

Cernach Housing Association Limited

Report and Financial Statements

For the year ended 31st March 2014

Registered Housing Association No.HAC 231

FCA Reference No. 2374R(S)

Scottish Charity No. SC036607

CERNACH HOUSING ASSOCIATION LIMITED

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CERNACH HOUSING ASSOCIATION LIMITED

**MANAGEMENT COMMITTEE, EXECUTIVES AND ADVISERS
YEAR ENDED 31st MARCH 2014**

MANAGEMENT COMMITTEE

Susan McDonald MBE	Chairperson
Zandra Yeaman	Vice Chairperson
David Unett	Secretary
Poppy Livingston	
Rosemary McGill	
Tracy Bowie	
Beth Elliott	
Alan McNaught	
Steven McColl	
Charlie Richardson	Removed 30/10/13
Kirsty Bruce	Resigned 26/02/14
Stuart Elliot	Resigned 26/03/14
Janet McDougall	Resigned 29/05/13
Stephen Burrell	Resigned 31/07/13
Muriel Wylie	Removed 26/06/2013

EXECUTIVE OFFICERS

Jean Thomson	Director
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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 Ca'd'oro
45 Gordon Street
Glasgow
G1 3PE

FINANCE AGENTS

FMD Financial Services
KCEDG Commercial Centre
Ladyloan Place
Drumchapel
Glasgow

CERNACH HOUSING ASSOCIATION LIMITED

REPORT OF THE MANAGEMENT COMMITTEE FOR THE YEAR ENDED 31ST MARCH 2014

The Management Committee presents its report and the Financial Statements for the year ended 31st March 2014.

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 £1,094,783 (2013 £974,438). The transfer to Designated reserves amounted to £821,088 (2013 £730,830). Net assets now stand at £4,758,689 (2103 £3,663,914).

The year commenced with the Association reviewing our repairs policy to dispense with non emergency categories for repairs and in its place introduced one category for non emergency repairs with a target response time of 3 working days, unless the tenant requests a specific date beyond this date. We retained our response timescale for emergencies as make safe in 2 hours and complete in 24 hours.

The year saw 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. Resources were increased at the front line and reduced in the back office resulting in the creation of two new Housing Officer posts and the removal of the Corporate Services Management post from the structure.

From November 2013 the Association became part of a 'Pilot' delivering a 'Housing Options' approach to offer people personalised help to find a home that meets their needs and for those at risk of becoming homeless. Advice is provided to customers on all tenures suitable for their circumstances and can include owner occupation and private renting. The provision of housing advice is linked to advice on health, social care and employment with the aim of preventing homelessness or helping a customer secure a home either from the Association, another RSL, private landlord or owner occupation. Training was delivered to the Housing team to equip them to provide this service.

November 2013 also saw the Association attaining accreditation for the advice and information services that it provides demonstrating that the Association met the requirements of the Scottish National Standards for Information and Advice.

During February 2014 we appointed independent researchers to undertake a comprehensive tenant and factored owners satisfaction survey. High levels of satisfaction with Cernach as a landlord and factor were evidenced in the excellent results from this survey.

The year saw the Association investing in the upgrade of our CCTV system and extending the system to ensure our entire area of operation is covered by public space CCTV cameras, monitored 24 hours a day 7 days a week through the linkage to the Association office and Community Safety Glasgow.

REPORT OF THE MANAGEMENT COMMITTEE
FOR THE YEAR ENDED 31ST MARCH 2014

Review of Business and Future Developments (Contd)

Our community development work continued this year with the delivery of a Gala Day in the summer and a Xmas party. This will continue in the year ahead with plans for a Gala Day in July 2014, a Halloween party and a Pensioners Christmas Lunch.

The Association attained BRONZE standard in Investors in People in March 2012 and immediately embarked on a programme of work with Investors in People to develop plans for a further review with the aim of attaining the prestigious Investors in People Gold Status in 2014. A lot of hard work has been carried out to drive the Association forward and considerable steps have been taken to develop and invest in our people, which has resulted in a positive change in the whole culture of the Association. We are confident that we are meeting the GOLD Standard and seeking to demonstrate this to the Investors in People Assessor in the first quarter of the financial year commencing April 2014.

**REPORT OF THE MANAGEMENT COMMITTEE
FOR THE YEAR ENDED 31ST MARCH 2014**

Management Committee and Executive Officers

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.

REPORT OF THE MANAGEMENT COMMITTEE
FOR THE YEAR ENDED 31ST MARCH 2014

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

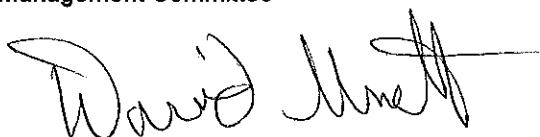
During the year the Association made charitable donations amounting to £350 (2013 £868).

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
Secretary
30 July 2014



CERNACH HOUSING ASSOCIATION LIMITED

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
30 July 2014

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF CERNACH HOUSING ASSOCIATION LIMITED

We have audited the financial statements of Cernach Housing Association Limited for the year ended 31st March 2014 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 and to identify any information that is apparently materially incorrect based on, or materially inconsistent with the knowledge acquired by us in the course of performing the audit. 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 2014 and of its surplus 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.

In our opinion the exemption granted by the Financial Services Authority from the requirement to prepare Group Accounts is applicable as the amounts involved are not material.

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.

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
CERNACH HOUSING ASSOCIATION LIMITED**

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

- 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.
- 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
30 July 2014

CERNACH HOUSING ASSOCIATION LIMITED

INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED 31st MARCH 2014

	Notes	2014 £	2013 £
TURNOVER	2.	2,959,591	2,750,942
Operating Costs	2.	<u>(1,752,786)</u>	<u>(1,680,618)</u>
OPERATING SURPLUS	9.	1,206,805	1,070,324
Gain On Sale Of Housing Stock	7.	409	2,970
Release of Negative Goodwill	21.	62,046	62,300
Interest Receivable and Other Income		35,895	34,064
Interest Payable and Similar Charges	8.	<u>(210,372)</u>	<u>(195,220)</u>
		<u>(112,022)</u>	<u>(95,886)</u>
SURPLUS ON ORDINARY ACTIVITIES BEFORE TAXATION		1,094,783	974,438
Tax on surplus on ordinary activities	10.	-	-
SURPLUS ON ORDINARY ACTIVITIES AFTER TAXATION		<u>1,094,783</u>	<u>974,438</u>

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.

CERNACH HOUSING ASSOCIATION LIMITED

BALANCE SHEET AS AT 31st MARCH 2014

	Notes	2014	2013
		£	£
TANGIBLE FIXED ASSETS			
Housing Properties - Depreciated Cost	11.(a)	31,656,615	31,767,786
Less: Social Housing Grant	11.(a)	(19,965,951)	(19,890,267)
: Other Public Grants	11.(a)	(1,024,457)	(1,024,457)
		<u>10,666,207</u>	<u>10,853,062</u>
Other fixed assets	11.(b)	747,560	575,385
		<u>11,413,767</u>	<u>11,428,447</u>
Negative Goodwill	21.	(2,579,808)	(2,641,854)
CURRENT ASSETS			
Debtors	13.	151,323	166,289
Cash at bank and in hand		3,047,871	3,609,713
		<u>3,199,194</u>	<u>3,776,002</u>
CREDITORS: Amounts falling due within one year	14.	(644,866)	(2,702,850)
NET CURRENT ASSETS		<u>2,554,328</u>	<u>1,073,152</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>11,388,287</u>	<u>9,859,745</u>
CREDITORS: Amounts falling due after more than one year	15.	(6,629,598)	(6,195,831)
NET ASSETS		<u><u>4,758,689</u></u>	<u><u>3,663,914</u></u>
CAPITAL AND RESERVES			
Share Capital	17.	155	163
Designated Reserves	18.(a)	3,183,022	2,361,934
Revenue Reserves	18.(b)	1,575,512	1,301,817
		<u>4,758,689</u>	<u>3,663,914</u>

The Financial Statements were approved by the Management Committee and signed on their behalf on 30 July 2014.





L. McDull *Chairperson* H. B. E. Ryan *Vice-Chairperson* David H. H. H. *Secretary*

CERNACH HOUSING ASSOCIATION LIMITED

CASH FLOW STATEMENT FOR THE YEAR ENDED
31st MARCH 2014

	Notes	2014 £	2013 £
Net Cash Inflow from Operating Activities	16.	1,519,681	1,286,963
Returns on Investment and Servicing of Finance			
Interest Received	35,895	34,064	
Interest Paid	(210,372)	(212,561)	
Net Cash Outflow from Investment and Servicing of Finance		(174,477)	(178,497)
Capital Expenditure and Financial Investment			
Acquisition and Construction of Properties	(217,202)	(2,119,279)	
Purchase of Other Fixed Assets	(208,779)	(15,382)	
Social Housing Grant Received	90,489	899,288	
Social Housing Grant Repaid	-	-	
Other Grants Received	-	-	
Proceeds on Disposal of Properties	11,335	14,108	
Proceeds on Disposal of Other Fixed Assets	-	-	
Net Cash Outflow from Capital Expenditure and Financial Investment		(324,157)	(1,221,265)
Net Cash Inflow / (Outflow) before use of Liquid Resources and Financing		1,021,047	(112,799)
Financing			
Loan Advances Received	1,268,000	-	
Loan Redemption Payments	-	-	
Loan Principal Repayments	(816,825)	(271,661)	
Share Capital Issued	9	27	
Net Cash Inflow / (Outflow) from Financing		451,184	(271,634)
Increase / (decrease) in Cash	16.	<u>1,472,231</u>	<u>(384,433)</u>

CERNACH HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2014

NOTES TO THE FINANCIAL STATEMENTS

1 PRINCIPAL ACCOUNTING POLICIES

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 receivable.

Retirement Benefits

The Association participates in the Scottish Housing Association Defined Benefit 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.

<i>Component</i>	<i>Useful Economic Life</i>
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

CERNACH HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2014

NOTES TO THE FINANCIAL STATEMENTS (Continued)

1 PRINCIPAL ACCOUNTING POLICIES (Continued.)

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	2%
Furniture and Fittings	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 a 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.

CERNACH HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2014

NOTES TO THE FINANCIAL STATEMENTS (Continued)

1 PRINCIPAL ACCOUNTING POLICIES (Continued.)

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 2014

NOTES TO THE FINANCIAL STATEMENTS (Continued)

2. PARTICULARS OF TURNOVER, COST OF SALES, OPERATING COSTS AND OPERATING SURPLUS

	Notes	2014			2013		
		Turnover £	Operating Costs £	Operating Surplus / (Deficit) £	Turnover £	Operating Costs £	Operating Surplus / (Deficit) £
Social Lettings	3.	2,904,405	1,689,572	1,214,833	2,718,948	1,632,294	1,086,654
Other Activities	4.	55,186	63,214	(8,028)	31,994	48,324	(16,330)
Total		2,959,591	1,752,786	1,206,805	2,750,942	1,680,618	1,070,324

3. PARTICULARS OF INCOME & EXPENDITURE FROM SOCIAL LETTINGS

	General Needs Housing £	Supported Housing £	Shared ownership £	2014 Total £	2013 Total £
Income from Lettings					
Rent Receivable Net of Identifiable Service Charges	2,821,609	-	34,974	2,856,583	2,676,569
Service Charges Receivable	27,084	-	3,967	31,051	31,161
Gross Rents Receivable	2,848,693	-	38,941	2,887,634	2,707,730
Less: Rent losses from voids	20,853	-	-	20,853	24,806
Net Rents Receivable	2,827,840	-	38,941	2,866,781	2,682,924
Revenue Grants from Scottish Ministers	24,842	-	-	24,842	15,349
Revenue Grants From Local Authorities and Other Agencies	12,782	-	-	12,782	20,675
Total Income From Social Letting	2,865,464	-	38,941	2,904,405	2,718,948
Expenditure on Social Letting Activities					
Service Costs	27,084	-	3,967	31,051	31,161
Management and maintenance administration costs	757,071	-	10,349	767,420	758,572
Reactive Maintenance	296,284	-	-	296,284	295,368
Bad Debts - Rents and Service Charges	4,380	-	-	4,380	19,949
Planned and Cyclical Maintenance, including Major Repairs	287,795	-	-	287,795	255,851
Depreciation of Social Housing	302,642	-	-	302,642	271,393
Operating Costs of Social Letting	1,675,256	-	14,316	1,689,572	1,632,294
Operating Surplus on Social Letting Activities	1,190,208	-	24,625	1,214,833	1,086,654
2013	1,074,190	-	12,464		

CERNACH HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2014

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) 2014	Operating Surplus / (Deficit) 2013
	£	£	£	£	£	£	£	£	£
Wider Role Activities	41,515	-	-	1,200	42,715	-	44,314	(1,599)	(10,034)
Factoring	-	-	-	9,789	9,789	1,551	9,789	(1,551)	-
Welfare Rights Service	2,000	-	-	-	2,000	-	7,560	(5,560)	(6,786)
Other Income	-	-	-	682	682	-	-	682	490
Total From Other Activities	43,515	-	-	11,671	55,186	1,551	61,663	(8,028)	(16,330)
2013	21,629	-	-	10,365	31,994	-	48,324	(16,330)	

CERNACH HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2014

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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.

	2014	2013
	£	£
Aggregate Emoluments payable to Officers with Emoluments greater than £60,000 (excluding Pension Contributions)	<u>65,440</u>	<u>63,582</u>
Pension contributions made on behalf on Officers with emoluments greater than £60,000	<u>5,905</u>	<u>5,905</u>
Emoluments payable to Chief Executive (excluding pension contributions)	<u>65,440</u>	<u>63,582</u>

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

	2014	2013
	No.	No.
The average monthly number of full time equivalent persons employed during the year was	<u>11</u>	<u>11</u>
Staff Costs were:	£	£
Wages and Salaries	388,693	358,920
Social Security Costs	36,074	32,621
Other Pension Costs	42,991	47,992
	<u>467,758</u>	<u>439,533</u>

CERNACH HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2014

NOTES TO THE FINANCIAL STATEMENTS (Continued)

7. GAIN ON SALE OF HOUSING STOCK

	2014	2013
	£	£
Sales Proceeds	11,335	14,108
Cost of Sales	<u>10,926</u>	<u>11,138</u>
Gain On Sale Of Housing Stock	<u>409</u>	<u>2,970</u>

8. INTEREST PAYABLE

	2014	2013
	£	£
On Bank Loans & Overdrafts	<u>210,372</u>	<u>212,561</u>
	210,372	212,561
Less: Interest Capitalised	<u>-</u>	<u>17,341</u>
	<u>210,372</u>	<u>195,220</u>

Interest incurred in the development period of housing properties which has been written off to the income and expenditure account amounted to £0 (2013 £0).

Interest capitalised was incurred at varying rates of interest.

9. SURPLUS ON ORDINARY ACTIVITIES BEFORE TAXATION

	2014	2013
	£	£
Surplus on Ordinary Activities before Taxation is stated after charging:-		
Depreciation - Tangible Owned Fixed Assets	339,246	304,817
Auditors' Remuneration - Audit Services	<u>7,332</u>	<u>7,200</u>

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.

CERNACH HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2014

NOTES TO THE FINANCIAL STATEMENTS (Continued)

11. TANGIBLE FIXED ASSETS

a) Housing Properties	Housing Properties Held for Letting £	Housing Properties In course of Construction £	Completed Shared Ownership Properties £	Shared Ownership In course of Construction £	Total £
COST					
As at 1st April 2013	31,983,016	-	1,501,758	-	33,484,774
Additions	217,202	-	-	-	217,202
Disposals	(29,903)	-	-	-	(29,903)
Schemes Completed	-	-	-	-	-
As at 31st March 2014	<u>32,170,315</u>	<u>-</u>	<u>1,501,758</u>	<u>-</u>	<u>33,672,073</u>
DEPRECIATION					
As at 1st April 2013	1,512,359	-	204,629	-	1,716,988
Charge for Year	291,968	-	10,674	-	302,642
Disposals	(4,172)	-	-	-	(4,172)
As at 31st March 2014	<u>1,800,155</u>	<u>-</u>	<u>215,303</u>	<u>-</u>	<u>2,015,458</u>
SOCIAL HOUSING GRANT					
As at 1st April 2013	18,981,344	-	908,923	-	19,890,267
Additions	90,489	-	-	-	90,489
Disposals	(14,805)	-	-	-	(14,805)
Schemes Completed	-	-	-	-	-
As at 31st March 2014	<u>19,057,028</u>	<u>-</u>	<u>908,923</u>	<u>-</u>	<u>19,965,951</u>
OTHER CAPITAL GRANTS					
As at 1st April 2013	1,024,457	-	-	-	1,024,457
Additions	-	-	-	-	-
Disposals	-	-	-	-	-
Schemes Completed	-	-	-	-	-
As at 31st March 2014	<u>1,024,457</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,024,457</u>
NET BOOK VALUE					
As at 31st March 2014	<u>10,288,675</u>	<u>-</u>	<u>377,532</u>	<u>-</u>	<u>10,666,207</u>
As at 31st March 2013	<u>10,464,856</u>	<u>-</u>	<u>388,206</u>	<u>-</u>	<u>10,853,062</u>

Additions to housing properties includes capitalised development administration costs of £nil (2013 - £nil) and capitalised major repair costs to existing properties of £29,490 (2013 £29,303)

All land and housing properties are freehold.

CERNACH HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2014

NOTES TO THE FINANCIAL STATEMENTS (Continued)

11. TANGIBLE FIXED ASSETS (Continued)

b) Other Tangible Assets

	Office Premises £	Furniture & Equipment £	Total £
COST			
As at 1st April 2013	611,829	436,579	1,048,408
Additions	-	208,779	208,779
Eliminated on Disposals	-	(2,977)	(2,977)
As at 31st March 2014	<u>611,829</u>	<u>642,381</u>	<u>1,254,210</u>
GRANTS RECEIVED			
As at 1st April 2013	11,661	88,067	99,728
Received in year	-	-	-
Repaid on Disposal	-	-	-
As at 31st March 2014	<u>11,661</u>	<u>88,067</u>	<u>99,728</u>
AGGREGATE DEPRECIATION			
As at 1st April 2013	81,630	291,665	373,295
Charge for year	11,643	24,961	36,604
Eliminated on disposal	-	(2,977)	(2,977)
As at 31st March 2014	<u>93,273</u>	<u>313,649</u>	<u>406,922</u>
NET BOOK VALUE			
As at 31st March 2014	<u>506,895</u>	<u>240,665</u>	<u>747,560</u>
As at 31st March 2013	<u>518,538</u>	<u>56,847</u>	<u>575,385</u>

12. CAPITAL COMMITMENTS

	2014 £	2013 £
Capital Expenditure that has been contracted for but has not been provided for in the Financial Statements	<u>32,168</u>	<u>-</u>

The above commitments will be financed by the Association's own resources.

CERNACH HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2014

NOTES TO THE FINANCIAL STATEMENTS (Continued)

13. DEBTORS

	2014	2013
	£	£
Arrears of Rent & Service Charges	137,944	148,150
Less: Provision for Doubtful Debts	(64,969)	(74,413)
	<u>72,975</u>	<u>73,737</u>
Other Debtors	78,348	92,552
	<u>151,323</u>	<u>166,289</u>

14. CREDITORS: Amounts falling due within one year

	2014	2013
	£	£
Bank Overdrafts (secured)	-	2,034,073
Housing Loans	297,827	280,419
Trade Creditors	62,327	84,227
Rent in Advance	67,214	72,725
Social Housing Grant in Advance	-	-
Other Taxation and Social Security	9,816	9,931
Other Creditors	136,282	144,569
Accruals and Deferred Income	71,400	76,906
	<u>644,866</u>	<u>2,702,850</u>

At the balance sheet date there were pension contributions outstanding of £4,129 (2013 £14,091)

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

	2014	2013
	£	£
Housing Loans	6,629,598	6,195,831
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	297,827	280,419
Between one and two years	311,047	295,800
Between two and five years	1,019,205	972,346
In five years or more	5,299,346	4,927,685
	<u>6,927,425</u>	<u>6,476,250</u>
Less: Amount shown in Current Liabilities	297,827	280,419
	<u>6,629,598</u>	<u>6,195,831</u>

CERNACH HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2014

NOTES TO THE FINANCIAL STATEMENTS (Continued)

16. CASH FLOW STATEMENT

<i>Reconciliation of operating surplus to net cash inflow from operating activities</i>	2014 £	2013 £
Operating Surplus	1,206,805	1,070,324
Depreciation	339,246	304,817
Change in Debtors	14,966	(26,588)
Change in Creditors	(41,319)	(61,555)
Share Capital Written Off	(17)	(35)
Net Cash Inflow from Operating Activities	<u>1,519,681</u>	<u>1,286,963</u>

<i>Reconciliation of net cash flow to movement in net debt</i>	2014 £	2013 £
Increase / (decrease) in Cash	1,472,231	(384,433)
Cash flow from management of liquid resources	-	-
Cash flow from change in debt	<u>(451,175)</u>	<u>271,661</u>
Movement in net debt during year	1,021,056	(112,772)
Net debt at 1st April 2013	(4,900,610)	(4,787,838)
Net debt at 31st March 2014	<u>(3,879,554)</u>	<u>(4,900,610)</u>

<i>Analysis of changes in net debt</i>	At 01.04.13 £	Cash Flows £	Other Changes £	At 31.03.14 £
Cash at bank and in hand	3,609,713	(561,842)		3,047,871
Bank Overdrafts	(2,034,073)	2,034,073		-
	<u>1,575,640</u>	<u>1,472,231</u>		<u>3,047,871</u>
Liquid Resources	-	-		-
Debt: Due within one year	(280,419)	(451,175)	433,767	(297,827)
Due after more than one year	(6,195,831)	-	(433,767)	(6,629,598)
Net Debt	<u>(4,900,610)</u>	<u>1,021,056</u>	<u>-</u>	<u>(3,879,554)</u>

CERNACH HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2014

NOTES TO THE FINANCIAL STATEMENTS (Continued)

17. SHARE CAPITAL

Shares of £1 each Issued and Fully Paid	£
At 1st April 2013	163
Issued in year	9
Cancelled in year	(17)
At 31st March 2014	<u>155</u>

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	Cyclical Maintenance £	Major Repairs £	Total £
At 1st April 2013	125,000	2,236,934	2,361,934
Transfer to / (from) Revenue Reserves	-	821,088	821,088
At 31st March 2014	<u>125,000</u>	<u>3,058,022</u>	<u>3,183,022</u>

(b) Revenue Reserves	Total £
At 1st April 2013	1,301,817
Surplus for the year	1,094,783
Transfer (to) / from Designated Reserves	(821,088)
At 31st March 2014	<u>1,575,512</u>

19. HOUSING STOCK

The number of units of accommodation in management at the year end was:-	2014 No.	2013 No.
General Needs - New Build	339	339
- Rehabilitation	459	458
Shared Ownership	20	20
	<u>818</u>	<u>817</u>

CERNACH HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2014

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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:

- 4 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

	2014
	£
Balance as at 1st April	2,641,854
Release during the year	(62,046)
	<hr/>
As at 31st March 2014	2,579,808
	<hr/>

CERNACH HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2014

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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 six 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
- Defined Contribution option

Cernach Housing Association Limited has elected to operate the Final salary with a 1/60th accrual rate for all existing members. Any new members from 1st April 2014 will be offered the Defined Contribution option.

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 4 active members of the Scheme employed by Cernach Housing Association Limited. The annual pensionable payroll in respect of these members was £129,823. 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.

CERNACH HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2014

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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%).

The Scheme Actuary has prepared an actuarial report that provides an actuarial update of the funding position of the Scheme as at 30 September 2013. Such a report is required by legislation for years in which a full valuation is not carried out. The funding update revealed an increase in the assets of the Scheme to £470 million and indicated a decrease in the shortfall of assets compared to liabilities to approximately £272 million, equivalent to a past service funding level of 63%.

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.

CERNACH HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2014

NOTES TO THE FINANCIAL STATEMENTS (Continued)

22. RETIREMENT BENEFIT OBLIGATIONS (Continued)

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>Benefit Structure</i>	<i>Long-term joint contribution rate (% of pensionable salaries)</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.