(2,702,850)	(723,509)
CREDITORS: Amounts falling due within one year		
NET CURRENT ASSETS	1,073,152	1,376,265
TOTAL ASSETS LESS CURRENT LIABILITIES	9,859,745	9,163,799
CREDITORS: Amounts falling due after more than one year	(6,195,831)	(6,474,315)
NET ASSETS	3,663,914	2,689,484
CAPITAL AND RESERVES		
Share Capital	163	171
Designated Reserves	2,361,934	1,631,104
Revenue Reserves	1,301,817	1,058,209
	3,663,914	2,689,484

The Financial Statements were approved by the Management Committee and signed on their behalf on 31 July 2013.

Chairperson



Vice-Chairperson



Secretary



CERNACH HOUSING ASSOCIATION LIMITED
CASH FLOW STATEMENT FOR THE YEAR ENDED
31st MARCH 2013

Notes	2013	2012
	£	£
Net Cash Inflow from Operating Activities	1,286,963	1,187,032
Returns on Investment and Servicing of Finance	34,064	15,878
Interest Received	-	-
Interest Paid	(212,561)	(201,857)
Net Cash Outflow from Investment and Servicing of Finance	(178,497)	(185,979)
Capital Expenditure and Financial Investment	(2,119,279)	(453,166)
Acquisition and Construction of Properties	(15,382)	(5,338)
Purchase of Other Fixed Assets	899,288	164,964
Social Housing Grant Received	14,108	-
Proceeds on Disposal of Properties	-	-
Net Cash Outflow from Capital Expenditure and Financial Investment	(1,221,265)	(293,540)
Net Cash (Outflow) / Inflow before use of Liquid Resources and Financing	(112,799)	707,513
Financing	(271,661)	(259,518)
Loan Principal Repayments	27	34
Share Capital Issued	-	-
Net Cash Outflow from Financing	(271,634)	(259,484)
(Decrease) / Increase in Cash	(384,433)	448,029

Basis Of Accounting

The Financial Statements have been prepared in accordance with applicable Accounting Standards, the Statement of Recommended Practice - Accounting by Registered Social Landlords 2010, and on the historical cost basis. They also comply with the Determination of Accounting Requirements 2012. A summary of the more important accounting policies is set out below.

Turnover

Turnover represents rental and service charge income receivable, fees receivable and revenue grants

Retirement Benefits

The Association participates in the Scottish Housing Association Defined Benefits Pension Scheme and retirement benefits to employees of the Association are funded by the contributions from all participating employers and employees in the Scheme. Payments are made in accordance with periodic calculations by consulting Actuaries and are based on pension costs applicable across the various participating Associations taken as a whole.

Valuation Of Housing Properties

Housing Properties are stated at cost, less social housing and other public grants and less accumulated depreciation. Housing under construction and Land are not depreciated. The Association depreciates housing properties by major component on a straight line basis over the estimated useful economic lives of each identified component. All components are categorised as Housing Properties within note 11. Impairment reviews are carried out if events or circumstances indicate that the carrying value of the components listed below is higher than the recoverable amount.

Component Useful Economic Life

Structure	50 years
Electrics	30 years
Bathrooms	30 years
Internal Doors	30 years
Windows	25 years
Gutters	25 years
Central Heating	15 years
Boilers	15 years
Kitchens	15 years
Land	N/A

Depreciation And Impairment Of Other Fixed Assets

Other Fixed Assets are stated at cost less accumulated depreciation. Depreciation is charged on a straight line basis over the expected economic useful lives of the assets at the following annual rates:-

Office Premises
Furniture and Fittings

2%
10 - 25%

The carrying value of tangible fixed assets are reviewed for impairment in periods if events or changes in circumstances indicate the carrying value may not be recoverable.

Social Housing Grant And Other Grants In Advance/Arrears

Where developments have been financed wholly or partly by Social Housing Grant or other capital grant, the cost of those developments has been reduced by the amount of the grant receivable. The amount of the grants receivable is shown separately on the Balance Sheet.

Social Housing Grant attributed to individual components is written off to the Income and Expenditure Account when these components are replaced.

Social Housing Grant received in respect of revenue expenditure is credited to the Income and Expenditure Account in the same period as the expenditure to which it relates.

Although Social Housing Grant is treated as a grant for accounting purposes, it may nevertheless become repayable in certain circumstances, such as the disposal of certain assets. The amount repayable would be restricted to the net proceeds of sale.

Sales Of Housing Properties

First tranche Shared Ownership disposals are credited to turnover on completion. The cost of construction of these sales 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 fixed asset disposal and any gain and loss on disposal 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 is treated as a fixed asset investment, which is matched with the grant received.

Leases/Leased Assets
Costs in respect of operating leases are charged to the Income and Expenditure Account on a straight line basis over the lease term. Assets held under finance leases and hire purchase contracts are capitalised in the Balance Sheet and are depreciated over their useful lives.

Works to Existing Properties
The Association capitalises major repairs expenditure where these works result in an enhancement of economic benefits by increasing the net rental stream over 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.

Development Interest
Interest incurred on financing a development is capitalised up to the date of practical completion of the scheme.

Designated Reserves

The Association has designated part of its reserves to meet its long term obligations.
The Cyclical Maintenance Reserve has been designated to meet future repair and maintenance obligations which are cyclical in nature. These are carried out in accordance with a planned programme of works.

The Major Repairs Reserve is based on the Association's liability to maintain housing properties in a state of repair which at least maintains their residual values in prices prevailing at the time of acquisition and construction.

Property Development Cost

The proportion of the development cost of shared ownership properties expected to be disposed of as a first tranche sale is held in current assets until it is disposed of. The remaining part of the development cost is treated as a fixed asset. Surpluses made on the disposal of first tranche sales are taken to the Income and Expenditure Account in accordance with the Statement of Recommended Practice.

Property developments that are intended for resale are included in current assets until disposal.

Negative Goodwill

Negative goodwill created through transfer of engagements is written off to the Income and Expenditure account as the non-cash assets acquired are depreciated or sold.

CERNACH HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2013

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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) 2013 £	Operating Surplus /(Deficit) 2012 £
Wider Role Activities	12,400	-	-	-	12,400	-	22,434	(10,034)	(7,905)
Factoring	-	-	-	10,365	10,365	-	10,365	-	-
Welfare Rights Service	-	-	-	-	-	-	6,786	(6,786)	(7,663)
Other Income	9,229	-	-	-	9,229	-	8,739	490	-
Total From Other Activities	21,629	-	-	10,365	31,994	-	48,324	(16,330)	(15,568)
2012	30,000	-	-	13,571	43,571	4,147	54,992	(15,568)	

5. OFFICERS' EMOLUMENTS

The Officers are defined in s74 of the Industrial and Provident Societies Act 1965 as the members of the Management Committee, managers or servants of the Association.

	2013	2012
Aggregate Emoluments payable to Officers with Emoluments greater than £60,000 (excluding Pension Contributions)	63,582	62,198
Pension contributions made on behalf of Officers with emoluments greater than £60,000	5,905	5,752
Emoluments payable to Chief Executive (excluding pension contributions)	63,582	62,198

The number of Officers, including the highest paid Officer, who received emoluments (excluding pension contributions) over £60,000 was in the following ranges:-

	Number	Number
£60,001 to £70,000	1	1

6. EMPLOYEE INFORMATION

	2013	2012
The average monthly number of full time equivalent persons employed during the year was	11	11

Staff Costs were:

	£	£
Wages and Salaries	358,920	364,094
Social Security Costs	32,621	31,118
Other Pension Costs	47,992	48,936
	<u>439,533</u>	<u>444,148</u>

7. GAIN ON SALE OF HOUSING STOCK

	2013	2012
Sales Proceeds	£ 14,108	-
Cost of Sales	11,138	-
Gain On Sale Of Housing Stock	2,970	-

8. INTEREST PAYABLE

	2013	2012
On Bank Loans & Overdrafts	£ 212,561	£ 201,857
Less: Interest Capitalised	17,341	201,857
	195,220	201,857

Interest incurred in the development period of housing properties which has been written off to the income and expenditure account amounted to £nil (2012 £nil)

9. SURPLUS ON ORDINARY ACTIVITIES BEFORE TAXATION

	2013	2012
Surplus on Ordinary Activities before Taxation is stated after charging:	£ 304,817	£ 309,552
Depreciation - Tangible Owned Fixed Assets	7,200	8,500
Auditors' Remuneration - Audit Services (incl.VAT)		

10. TAX ON SURPLUS ON ORDINARY ACTIVITIES

The Association is a Registered Scottish Charity and is not liable to United Kingdom Corporation Tax on its charitable activities.

11. TANGIBLE FIXED ASSETS

a) Housing Properties		Housing Properties Held for Letting	Housing Properties in course of Construction	Owned Shared Properties	Total
		£	£	£	£
COST					
As at 1st April 2012	29,554,549	137,641	304,841	1,501,758	31,361,148
Additions	17,918,309	52,214	847,074	-	18,992,196
Disposals	(1,217)	-	-	-	(1,217)
Schemes Completed	1,012,038	(1,012,038)	-	-	-
As at 31st March 2013	1,512,359	-	-	204,629	1,716,988
DEPRECIATION					
As at 1st April 2012	1,253,948	-	-	193,954	1,447,902
Charge for Year	259,050	-	-	10,675	269,725
Disposals	(639)	-	-	-	(639)
As at 31st March 2013	1,512,359	-	-	204,629	1,716,988
SOCIAL HOUSING GRANT					
As at 1st April 2012	17,918,309	164,964	908,923	18,992,196	
Additions	52,214	847,074	-	-	899,288
Disposals	(1,217)	-	-	-	(1,217)
Schemes Completed	1,012,038	(1,012,038)	-	-	-
As at 31st March 2013	18,981,344	-	908,923	19,890,267	
OTHER CAPITAL GRANTS					
As at 1st April 2012	1,024,457	-	-	-	1,024,457
As at 31st March 2013	1,024,457	-	-	-	1,024,457
NET BOOK VALUE					
As at 31st March 2013	10,464,856	-	388,206	10,853,062	
As at 31st March 2012	9,357,835	139,877	398,881	9,896,593	

Additions to housing properties includes capitalised development administration costs of £nil (2012 - £nil) and capitalised major repair costs to existing properties of £29,303 (2012 £269,804)

All land and housing properties are freehold.

11. TANGIBLE FIXED ASSETS (Continued)

b) Other Tangible Assets		Office Premises & Furniture	Total
		£	£
COST			
As at 1st April 2012	611,829	421,197	1,033,026
Additions	-	15,382	15,382
As at 31st March 2013	611,829	436,579	1,048,408
GRANTS RECEIVED			
As at 1st April 2012	11,661	88,067	99,728
As at 31st March 2013	11,661	88,067	99,728
AGGREGATE DEPRECIATION			
As at 1st April 2012	69,987	268,216	338,203
Charge for year	11,643	23,449	35,092
As at 31st March 2013	81,630	291,665	373,295
NET BOOK VALUE			
As at 31st March 2013	518,538	56,847	575,385
As at 31st March 2012	530,181	64,914	595,095

12. CAPITAL COMMITMENTS

2013	2012
£	£
-	2,078,211

Capital Expenditure that has been contracted for but has not been provided for in the Financial Statements

The above commitments will be financed by a mixture of public grant, private finance and the Association's own resources.

13. DEBTORS

	2013	2012
Arrears of Rent & Service Charges	£ 148,150	£ 135,079
Less: Provision for Doubtful Debts	(74,413)	(74,413)
Other Debtors	73,737	60,666
	92,552	79,035
	<u>166,289</u>	<u>139,701</u>

14. CREDITORS: Amounts falling due within one year

	2013	2012
Bank Overdrafts (secured)	£ 2,034,073	-
Housing Loans	280,419	273,596
Trade Creditors	84,227	223,228
Rent in Advance	72,725	60,020
Other Taxation and Social Security	9,931	8,881
Other Creditors	144,569	143,897
Accruals and Deferred Income	76,906	13,887
	<u>2,702,850</u>	<u>723,509</u>

The bank overdraft is secured over 22 properties at Lochgoin Avenue

15. CREDITORS: Amounts falling due after more than one year

	2013	2012
Housing Loans	£ 6,195,831	£ 6,474,315
Housing Loans are secured by specific charges on the Association's housing properties and are repayable at varying rates of interest in instalments, due as follows:-		
Within one year	280,419	273,596
Between one and two years	295,800	285,419
Between two and five years	972,346	945,441
In five years or more	4,927,685	5,243,455
	<u>6,476,250</u>	<u>6,747,911</u>
Less: Amount shown in Current Liabilities	280,419	273,596
	<u>6,195,831</u>	<u>6,474,315</u>

16. CASH FLOW STATEMENT

<i>Reconciliation of operating surplus to net cash inflow from operating activities</i>		<i>Reconciliation of net cash flow to movement in net debt</i>	
2013	2012	2013	2012
Operating Surplus	1,070,324	(Decrease) / Increase in Cash	448,029
Depreciation	304,817	Cash flow from change in debt	259,518
Change in Debtors	(26,588)	Movement in net debt during year	707,547
Change in Creditors	(61,555)	Net debt at 1st April 2012	(4,787,838)
Share Capital Written Off	(35)	Net debt at 31st March 2013	(4,787,838)
Net Cash Inflow from Operating Activities	1,286,963		
		<i>Analysis of changes in net debt</i>	
		At	At
		£	£
		01.04.12	31.03.13
		£	£
		1,960,073	3,609,713
		1,649,640	3,609,713
		(2,034,073)	(2,034,073)
		(384,433)	1,575,640
		271,661	(280,419)
		-	(6,195,831)
		(6,474,315)	(4,900,610)
		(4,787,838)	(4,900,610)

17. SHARE CAPITAL

Shares of £1 each Issued and Fully Paid	At 1st April 2012	171
	Issued in year	27
	Cancelled in year	(35)
	At 31st March 2013	163

Each member of the Association holds one share of £1 in the Association. These shares carry no rights to dividend or distributions on a winding up. When a shareholder ceases to be a member, that person's share is cancelled and the amount paid thereon becomes the property of the Association. Each member has a right to vote at members' meetings.

18. RESERVES

(a) Designated Reserves		At 1st April 2012	At 31st March 2013
	Transfer to / (from) Revenue Reserves	125,000	125,000
		£	£
		1,506,104	2,236,934
	Major Repairs	730,830	730,830
		£	£
		1,631,104	2,361,934
	Total	£	£
		1,058,209	1,301,817
		974,438	(730,830)
	Surplus for the year		
	At 1st April 2012		
	Transfer (to) / from Designated Reserves		
	At 31st March 2013		

(b) Revenue Reserves		At 1st April 2012	At 31st March 2013
	Surplus for the year		
	Transfer (to) / from Designated Reserves		
	At 31st March 2013		

19. HOUSING STOCK

The number of units of accommodation in management at the year end was:-		2012	2013
	General Needs - New Build	317	339
	- Rehabilitation	458	458
	Shared Ownership	20	20
		795	817

20. RELATED PARTY TRANSACTIONS

Members of the Management Committee are related parties of the Association as defined by Financial Reporting Standard 8. The related party relationships of the members of the Management Committee is summarised as follows:

7 members are tenants of the Association
1 member is a factored owner

Those members that are tenants of the Association have tenancies that are on the Association's normal tenancy terms and they cannot use their positions to their advantage.

Governing Body Members cannot use their position to their advantage. Any transactions between the Association and any entity with which a Governing Body Member has a connection with is made at arm's length and is under normal commercial terms.

21. NEGATIVE GOODWILL

	As at 31st March 2013
2,641,854	Balance as at 1st April
(62,300)	Release during the year
2,704,154	
£	
2013	

22. RETIREMENT BENEFIT OBLIGATIONS

General
Cernach Housing Association Limited participates in the Scottish Housing Association Pension Scheme (the scheme).

The Scheme is a multi-employer defined benefit scheme. The Scheme is funded and is contracted out of the state scheme.

The Scheme offers five benefit structures to employers, namely:

- Final salary with a 1/60th accrual rate.
- Career average revalued earnings with a 1/60th accrual rate
- Career average revalued earnings with a 1/70th accrual rate
- Career average revalued earnings with a 1/80th accrual rate
- Career average revalued earnings with a 1/120th accrual rate, contracted in

An employer can elect to operate different benefit structures for their active members (as at the first day of April in any given year) and their new entrants. An employer can only operate one open benefit structure at any one time. An open benefit structure is one which new entrants are able to join.

Cernach Housing Association Limited has elected to operate the final salary with a 1/60th accrual rate benefit structure for active members as at 31st March 2008 and the final salary with a 1/60th accrual rate benefit structure for new entrants from 1st April 2008.

The Trustee commissions an actuarial valuation of the Scheme every three years. The main purpose of the valuation is to determine the financial position of the Scheme in order to determine the level of future contributions required, so that the Scheme can meet its pension obligations as they fall due. The actuarial valuation assesses whether the Scheme's assets at the valuation date are likely to be sufficient to pay the pension benefits accrued by members as at the valuation date. Asset values are calculated by reference to market values. Accrued pension benefits are valued by discounting expected future benefit payments using a discount rate calculated by reference to the expected future investment returns.

During the accounting period Cernach Housing Association Limited paid contributions at the rate of 9.6% of pensionable salaries. Member contributions were 9.6%.

As at the balance sheet date there were 5 active members of the Scheme employed by Cernach Housing Association Limited. The annual pensionable payroll in respect of these members was £254,469. Cernach Housing Association Limited continues to offer membership of the Scheme to its employees.

It is not possible in the normal course of events to identify the share of underlying assets and liabilities belonging to individual participating employers as the scheme is a multi-employer arrangement where the assets are co-mingled for investment purposes, benefits are paid from the total scheme assets, and the contribution rate for all employers is set by reference to the overall financial position of the scheme rather than by reference to individual employer experience. Accordingly, due to the nature of the Scheme, the accounting charge for the period under FRS17 represents the employer contribution payable.

22. RETIREMENT BENEFIT OBLIGATIONS (Continued)

The last formal valuation of the Scheme was performed as at 30th September 2012 by a professionally qualified actuary using the Projected Unit Credit method. The market value of the Scheme's assets at the valuation date was £394m. The valuation revealed a shortfall of assets compared with the value of liabilities of £304m (equivalent to a past service funding level of 56.4%).

Financial Assumptions

The key financial assumptions underlying the valuation as at 30th September 2012 were as follows:

	% p.a.
- Investment return pre-retirement	5.3
- Investment return post-retirement - non pensioners	3.4
- Investment return post-retirement - pensioners	3.4
- Rate of Salary increases	4.1
- Rate of price inflation RPI	2.6
CPI	2.0

The valuation was carried out using the SAPS (S1PA) All pensioners Year of Birth Long Cohort with 1% p.a. minimum improvement for non-pensioners and pensioners.

Valuation Results

The long-term joint contribution rates required from employers and members to meet the cost of future benefit accrual were assessed as:

<i>Long-term joint contribution rate (% of pensionable</i>	
<i>Benefit Structure</i>	
Final salary - 60ths	24.6
Career average 60ths	22.4
Career average 70ths	19.2
Career average 80ths	16.9
Career average 120ths	11.4

If an actuarial valuation reveals a shortfall of assets compared to liabilities the Trustee must prepare a recovery plan setting out the steps to be taken to make up the shortfall.

The trustees have recently supplied Cernach Housing Association Limited with an updated contribution figure to the past service deficit. From 1 April 2014 Cernach Housing Association Limited will be required to pay £75,804 per annum as a contribution to the past service deficit. This will represent an increase of 208% in Cernach Housing Association Limited's contribution to the past service deficit. The deficit contribution will increase each April by 3%.

As a result of Pension Scheme legislation there is a potential debt on the employer that could be levied by the Trustee of the Scheme. The debt is due in the event of the employer ceasing to participate in the Scheme or the Scheme winding up.

The debt for the Scheme as a whole is calculated by comparing the liabilities for the Scheme (calculated on a buyout basis i.e. the cost of securing benefits by purchasing annuity policies from an insurer, plus an allowance for expenses) with the assets of the Scheme. If the liabilities exceed assets there is a buy-out debt.

The leaving employer's share of the buy-out debt is the proportion of the Scheme's liability attributable to employment with the leaving employer compared to the total amount of the Scheme's liabilities (relating to employment with all the currently participating employers). The leaving employer's debt therefore includes a share of any "orphan" liabilities in respect of previously participating employers. The amount of the debt therefore depends on many factors including total Scheme liabilities, Scheme investment performance, the liabilities in respect of current and former employees of the employer, financial conditions at the time of the cessation event and the insurance buy-out market. The amounts of debt can therefore be volatile over time.