

Cernach Housing Association Limited

Report and Financial Statements

For the year ended 31st March 2016

Registered Housing Association No.HAC 231

FCA Reference No. 2374R(S)

Scottish Charity No. SCO36607

CERNACH HOUSING ASSOCIATION LIMITED

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CERNACH HOUSING ASSOCIATION LIMITED

MEMBERS, EXECUTIVES AND ADVISERS
YEAR ENDED 31st MARCH 2016

MEMBERS

Susan McDonald MBE	Chairperson
Zandra Yeaman	Resigned 03/11/15
David Unett	Resigned 28/08/15
Poppy Livingstone	Resigned 27/01/2016
Rosemary McGill	Vice-chairperson
Tracy Bowie	Secretary
Steven McColl	Resigned 25/11/15
Karen McGinley	
Jianna Stewart	
Ann Hardie	Appointed 27/05/2015
Janette Meechan	Appointed 27/05/2015
Andrew McCourtney	Appointed 19/08/2015
Kurt McInnes	Appointed 28/10/2015
Andy Biddell	Appointed 24/02/2016
Frank John	Appointed 24/02/2016
Shereen Frank	Appointed 24/02/2016

EXECUTIVE OFFICERS

Caroline Shepherd	Director
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REGISTERED OFFICE

79 Airgold Drive
Drumchapel
Glasgow
G15 7AJ

AUDITORS

Alexander Sloan
Chartered Accountants
38 Cadogan Street
Glasgow
G2 7HF

INTERNAL 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 MEMBERS FOR THE YEAR ENDED 31ST MARCH 2016

The Members presents its report and the Financial Statements for the year ended 31st March 2016.

Legal Status

The Association is a registered non-profit making organisation under the Co-operative and Community Benefit Societies Act 2014 No.2374R(S). The Association is governed under its Rule Book. The Association is a registered Scottish Charity with the charity number SCO36607.

Principal Activities

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

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 £1,046,682 (2015 - £1,202,157). Net assets now stand at £7,022,929 (2015 - £5,976,251).

One of the key decisions taken by the Associations in 2015/16 was to repay £2 million towards one of its outstanding loans. This reduced the amount owed by about a third and means that the Association will move into net funds in Year 3 of the current long-term financial projections. We also begun a staffing review that saw the new post of Corporate Services Assistant created and three members of the existing staff team had their job descriptions revised to ensure a better overall fit with organisational demands and objectives - the review will be completed in August 2016.

We took the decision to limit rent increases to inflation only throughout the period of the current 30 year plan; this recognises concerns expressed by the Regulator on the sustainability of real rent increases within the sector and also takes account of the reduction in household income being experienced by many of our tenants. We have also reduced our assumption on inflation and revised our long-term projections to reflect the updated stock condition survey. With all of this, the Association remains very healthy in the long term, with increasing surpluses forecast almost every year and no pressure points within the plan. Worst case scenario analysis also suggest no viability issues.

Operationally, the year commenced with the Association continuing to finetune its approach to mitigating the impact of reforms to the welfare benefits system in the UK on levels of lost income. The Committee is pleased to note that arrears have continued to reduce in the past twelve months despite the challenges being faced. We also completed kitchen and bathroom replacement contracts and will continue with these in the coming year.

Our community development work continued this year with another succesful Gala Day - other events included a Christmas party for local children and a Christmas lunch for our older residents. We also submitted a successful bid for continuation funding for a People and Communities Fund project on behalf of COPE as part of our wider role work.

CERNACH HOUSING ASSOCIATION LIMITED

REPORT OF THE MEMBERS FOR THE YEAR ENDED 31ST MARCH 2016

Members and Executive Officers

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

Each member of the Members 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 Members.

The members of the Members are also Trustees of the Charity. Members of the Members are appointed by the members at the Association's Annual General Meeting.

Statement of Members's Responsibilities

The Co-operative and Community Benefit Act 2014 require the Members 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 Members 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 Members 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 2014 and the Determination of Accounting Requirements - 2015. 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 Members 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 Members 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 Members 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.

CERNACH HOUSING ASSOCIATION LIMITED

REPORT OF THE MEMBERS FOR THE YEAR ENDED 31ST MARCH 2016

Statement on Internal Financial Control

The Members 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 Members'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 Members 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;
- Quarterly 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;
- Regulatory returns are prepared, authorised and submitted promptly to the relevant regulatory bodies;
- all significant new initiatives, major commitments and investment projects are subject to formal authorisation procedures, through the Members;
- the Members 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.

The Members has reviewed the effectiveness of the system of internal financial control in existence in the Association for the year ended 31 March 2016. No weaknesses were found in the 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.

Donations

During the year the Association made charitable donations amounting to £330 (2015 - £nil).

Auditors

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

By order of the Members



TRACY BOWIE
Secretary
27 July 2016

CERNACH HOUSING ASSOCIATION LIMITED

REPORT BY THE AUDITORS TO THE MEMBERS 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 Regulatory Standards in respect of internal financial controls contained in the publication "Our Regulatory Framework" and associated Regulatory Advice Notes which are issued by the Scottish Housing Regulator.

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 relevant Regulatory Standards with the publication "Our Regulatory Framework" and associated Regulatory Advice Notes 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.

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 relevant Regulatory Standards in respect of internal financial controls within the publication "Our Regulatory Framework" and associated Regulatory Advice Notes issued by the Scottish Housing Regulator in respect of internal financial controls .

ALEXANDER SLOAN
Chartered Accountants

GLASGOW
27 July 2016

We have audited the financial statements of Cernach Housing Association Limited for the year ended 31st March 2016 which comprise a statement of comprehensive income, statement of financial position, statement of cash flows, statement of changes in equity and related notes. The financial reporting framework that has been applied in their preparation is applicable law and Accounting Standards of the United Kingdom.

This report is made solely to the Association's members, as a body, in accordance with 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 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 Members and Auditors

As explained more fully in the Statement of Members's Responsibilities the Association's Members, 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 2016 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 Co-operative and Community Benefit Societies Act 2014, the Housing (Scotland) Act 2014 and the Determination of Accounting Requirements 2015.

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

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.
- the Statement of Comprehensive Income to which our report relates, and the Statement of Financial Position 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
27 July 2016

CERNACH HOUSING ASSOCIATION LIMITED

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31st MARCH 2016

	Notes	2016	2015
		£	£
REVENUE	2.	3,550,655	3,604,897
Operating Costs	2.	(2,477,309)	(2,202,237)
OPERATING SURPLUS	9.	1,073,346	1,402,660
Gain / (Loss) On Sale Of Housing Stock	7.	3,378	(68,130)
Release of Negative Goodwill	23.	67,122	61,793
Interest Receivable and Other Income		20,259	33,664
Interest Payable and Similar Charges	8.	(88,620)	(205,458)
Other Finance Charges	11.	(28,803)	(22,372)
		(26,664)	(200,503)
SURPLUS FOR YEAR		1,046,682	1,202,157
Other Comprehensive Income		-	-
TOTAL COMPREHENSIVE INCOME		1,046,682	1,202,157
Tax on surplus on ordinary activities	10.	-	-
SURPLUS ON ORDINARY ACTIVITIES AFTER TAXATION		1,046,682	1,202,157

All amounts relate to continuing operations. Comparative figures have been restated to reflect the adoption of the Housing SORP 2014 and FRS102.

The notes on pages 12 to 26 form part of these financial statements.

CERNACH HOUSING ASSOCIATION LIMITED

STATEMENT OF FINANCIAL POSITION AS AT 31st MARCH 2016

	Notes	£	2016 £	2016 £
				As restated
NON-CURRENT ASSETS				
Housing Properties - Depreciated Cost	12.(a)		23,737,719	24,222,559
Other Non Current Assets	12.(b)		689,167	751,582
			24,426,886	24,974,141
Negative Goodwill	23.		(2,450,893)	(2,518,015)
CURRENT ASSETS				
Receivables	14.	138,931		163,517
Cash at bank and in hand		2,812,957		4,115,060
		2,951,888		4,278,577
CREDITORS: Amounts falling due within one year	15.	(798,900)		(803,720)
NET CURRENT ASSETS			2,152,988	3,474,857
TOTAL ASSETS LESS CURRENT LIABILITIES			24,128,981	25,930,983
CREDITORS: Amounts falling due after more than one year	16.		(4,325,872)	(6,700,025)
Social Housing Grants	18.	(12,079,996)		(12,525,017)
Other Grants	18.	(700,184)		(729,690)
			(12,780,180)	(13,254,707)
NET ASSETS			7,022,929	5,976,251
EQUITY				
Share Capital	19.		127	131
Revenue Reserves			7,022,802	5,976,120
			7,022,929	5,976,251

Comparative figures have been restated to reflect the adoption of the Housing SORP 2014 and FRS102.

The Financial Statements were approved by the Members and authorised for issue and signed on their behalf on 27 July 2016.





Chairperson: *Michael M.B.E.*
 Committee Member: *Andrew B...*
 Secretary: *T. B...*

The notes on pages 12 to 26 form part of these financial statements.

CERNACH HOUSING ASSOCIATION LIMITED

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31st MARCH 2016

	Notes	2016 £	2015 £ As restated
Net Cash Inflow from Operating Activities	17.	1,359,387	1,624,506
Investing Activities			
Acquisition and Construction of Properties		(292,039)	(133,272)
Purchase of Other Fixed Assets		(2,674)	(42,092)
Social Housing Grant Received		-	42,241
Proceeds on Disposal of Properties		24,386	34,261
Net Cash Outflow from Investing Activities		(270,327)	(98,862)
Financing Activities			
Interest Received on Cash and Cash Equivalents		20,259	33,664
Interest Paid on Loans		(88,620)	(200,865)
Loan Principal Repayments		(2,322,817)	(291,155)
Share Capital Issued		15	6
Net Cash Outflow from Financing		(2,391,163)	(458,350)
(Decrease) / Increase in Cash		(1,302,103)	1,067,294
Opening Cash & Cash Equivalents		4,115,060	3,047,766
Closing Cash & Cash Equivalents		2,812,957	4,115,060
Cash and Cash equivalents as at 31 March 2016			
Cash		2,812,957	4,115,060
Bank overdraft		-	-
		2,812,957	4,115,060

The notes on pages 12 to 26 form part of these financial statements.

CERNACH HOUSING ASSOCIATION LIMITED

STATEMENT OF CHANGES IN EQUITY

31st MARCH 2016

	Share Capital	Revenue Reserve	Total
	£	£	£
Balance as at 1st April 2014	155	4,773,963	4,774,118
Issue of Shares	6	-	6
Cancellation of Shares	(30)	-	(30)
Surplus for Year	-	1,202,157	1,202,157
Balance as at 31st March 2015	131	5,976,120	5,976,251
Balance as at 1st April 2015	131	5,976,120	5,976,251
Issue of Shares	15	-	15
Cancellation of Shares	(19)	-	(19)
Surplus for Year	-	1,046,682	1,046,682
Balance as at 31st March 2016	127	7,022,802	7,022,929

The reserves opening balance has been restated to reflect the change in accounting requirements under the Housing SORP 2014 and FRS102.

The notes on pages 12 to 26 form part of these financial statements.

CERNACH HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2016

NOTES TO THE FINANCIAL STATEMENTS

1 PRINCIPAL ACCOUNTING POLICIES

Statement of Compliance

These financial statements were prepared in accordance with Financial Reporting Standard 102 - 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' and the Statement of Recommended Practice for social housing providers 2014. The Association is a Public Benefit Entity in terms of its compliance with Financial Reporting Standard 102, applicable for accounting periods on or after 1 January 2015.

Revenue

The Association recognises rent receivable net of losses from voids. Service Charge Income (net of voids) is recognised with expenditure is incurred as this is considered to be the point when the service has been performed and the revenue recognition criteria is met.

Government Grants are released to income over the expected useful life of of the asset to which it relates.

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.

The Association accounts for amounts that it has agreed to pay towards the Scheme deficit in accordance with paragraph 28.11A of FRS 102. The present value of this liability has been recognised in the Statement of Financial Position. The discount rate applied to this obligation is that of a yield rate for the high quality corporate bond.

Valuation Of Housing Properties

Housing Properties are stated at cost 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 12. 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	15-20 years
Land	N/A

CERNACH HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2016

NOTES TO THE FINANCIAL STATEMENTS (Continued)

1 PRINCIPAL ACCOUNTING POLICIES (Continued)

Depreciation And Impairment Of Other Non-Current Assets

Non-Current 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 non-current assets are reviewed for impairment at the end of each reporting period.

Social Housing Grant And Other Grants In Advance/Arrears

Social Housing Grants and Other Capital Grants are accounted for using the Accrual Method as outlined in Section 24 of Financial Reporting Standard 102. Grants are treated as deferred income and recognised in income on a systematic basis over the expected useful life of the property and assets to which they relate.

Social Housing Grant attributed to individual components is written off to the Statement of comprehensive Income when these components are replaced.

Social Housing Grant received in respect of revenue expenditure is credited to the Statement of Comprehensive Income 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 costs. In accordance with the Statement of Recommended Practice, disposals of subsequent tranches are treated as non-current asset disposals with the gain or loss on disposal shown in the Statement of Comprehensive Income.

Disposals of housing property under the Right to Buy scheme are treated as a non-current asset disposals and any gain or loss on disposal accounted for in the Statement of Comprehensive Income.

Disposals under shared equity schemes are accounted for in the Statement of Comprehensive Income. The remaining equity in the property is treated as a non-current asset investment, which is matched with the grant received.

Estimation Uncertainty

The preparation of financial statements requires the use of certain accounting estimates. It also requires the Management Committee to exercise judgement in applying the Association's Accounting Policies. The areas requiring a higher degree of judgement, or complexity, and areas where assumptions or estimates are most significant to the financial statements, is disclosed below:

Rent Arrears - Bad Debt Provision

The Association assesses the recoverability of rent arrears through a detailed assessment process which considers: tenant payment history, arrangements in place and court action.

Life Cycle of Components

The Association estimates the useful lives of major components of its housing property with reference to surveys carried out by external qualified surveyors.

Useful life of properties, plant and equipment

The Association assesses the useful life of its properties, plant and equipment and estimates the annual charge to be depreciated based on this.

Costs of shared ownership

The Association allocates costs to shared ownership properties on a percentage basis split across the number of properties the Association owns.

CERNACH HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2016 NOTES TO THE FINANCIAL STATEMENTS (Continued)

1 PRINCIPAL ACCOUNTING POLICIES (Continued.)

Leases/Leased Assets

Costs in respect of operating leases are charged to the Statement of Comprehensive Income on a straight line basis over the lease term. Assets held under finance leases and hire purchase contracts are capitalised in the Statement of Financial Position 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.

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 Statement of Comprehensive Income 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 acquisition is written off to the Statement of Comprehensive Income as the non-cash assets acquired are depreciated or sold.

Key Judgements made in the application of Accounting Policies

a) Exemptions taken in the transition to FRS 102

The Association has considered and taken advantage of the following exemptions in its first time application of FRS 102:

- i) The Association has not revisited previous accounting estimates
- ii) The Association has not revisited the accounting of previous business combinations

b) The Categorisation of Housing Properties

In the judgement of the Management Committee, the entirety of the Association's housing stock is held for social benefit and is therefore classified as Property, Plant and Equipment in accordance with FRS 102.

c) Identification of cash generating units

The Association considers its cash-generating units to be the schemes in which it manages its housing property for asset management purposes.

d) Pensions

We have calculated the SHAPS past service deficit liability using the latest accounting estimates available, these being based on the 2015 triennial valuation, and believe these represent a fair estimate of the liability due.

Financial Instruments - Basic

The Association recognises basic financial instruments in accordance with Section 11 of Financial Reporting Standard.

The Association's debt instruments are measured at amortised cost using the effective interest rate method.

CERNACH HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2016

NOTES TO THE FINANCIAL STATEMENTS (Continued)

2. PARTICULARS OF TURNOVER, OPERATING COSTS AND OPERATING SURPLUS OR DEFICIT FROM AFFORDABLE LETTING ACTIVITIES

Notes	2016			2015		
	Turnover £	Operating Costs £	Operating Surplus / (Deficit) £	Turnover £	Operating Costs £	Operating Surplus / (Deficit) £
				As restated	As restated	As restated
Affordable letting activities	3,498,473	2,418,266	1,080,207	3,553,791	2,145,138	1,408,653
Other Activities	52,182	59,043	(6,861)	51,106	57,099	(5,993)
Total	3,550,655	2,477,309	1,073,346	3,604,897	2,202,237	1,402,660

3. PARTICULARS OF INCOME & EXPENDITURE FROM AFFORDABLE LETTING ACTIVITIES

	General			2016 Total £	2015 Total £
	Needs Housing £	Supported Housing £	Shared ownership £		
					As restated
Revenue from Lettings					
Rent Receivable Net of Service Charges	2,893,732	36,146	35,667	2,965,545	2,921,199
Service Charges	2,844	23,207	3,703	29,754	31,215
Gross income from rent and service charges	2,896,576	59,353	39,370	2,995,299	2,952,414
Less: Rent losses from voids	7,141	-	-	7,141	3,556
Net Rents Receivable	2,889,435	59,353	39,370	2,988,158	2,948,858
Grants released from deferred income	455,042	2,110	17,375	474,527	543,083
Revenue grants from Scottish Ministers	-	-	-	-	-
Other revenue grants	35,788	-	-	35,788	61,850
Total turnover from affordable letting activities	3,380,265	61,463	56,745	3,498,473	3,553,791
Expenditure on affordable letting activities					
Management and maintenance administration costs	753,888	15,448	10,247	779,583	792,505
Service Costs	2,844	23,207	3,703	29,754	31,215
Planned and cyclical maintenance, including major repairs	485,675	-	-	485,675	309,400
Reactive maintenance costs	347,602	-	-	347,602	281,819
Bad Debts - rents and service charges	19,781	-	-	19,781	(7,320)
Depreciation of affordable let properties	727,776	3,055	25,040	755,871	737,519
Operating costs of affordable letting activities	2,337,566	41,710	38,990	2,418,266	2,145,138
Operating surplus on affordable letting activities	1,042,699	19,753	17,755	1,080,207	1,408,653
2015 (as restated)				1,374,281	-
					34,372

The disclosure of turnover, operating costs and operating surplus from affordable letting activities has been restated to reflect the requirements of the Housing SORP 2014. Comparative figures have been restated on the same basis.

CERNACH HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2016

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4. PARTICULARS OF REVENUE, OPERATING COSTS AND OPERATING SURPLUS OR DEFICIT FROM OTHER ACTIVITIES

	£	£	£	£	£	£	£	£	£	£	£
	Grants From Scottish Ministers	Other Revenue	Grants	Other Income	Total	Operating Costs	Operating Costs	Operating Costs	Operating Surplus (Deficit)	Operating Surplus (Deficit)	Operating Surplus (Deficit)
	2015	2015	2015	2015	2015	2015	2015	2015	2015	2015	2015
Wider Role Activities	40,000	-	-	-	40,000	-	-	40,000	-	-	(4,024)
Factoring	-	-	-	11,267	11,267	-	-	11,267	-	-	(319)
Welfare Rights Service	-	-	-	-	-	-	-	7,776	(7,776)	(7,776)	(7,146)
Other Income	-	-	-	915	915	-	-	-	915	915	5,496
Total From Other Activities	40,000	-	-	12,182	52,182	-	-	59,043	(6,861)	(6,861)	(5,993)
2015	-	34,995	-	16,111	51,106	319	-	56,780	(5,993)	(5,993)	(5,993)

CERNACH HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2016

NOTES TO THE FINANCIAL STATEMENTS (Continued)

5. OFFICERS' EMOLUMENTS

The Officers are defined in the Co-operative and Community Benefit Societies Act 2014 as the members of the Management Committee, managers and employees of the Association.

	2016	2015
	£	£
Aggregate Emoluments payable to Officers with Emoluments greater than £60,000 (excluding Pension Contributions)	<u>61,942</u>	<u>66,910</u>
Pension contributions made on behalf on Officers with emoluments greater than £60,000	<u>6,116</u>	<u>5,905</u>
Emoluments payable to Chief Executive (excluding pension contributions)	<u>61,942</u>	<u>66,910</u>
Total Compensation paid to key management personnel	<u>68,058</u>	<u>77,867</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	<u>1</u>	<u>1</u>

6. EMPLOYEE INFORMATION

	2016	2015
	No.	No.
The average monthly number of full time equivalent persons employed during the year was	<u>10</u>	<u>10</u>
The average total number of Employees employed during the year was	<u>10</u>	<u>10</u>
Staff Costs were:	£	£
		As restated
Wages and Salaries	366,916	365,461
Social Security Costs	34,271	34,614
Other Pension Costs	33,252	33,223
	<u>434,439</u>	<u>433,298</u>

CERNACH HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2016

NOTES TO THE FINANCIAL STATEMENTS (Continued)

7. GAIN/(LOSS) ON SALE OF HOUSING STOCK

	2016 £	2015 £
Sales Proceeds	24,386	As restated 34,261
Cost of Sales	21,008	102,391
Gain / (Loss) On Sale Of Housing Stock	<u>3,378</u>	<u>(68,130)</u>

8. INTEREST PAYABLE & SIMILAR CHARGES

	2016 £	2015 £
On Bank Loans & Overdrafts	<u>88,620</u>	<u>205,458</u>

9. SURPLUS FOR YEAR

	2016 £	2015 £
Surplus is stated after charging/(crediting):-		As restated
Depreciation - Tangible Owned Fixed Assets	820,960	803,114
Auditors' Remuneration - Audit Services	7,884	7,800
Gain/(Loss) on sale of fixed assets	<u>3,378</u>	<u>(68,130)</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.

11. OTHER FINANCE INCOME / CHARGES

	2016 £	2015 £
Unwinding of Discounted Liabilities	<u>28,803</u>	As restated <u>22,372</u>

CERNACH HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2016

NOTES TO THE FINANCIAL STATEMENTS (Continued)

12. NON-CURRENT ASSETS

a) Housing Properties	Housing Properties Held for Letting £	Completed Shared Ownership Properties £	Total £
COST			
As at 1st April 2015	32,211,752	1,450,072	33,661,824
Additions	292,039	-	292,039
Disposals	(143,736)	-	(143,736)
Schemes Completed	-	-	-
As at 31st March 2016	<u>32,360,055</u>	<u>1,450,072</u>	<u>33,810,127</u>
DEPRECIATION			
As at 1st April 2015 (as restated)	8,931,194	508,071	9,439,265
Charge for Year	730,832	25,039	755,871
Disposals	(122,728)	-	(122,728)
As at 31st March 2016	<u>9,539,298</u>	<u>533,110</u>	<u>10,072,408</u>
NET BOOK VALUE			
As at 31st March 2016	<u>22,820,757</u>	<u>916,962</u>	<u>23,737,719</u>
As at 31st March 2015 (as restated)	<u>23,280,558</u>	<u>942,001</u>	<u>24,222,559</u>

Additions to housing properties includes capitalised development administration costs of £nil (2015 - £nil) and capitalised major repair costs to existing properties of £292,039 (2015 - £26,297).

All land and housing properties are heritable.

Total expenditure on existing properties in the year amounted to £531,542. The amount capitalised is £292,039, with the balance charged to the statement of comprehensive income. The amounts capitalised can be further split between component replacement of £292,039 and improvement of £nil.

The Association's Lenders have standard securities over Housing Property with a carrying value of £8,583,673 (2015 - £10,964,372).

CERNACH HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2016

NOTES TO THE FINANCIAL STATEMENTS (Continued)

12. NON CURRENT ASSETS (Continued)

b) Other Tangible Assets	Office Premises £	Furniture & Equipment £	Total £
COST			
As at 1st April 2015	611,829	684,473	1,296,302
Additions	-	2,674	2,674
Eliminated on Disposals	-	-	-
As at 31st March 2016	611,829	687,147	1,298,976
AGGREGATE DEPRECIATION			
As at 1st April 2015 (as restated)	106,889	437,831	544,720
Charge for year	11,876	53,213	65,089
Eliminated on disposal	-	-	-
As at 31st March 2016	118,765	491,044	609,809
NET BOOK VALUE			
As at 31st March 2016	493,064	196,103	689,167
As at 31st March 2015 (as restated)	504,940	246,642	751,582

13. CAPITAL COMMITMENTS

	2016 £	2015 £
Capital Expenditure that has been contracted for but has not been provided for in the Financial Statements	-	173,639

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

14. RECEIVABLES AMOUNTS FALLING DUE WITHIN ONE YEAR

	2016 £	2015 £
Arrears of Rent & Service Charges	120,706	112,908
Less: Provision for Doubtful Debts	(59,092)	(46,560)
Other Receivables	61,614	66,348
	77,317	97,169
	138,931	163,517

CERNACH HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2016

NOTES TO THE FINANCIAL STATEMENTS (Continued)

15. PAYABLES AMOUNTS FALLING DUE WITHIN ONE YEAR

	2016 £	2015 £
		As restated
Housing Loans	337,812	335,328
Trade Payables	57,759	75,337
Rent in Advance	86,697	81,033
Other Taxation and Social Security	10,084	15,005
Other Payables	145,047	154,106
Liability for Past Service Contributions	76,754	74,206
Accruals and Deferred Income	84,747	68,705
	<u>798,900</u>	<u>803,720</u>

At the balance sheet date there were pension contributions outstanding of £599 (2015 (as restated) £3,787).

16. PAYABLES AMOUNTS FALLING DUE AFTER ONE YEAR

	2016 £	2015 £
		As restated
Housing Loans	3,943,407	6,268,708
Liability for Past Service Contributions	382,465	431,317
	<u>4,325,872</u>	<u>6,700,025</u>
<i>Housing Loans</i>		
Amounts due within one year	337,812	335,328
Amounts due in one year or more but less than two years	349,894	347,312
Amounts due in two years or more but less than five years	1,124,795	1,116,437
Amounts due in more than five years	2,468,718	4,804,959
	<u>4,281,219</u>	<u>6,604,036</u>
Less: Amount shown in Current Liabilities	337,812	335,328
	<u>3,943,407</u>	<u>6,268,708</u>
<i>Liability for Past Service Contributions</i>		
Amounts due within one year	76,754	74,206
Amounts due in one year or more but less than two years	77,163	73,790
Amounts due in two years or more but less than five years	233,140	219,279
Amounts due in more than five years	72,162	138,248
	<u>459,219</u>	<u>505,523</u>
Less: Amount shown in Current Liabilities	76,754	74,206
	<u>382,465</u>	<u>431,317</u>

The Association has a number of long-term housing loans, the terms and conditions of which fall into the following ranges:

Effective interest rate of base plus 0.45% and LIBOR plus 0.475% to 1.675%, expiring 2022 to 2044.

A total of 360 housing properties are secured to lenders in respect of these loan facilities which have been valued in the financial statements as follows:

	£
Balance of loans outstanding with the banks	4,309,953
Adjustment using the effective interest rate method	28,734
Amounts outstanding per the accounts	<u>4,281,219</u>

The liability for the past service contributions has been accounted for in accordance with FRS 102 para 28.13A and represents the present value of the contributions payable. The cash out flows have been discounted at a rate of 2.64% (2015 - 3.58%).

CERNACH HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2016

NOTES TO THE FINANCIAL STATEMENTS (Continued)

17. STATEMENT OF CASH FLOWS

<i>Reconciliation of operating surplus to net cash inflow from operating activities</i>	2016 £	2015 £ As restated
Operating Surplus	1,073,346	1,402,660
Depreciation	820,960	803,114
Amortisation of Capital Grants	(474,527)	(543,083)
Change in debtors	24,586	(12,194)
Change in creditors	(56,156)	64,541
Gain/(Loss) on sale of fixed assets	-	(68,130)
Unwinding of Discount on Pension Liability	(28,803)	(22,372)
Share Capital Written Off	(19)	(30)
	1,359,387	1,624,506

18. DEFERRED INCOME

	2016 £	2015 £ As restated
<i>Social Housing Grants</i>		
Balance as at 1st April 2015	12,525,017	12,995,432
Additions in year	-	42,241
Amortisation in Year	(445,021)	(512,656)
Balance as at 31st March 2016	12,079,996	12,525,017
<i>Other Grants</i>		
Balance as at 1st April 2015	729,690	760,117
Additions in year	-	-
Released / Repaid as the result of property disposal	-	-
Amortisation in Year	(29,506)	(30,427)
Balance as at 31st March 2016	700,184	729,690
Total	12,780,180	13,254,707

This is expected to be released to the Statement of Comprehensive Income in the following years:

	2016 £	2015 £ As restated
Amounts due within one year	474,527	543,083
Amounts due in one year or more	12,305,653	12,711,624
	12,780,180	13,254,707

CERNACH HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2016

NOTES TO THE FINANCIAL STATEMENTS (Continued)

19. SHARE CAPITAL

Shares of £1 each Issued and Fully Paid	£
At 1st April 2015	131
Issued in year	15
Cancelled in year	(19)
At 31st March 2016	<u>127</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.

20. HOUSING STOCK

The number of units of accommodation in management at the year end was:-	2016 No.	2015 No. As restated
General Needs - New Build	337	337
General Needs - Rehabilitation	456	458
Shared Ownership	19	19
Supported Housing	2	2
	<u>814</u>	<u>816</u>

CERNACH HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2016

NOTES TO THE FINANCIAL STATEMENTS (Continued)

21. RELATED PARTY TRANSACTIONS

Members of the Members are related parties of the Association as defined by Financial Reporting Standard 102

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.

Transactions with governing body members (and their close family) were as follows:

	£
Rent Received from Tenants on the Committee (and their close family members)	<u>30,294</u>

At the year end total rent arrears owed by the tenant members of the Committee (and their close family members) were £437.

22. NEGATIVE GOODWILL

	2016
	£
Balance as at 1st April 2015	2,518,015
Release during the year	<u>(67,122)</u>
As at 31st March 2016	<u>2,450,893</u>

23. DETAILS OF ASSOCIATION

The Association is a Registered Society registered with the Financial Conduct Authority and is domiciled in Scotland.

The Association's principal place of business is 79 Airgold Drive, Drumchapel, Glasgow.

The Association is a Registered Social Landlord and Scottish Charity that owns and manages social housing property in Drumchapel, Glasgow.

24. GOVERNING BODY MEMBER EMOLUMENTS

Board members received £nil in the year by way of reimbursement of expenses (2015 - £nil). No remuneration is paid to Board members in respect of their duties in the Association.

CERNACH HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2016

NOTES TO THE FINANCIAL STATEMENTS (Continued)

25. 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.

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 FRS102 represents the employer contribution payable.

The last formal valuation of the Scheme was performed as at 30th September 2015 by a professionally qualified actuary using the Projected Unit Credit method. The market value of the Scheme's assets at the valuation date was £612m. The valuation revealed a shortfall of assets compared with the value of liabilities of £198m (equivalent to a past service funding level of 76%).

The Scheme operates on a 'last man standing' basis, meaning that in the event of an employer withdrawing from the Scheme and being unable to pay its share of the debt on withdrawal. Then the liability of the withdrawing employer is re-apportioned amongst the remaining employer. Therefore in certain circumstances the Association may become liable for the obligations of a third party.

Based on the provisional valuation the Scheme has provided an estimate of the contributions required to fund the past service deficit. Under the new proposals the Association will make payments of £80,144 from 1 April 2017. Payments are expected to increase by 3% per annum and continue until February 2022. Once finalised the proposals will replace the original plan which was expected to have lasted 10 years.

All employer's in the scheme have entered into an agreement to make additional contributions to fund the Scheme's past service deficit. This obligation has been recognised in terms of Para 28.11A of Financial Reporting Standard 102. At the balance sheet date the present value of this obligation was £458,919 (2015 - £505,524). This was calculated by reference to the terms of the agreement and discounting the liability using the yield rate of high quality corporate bond with a similar term. The discount rate used was 2.64% (2015: 3.58%).

The Association made payments totalling £75,409 (2015 - £73,213) to the pension scheme during the year.

CERNACH HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2016

NOTES TO THE FINANCIAL STATEMENTS (Continued)

26. TRANSITION TO THE FINANCIAL REPORTING STANDARD

In accordance with the Statement of Recommended Practice the Association has adopted the Financial Reporting Standard for UK & Ireland (FRS 102) for the accounting period beginning on 1 April 2015. As a result of this the comparative figures for the period ending 31 March 2015 have been restated in accordance with FRS 102.

The transition to FRS 102 has resulted in a number of changes in accounting policies compared with those previously adopted.

The following sets out the differences between the assets and liabilities and income and expenditure as presented previously, and the amounts as restated to comply with the accounting policies selected in accordance with FRS 102 for the reporting period ending 31 March 2016.

Reconciliation of Capital & Reserves						
At 31 March 2015			At 31 March 2014			
Note	As previously Stated	Effect of Transition	As Restated	As previously Stated	Effect of Transition	As Restated
	£	£	£	£	£	£
Non Current Assets (i)	11,154,258	13,819,883	24,974,141	11,413,767	14,290,517	25,704,284
Negative Goodwill	(2,518,015)	-	(2,518,015)	(2,579,808)	-	(2,579,808)
Current Assets	4,278,577	-	4,278,577	3,199,194	-	3,199,194
Current Liabilities (ii)	(729,514)	(74,206)	(803,720)	(644,866)	(73,213)	(718,079)
Non Current Liabilities (ii)	(6,300,942)	(399,083)	(6,700,025)	(6,629,598)	(446,326)	(7,075,924)
Deferred Income (i)	-	(13,254,707)	(13,254,707)	-	(13,755,549)	(13,755,549)
	5,884,364	91,887	5,976,251	4,758,689	15,429	4,774,118
Capital & Reserves	(5,884,364)	(91,887)	(5,976,251)	(4,758,689)	(15,429)	(4,774,118)

Reconciliation of Retained Surpluses for the Year			
Year Ended 31 March 2015			
Note	As previously Stated	Effect of Transition	As Restated
	£	£	£
Revenue (i)	3,061,814	543,083	3,604,897
Operating Costs (i) & (ii)	(1,832,792)	(369,445)	(2,202,237)
Other Income	63,878	(70,215)	(6,337)
Interest Receivable	33,664	-	33,664
Interest Payable	(200,865)	(4,593)	(205,458)
Other Finance Income / Costs (iii)	-	(22,372)	(22,372)
	1,125,699	76,458	1,202,157
Surplus	1,125,699	76,458	1,202,157

Notes to the Reconciliations

(i) - Social Housing Grants and Other grants have been accounted for in accordance with the SORP which has meant that grants are no longer deducted from the cost of the capital asset, but are instead treated as deferred income which is recognised in income over the useful life of the related asset.

(ii) - As the Association has entered into an agreement to make contributions to fund a deficit in the SHAPS pension scheme this has been recognised as a liability in accordance with the FRS. This liability was not previously recognised and payments made under this agreement were written off as operating costs.

(iii) - The liability recognised as a result of (ii) above has been discounted to its present value. The unwinding of the discount is recognised as a finance cost in accordance with FRS 102 para 28.13A.