



Alexander Sloan
Accountants and Business Advisers

Cernach Housing Association Limited

Report and Financial Statements

For the year ended 31st March 2017

Registered Housing Association No.HAC231

FCA Reference No. 2374R(S)

Scottish Charity No. SCO36607

CERNACH HOUSING ASSOCIATION LIMITED

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CERNACH HOUSING ASSOCIATION LIMITED

MANAGEMENT COMMITTEE, EXECUTIVES AND ADVISERS YEAR ENDED 31st MARCH 2017

MANAGEMENT COMMITTEE

Susan McDonald MBE	Chairperson
Rosemary McGill	Vice Chairperson
Tracy Bowie	Secretary
Karen McGinley	
Ann Hardie	
Janette Meechan	
Andrew McCourtney	Resigned 28 June 2017
Andy Biddell	
Frank John	
Shereen Frank	
Muriel Wylie	Appointed 22 August 2016
Jean McFarlane	Appointed 22 August 2016
Diane McMillan	Appointed 31 August 2016
Michael Mellon	Appointed 31 August 2016
John Brannan	Appointed 28 September 2016
Jianna Stewart	Resigned 28 September 2016
Kurt McInnes	Resigned 31 August 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 MANAGEMENT COMMITTEE FOR THE YEAR ENDED 31ST MARCH 2017

The Management Committee presents its report and the Financial Statements for the year ended 31st March 2017.

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 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 £1,168,635 (2016 - £1,046,682). Net assets now stand at £8,191,554 (2016 - £7,022,929).

One of the key decisions made by the Association in the last year was to seek to develop new build housing for the first time in five years. At the current time, we have committed grant funding of £2.877m from the City Council to provide 36 new homes under the terms of a partnership agreement with Glasgow Housing Association. We have also submitted an initial bid as part of our development funding plan for a second phase (comprising around 40 units) but this is still currently at the pipeline stage and there has been no definite commitment from the Council. We are currently looking at whether we should fund the remaining costs (just under £2m) from reserves, a loan or a combination of the two.

We decided in 2015/16 to limit rent increases to inflation only throughout the period of the 30-year plan and this continues to be the case. We also reduced our assumption on inflation and revised our long-term projections to reflect the updated stock condition survey carried out in 2016. 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 sensitivity analysis also suggests no viability issues.

Operationally, the year commenced with the Association continuing to fine tune 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 currently being faced. We also completed kitchen and bathroom replacement contracts and will continue with the scheduled planned maintenance programme in the coming year.

Our community development work continued this year with another successful 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 a third year of funding for a People and Communities Fund project on behalf of COPE as part of our wider role work and, as part of the Thriving Places Initiative, we are the employing organisation for a fully-funded Community Connector post.

CERNACH HOUSING ASSOCIATION LIMITED

REPORT OF THE MANAGEMENT COMMITTEE FOR THE YEAR ENDED 31ST MARCH 2017

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 Co-operative and Community Benefit Act 2014 requires the Management Committee to prepare Financial Statements for each financial year which give a true and fair view of the state of affairs of the Association and of the surplus or deficit 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 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 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 members of 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.

CERNACH HOUSING ASSOCIATION LIMITED

REPORT OF THE MANAGEMENT COMMITTEE FOR THE YEAR ENDED 31ST MARCH 2017

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;
- 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 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.

The Management Committee has reviewed the effectiveness of the system of internal financial control in existence in the Association for the year ended 31 March 2017. 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.

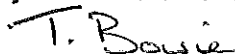
Donations

During the year the Association made charitable donations amounting to £630 (2016 - £330).

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



TRACY BOWIE

Secretary

26 July 2017

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 5 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.

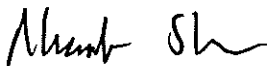
Basis of Opinion

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 contained within the publication "Our Regulatory Framework" and associated Regulatory Advice Notes issued by the Scottish Housing Regulator, in respect of internal financial controls and is consistent with the information which came to our attention as a result of our audit work on the Financial Statements.

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
Statutory Auditors
GLASGOW
26 July 2017



Alexander Sloan
Accountants and Business Advisers



We have audited the financial statements of Cernach Housing Association Limited for the year ended 31st March 2017 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 Management Committee and Auditors

As explained more fully in the Statement of Management Committee's Responsibilities the Association's Management Committee, is 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 Financial Reporting Council's (FRC) 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 for 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 2017 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.

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.

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

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

- 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

ALEXANDER SLOAN
Chartered Accountants
Statutory Auditors
GLASGOW
26 July 2017



Alexander Sloan
Accountants and Business Advisers

CERNACH HOUSING ASSOCIATION LIMITED

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31st MARCH 2017

	Notes	2017		2016	
		£	£	£	£
REVENUE	2.		3,644,600		3,550,655
Operating Costs	2.		(2,450,359)		(2,477,309)
OPERATING SURPLUS	9.		1,194,241		1,073,346
(Loss) / Gain On Sale Of Housing Stock	7.	(18,468)		3,378	
Release of Negative Goodwill	21.	61,158		67,122	
Interest Receivable and Other Income		19,661		20,259	
Interest Payable and Similar Charges	8.	(62,505)		(88,620)	
Other Finance Charges	11.	(25,452)		(28,803)	
			(25,606)		(26,664)
SURPLUS FOR YEAR			1,168,635		1,046,682

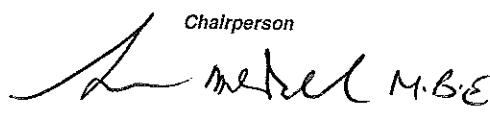

The notes on pages 12 to 25 form part of these financial statements.

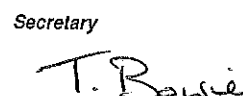
CERNACH HOUSING ASSOCIATION LIMITED

STATEMENT OF FINANCIAL POSITION AS AT 31st MARCH 2017

	Notes	2017		2016	
		£	£	£	£
NON-CURRENT ASSETS					
Housing Properties - Depreciated Cost	12.(a)		23,174,714		23,737,719
Other Non Current Assets	12.(b)		655,021		689,167
			<u>23,829,735</u>		<u>24,426,886</u>
Negative Goodwill	21.		(2,389,735)		(2,450,893)
CURRENT ASSETS					
Receivables	13.	171,781		138,931	
Cash at bank and in hand		3,584,800		2,812,957	
		<u>3,756,581</u>		<u>2,951,888</u>	
CREDITORS: Amounts falling due within one year	14.	(778,569)		(798,900)	
NET CURRENT ASSETS			<u>2,978,012</u>		<u>2,152,988</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			24,418,012		24,128,981
CREDITORS: Amounts falling due after more than one year	15.		(3,936,296)		(4,325,872)
DEFERRED INCOME					
Social Housing Grants	17.	(11,610,677)		(12,079,996)	
Other Grants	17.	(679,485)		(700,184)	
			<u>(12,290,162)</u>		<u>(12,780,180)</u>
NET ASSETS			<u>8,191,554</u>		<u>7,022,929</u>
EQUITY					
Share Capital	18.		117		127
Revenue Reserves			8,191,437		7,022,802
			<u>8,191,554</u>		<u>7,022,929</u>

The Financial Statements were approved by the Management Committee and authorised for issue and signed on their behalf on 26 July 2017.


 Chairperson

 Committee Member


 Secretary

The notes on pages 12 to 25 form part of these financial statements.

CERNACH HOUSING ASSOCIATION LIMITED

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2017

	Notes	2017		2016
		£	£	£
Net Cash Inflow from Operating Activities	16.		1,378,480	1,359,387
Investing Activities				
Acquisition and Construction of Properties		(249,813)	(292,039)	
Purchase of Other Fixed Assets		(7,344)	(2,674)	
Proceeds on Disposal of Properties		21,726	24,386	
Net Cash Outflow from Investing Activities			(235,431)	(270,327)
Financing Activities				
Interest Received on Cash and Cash Equivalents		19,661	20,259	
Interest Paid on Loans		(59,231)	(88,620)	
Loan Principal Repayments		(331,659)	(2,322,817)	
Share Capital Issued		23	15	
Net Cash Outflow from Financing			(371,206)	(2,391,163)
Increase / (decrease) in Cash			771,843	(1,302,103)
Opening Cash & Cash Equivalents			2,812,957	4,115,060
Closing Cash & Cash Equivalents			3,584,800	2,812,957
Cash and Cash equivalents as at 31 March 2017				
Cash			3,584,800	2,812,957
			<u>3,584,800</u>	<u>2,812,957</u>

The notes on pages 12 to 25 form part of these financial statements.

CERNACH HOUSING ASSOCIATION LIMITED

STATEMENT OF CHANGES IN EQUITY AS AT 31st MARCH 2017

	Share Capital £	Revenue Reserve £	Total £
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
Balance as at 1st April 2016	127	7,022,802	7,022,929
Issue of Shares	23	-	23
Cancellation of Shares	(33)	-	(33)
Surplus for Year	-	1,168,635	1,168,635
Balance as at 31st March 2017	117	8,191,437	8,191,554

The reserves opening balance at 1st January 2015 has been restated to reflect the change in accounting requirements under the Housing SORP 2014 and FRS102.

CERNACH HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2017

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 as it 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 participated in the Scottish Housing Association Defined Benefits Pension Scheme. Retirement benefits to employees of the Association are funded by the contributions from all participating employers and employees in the Scheme. The Association has joined the Scottish Housing Association Defined Contribution Scheme. Payments to this scheme are charged to the Statement of Comprehensive Income as incurred. The Association therefore participates in both the Defined Benefit and Defined Contribution categories of the Scottish Housing Association Pension Scheme.

The Association still has a liability for past service contributions to the Scottish Housing Association Defined Benefit Pension Scheme. The Association provides 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 a 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.

Component	Useful Economic Life
Structure	50 years
Electrics	30 years
Bathrooms	30 years
Internal Doors	30 years
Windows	25 years
Gutters	25 years
Central Heating	15 years
Boilers	15 years
Kitchens	15-20 years
Land	N/A

CERNACH HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2017 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

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

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, are disclosed below:

a) 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.

b) 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.

c) 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 assessment.

d) 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 2017

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) 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.

b) 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.

c) Pension Liability

In March 2017 the Association received details from the Pension Trust of the final valuation of the pension scheme at September 2015 and the Pension Trust's estimate of the Association's future past service deficit contributions. The Association has used this to provide the basis of the pension past service deficit liability in the financial statements. The Management Committee feels this is the best available estimate of the past service liability.

Financial Instruments - Basic

The Association classes all of its loans as basic financial instruments including agreements with break clauses. The Association recognises basic financial instruments in accordance with Section 11 of Financial Reporting Standard 102.

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 2017

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

Notes	2017			2016		
	Turnover £	Operating Costs £	Operating Surplus / (Deficit) £	Turnover £	Operating Costs £	Operating Surplus / (Deficit) £
Affordable letting activities	3,516,245	2,301,385	1,214,860	3,498,473	2,418,266	1,080,207
Other Activities	128,355	148,974	(20,619)	52,182	59,043	(6,861)
Total	3,644,600	2,450,359	1,194,241	3,550,655	2,477,309	1,073,346

3. PARTICULARS OF INCOME & EXPENDITURE FROM AFFORDABLE LETTING ACTIVITIES

	General			2017 Total £	2016 Total £
	Needs Housing £	Supported Housing £	Shared ownership £		
Revenue from Lettings					
Rent Receivable Net of Service Charges	2,903,204	39,632	35,434	2,978,270	2,965,545
Service Charges	2,358	23,177	3,521	29,056	29,754
Gross income from rent and service charges	2,905,562	62,809	38,955	3,007,326	2,995,299
Less: Rent losses from voids	4,564	-	-	4,564	7,141
Net Rents Receivable	2,900,998	62,809	38,955	3,002,762	2,988,158
Grants released from deferred income	450,710	2,110	37,203	490,023	474,527
Other revenue grants	23,460	-	-	23,460	35,788
Total turnover from affordable letting activities	3,375,168	64,919	76,158	3,516,245	3,498,473
Expenditure on affordable letting activities					
Management and maintenance administration costs	798,398	17,259	10,704	826,361	779,583
Service Costs	2,358	23,177	3,521	29,056	29,754
Planned and cyclical maintenance, including major repairs	352,911	-	-	352,911	485,675
Reactive maintenance costs	319,026	-	-	319,026	347,602
Bad Debts - rents and service charges	1,401	-	-	1,401	19,781
Depreciation of affordable let properties	745,236	3,055	24,339	772,630	755,871
Operating costs of affordable letting activities	2,219,330	43,491	38,564	2,301,385	2,418,266
Operating surplus on affordable letting activities	1,155,838	21,428	37,594	1,214,860	1,080,207
2016	1,042,699	19,753	17,755		

Included within planned and cyclical maintenance are amounts for major repairs of £52,095 (2016 - £239,503).

CERNACH HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2017

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 Turnover	Operating Costs Other	Operating Surplus / (Deficit) 2017	Operating Surplus / (Deficit) 2016
	£	£	£	£	£	£	£
Wider Role Activities							
Factoring	33,000	-	-	33,000	33,000	-	-
Contracted out services undertaken for other RSLs	-	-	10,673	10,673	10,673	-	-
Development	-	-	38,047	38,047	38,047	-	-
Welfare Rights Service	-	-	-	-	14,765	(14,765)	-
Other activities	-	45,000	1,635	46,635	7,489	(7,489)	(7,776)
Total From Other Activities	33,000	45,000	50,355	128,355	148,974	(20,619)	915
2016	40,000	-	12,182	52,182	59,043	(6,861)	(6,861)

CERNACH HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2017

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.	2017 £	2016 £
Aggregate Emoluments payable to Officers with Emoluments greater than £60,000 (excluding Pension Contributions)	<u>66,979</u>	<u>61,942</u>
Pension contributions made on behalf of Officers with emoluments greater than £60,000	<u>6,556</u>	<u>6,116</u>
Emoluments payable to Chief Executive (excluding pension contributions)	<u>66,979</u>	<u>61,942</u>
Total Emoluments paid to key management personnel	<u>73,535</u>	<u>68,058</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

	2017	2016
	No.	No.
The average monthly number of full time equivalent persons employed during the year was	<u>13</u>	<u>10</u>
The average total number of Employees employed during the year was	<u>13</u>	<u>10</u>
Staff Costs were:	£	£
Wages and Salaries	439,657	366,916
Social Security Costs	42,937	34,271
Other Pension Costs	44,449	33,252
	<u>527,043</u>	<u>434,439</u>

CERNACH HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2017

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

	2017	2016
	£	£
Sales Proceeds	21,726	24,386
Cost of Sales	40,194	21,008
(Loss) / Gain On Sale Of Housing Stock	<u>(18,468)</u>	<u>3,378</u>

8. INTEREST PAYABLE & SIMILAR CHARGES

	2017	2016
	£	£
Interest Paid on Bank Loans	59,231	84,820
Effective Interest Rate Charge	3,274	3,800
	<u>62,505</u>	<u>88,620</u>

9. SURPLUS FOR YEAR

	2017	2016
	£	£
Surplus is stated after charging/(crediting) :-		
Depreciation - Tangible Owned Fixed Assets	814,114	820,960
Auditors' Remuneration - Audit Services	8,280	7,884
(Loss)/gain on sale of fixed assets	<u>(18,468)</u>	<u>3,378</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 CHARGES

	2017	2016
	£	£
Unwinding of Discounted Liabilities	<u>25,452</u>	<u>28,803</u>

CERNACH HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2017

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 2016	32,360,055	1,450,072	33,810,127
Additions	249,813	-	249,813
Disposals	(124,432)	(43,212)	(167,644)
As at 31st March 2017	<u>32,485,436</u>	<u>1,406,860</u>	<u>33,892,296</u>
DEPRECIATION			
As at 1st April 2016	9,539,298	533,110	10,072,408
Charge for Year	748,285	24,339	772,624
Disposals	(114,139)	(13,311)	(127,450)
As at 31st March 2017	<u>10,173,444</u>	<u>544,138</u>	<u>10,717,582</u>
NET BOOK VALUE			
As at 31st March 2017	<u>22,311,992</u>	<u>862,722</u>	<u>23,174,714</u>
As at 31st March 2016	<u>22,820,757</u>	<u>916,962</u>	<u>23,737,719</u>

Additions to housing properties include capitalised major repair costs to existing properties of £249,813 (2016 - £292,039).

All land and housing properties are heritable.

Total expenditure on existing properties in the year amounted to £301,098 (2016 - £531,542). The amount capitalised is £249,813 (2016 - £292,039) with the balance charged to the statement of comprehensive income. The amounts capitalised can be further split between component replacement of £249,813 (2016 - £292,039) and improvement of £nil (2016 - £nil).

The Association's lenders have standard securities over Housing Properties with a carrying value of £8,375,179 (2016 - £8,583,673).

CERNACH HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2017

NOTES TO THE FINANCIAL STATEMENTS (Continued)

12. NON CURRENT ASSETS (Continued)

b) Other Tangible Assets	Other Asset 1 £	Other Asset 2 £	Office Premises £	Furniture & Equipment £	Total £
COST					
As at 1st April 2016			611,829	687,147	1,298,976
Additions			-	7,344	7,344
As at 31st March 2017			611,829	694,491	1,306,320
AGGREGATE DEPRECIATION					
As at 1st April 2016			118,765	491,044	609,809
Charge for year			11,876	29,614	41,490
As at 31st March 2017			130,641	520,658	651,299
NET BOOK VALUE					
As at 31st March 2017			481,188	173,833	655,021
As at 31st March 2016			493,064	196,103	689,167

CERNACH HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2017

NOTES TO THE FINANCIAL STATEMENTS (Continued)

13. RECEIVABLES: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2017	2016
	£	£
Arrears of Rent & Service Charges	105,806	120,706
Less: Provision for Doubtful Debts	(53,104)	(59,092)
	<u>52,702</u>	<u>61,614</u>
Other Receivables	119,079	77,317
	<u>171,781</u>	<u>138,931</u>

14. PAYABLES: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2017	2016
	£	£
Housing Loans	343,394	337,812
Trade Payables	67,492	57,759
Rent in Advance	106,200	86,697
Other Taxation and Social Security	13,974	10,084
Other Payables	86,730	145,047
Liability for Past Service Contributions	80,144	76,754
Accruals and Deferred Income	80,635	84,747
	<u>778,569</u>	<u>798,900</u>

At the balance sheet date there were pension contributions outstanding of £13,721 (2016 - £599).

15. PAYABLES: AMOUNTS FALLING DUE AFTER ONE YEAR

	2017	2016
	£	£
Liability for Past Service Contributions	326,856	382,465
Housing Loans	3,609,440	3,943,407
	<u>3,936,296</u>	<u>4,325,872</u>
Housing Loans		
Amounts due within one year	343,394	337,812
Amounts due in one year or more but less than two years	355,549	349,894
Amounts due in two years or more but less than five years	1,140,250	1,124,795
Amounts due in more than five years	2,113,641	2,468,718
	<u>3,952,834</u>	<u>4,281,219</u>
Less: Amount shown in Current Liabilities	343,394	337,812
	<u>3,609,440</u>	<u>3,943,407</u>
Liability for Past Service Contributions		
Amounts due within one year	80,144	76,754
Amounts due in one year or more but less than two years	81,682	77,163
Amounts due in two years or more but less than five years	245,174	233,140
Amounts due in more than five years	-	72,162
	<u>407,000</u>	<u>459,219</u>
Less: Amount shown in Current Liabilities	80,144	76,754
	<u>326,856</u>	<u>382,465</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 between 2022 and 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:

	2017	2016
	£	£
Balance of loans outstanding with the banks	3,978,295	4,309,953
Adjustment using effective interest rate method	25,461	28,734
	<u>3,952,834</u>	<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 1.06% (2016 - 2.64%).

CERNACH HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2017

NOTES TO THE FINANCIAL STATEMENTS (Continued)

16. STATEMENT OF CASH FLOWS

Reconciliation of operating surplus to net cash inflow from operating activities

	2017 £	2016 £
Operating Surplus	1,194,241	1,073,346
Depreciation	814,114	820,960
Amortisation of Capital Grants	(490,018)	(474,527)
Change in debtors	(32,850)	24,586
Change in creditors	(81,522)	(56,156)
Unwinding of Discount on Pension Liability	(25,452)	(28,803)
Share Capital Written Off	(33)	(19)
Net cash inflow from Operating Activities	<u>1,378,480</u>	<u>1,359,387</u>

17. DEFERRED INCOME

	Housing Properties Held for Letting £	Housing Properties In course of Construction £	Shared Ownership Properties £	Supporting People £	Total £
Social Housing Grants					
Balance as at 1st April 2016	18,930,662		868,690		19,799,352
Eliminated on disposal components and property	(93,666)		(33,049)		(126,715)
Balance as at 31st March 2017	<u>18,836,996</u>		<u>835,641</u>		<u>19,672,637</u>
Amortisation					
Balance as at 1st April 2016	7,365,882		353,474		7,719,356
Amortisation in year	432,115		37,204		469,319
Eliminated on disposal	(93,666)		(33,049)		(126,715)
Balance as at 31st March 2017	<u>7,704,331</u>		<u>357,629</u>		<u>8,061,960</u>
Net book value					
Balance as at 31st March 2017	<u>11,132,665</u>		<u>478,012</u>		<u>11,610,677</u>
Balance as at 31st March 2016	<u>11,564,780</u>		<u>515,216</u>		<u>12,079,996</u>
Other Grants					
Balance as at 1st April 2016	1,123,003		-		1,123,003
Balance as at 31st March 2017	<u>1,123,003</u>		<u>-</u>		<u>1,123,003</u>
Amortisation					
Balance as at 1st April 2016	422,819		-		422,819
Amortisation in year	20,699		-		20,699
Balance as at 31st March 2017	<u>443,518</u>		<u>-</u>		<u>443,518</u>
Net book value					
Balance as at 31st March 2017	<u>679,485</u>		<u>-</u>		<u>679,485</u>
Balance as at 31st March 2016	<u>700,184</u>		<u>-</u>		<u>700,184</u>
Total grants net book value as at 31 March 2017	<u>11,812,150</u>		<u>478,012</u>		<u>12,290,162</u>
Total grants net book value as at 31 March 2016	<u>12,264,964</u>		<u>993,228</u>		<u>12,780,180</u>
			2017 £		2016 £
Amounts due within one year			490,018		474,527
Amounts due after more than one year			<u>11,800,144</u>		<u>12,305,653</u>
			<u>12,290,162</u>		<u>12,780,180</u>

CERNACH HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2017

NOTES TO THE FINANCIAL STATEMENTS (Continued)

18. SHARE CAPITAL

Shares of £1 each Issued and Fully Paid	£
At 1st April 2016	127
Issued in year	23
Cancelled in year	(33)
At 31st March 2017	<u>117</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.

19. HOUSING STOCK

The number of units of accommodation in management at the year end was:-	2017 No.	2016 No.
General Needs - New Build	337	337
General Needs - Rehabilitation	455	456
Shared Ownership	18	19
Supported Housing	2	2
	<u>812</u>	<u>814</u>

CERNACH HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2017

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 102.

Those members who are tenants of the Association have tenancies that are on the Association's normal tenancy terms and they cannot use their position 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 is made at arm's length is under normal commercial terms.

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

	2017	2016
	£	£
Rent and factoring received from Tenants on the Committee and their close family members	46,355	30,294
Factoring Charges received from owners on the Committee	650	-

At the year end total rent arrears owed by the tenant members of the Committee (and their close family) were £626 (2016 - £437).

	No.
Members of the Committee who are tenants	10
Members of the Committee who are owner occupiers	1

21. NEGATIVE GOODWILL

	2016
	£
Balance as at 1st April 2016	2,450,893
Release during the year	(61,158)
As at 31st March 2017	2,389,735

22. 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.

23. GOVERNING BODY MEMBER EMOLUMENTS

Management Committee members received £260 (2016 - £nil) in the year by way of reimbursement of expenses. No remuneration is paid to Management Committee members in respect of their duties to the Association.

CERNACH HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2017

NOTES TO THE FINANCIAL STATEMENTS (Continued)

24. RETIREMENT BENEFIT OBLIGATIONS

General

Cernach Housing Association Limited participates in the Scottish Housing Association Pension Scheme.

The Scheme is a multi-employer defined benefit scheme. The Scheme is funded and is contracted out of the state scheme. The Association has joined the Defined Contribution scheme but has a liability for the past service deficit in the defined benefit scheme. The Association therefore participates in both the Defined Benefit and Defined Contribution categories of the Scottish Housing Association Pension 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 final 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 updated 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 employers 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 statement of financial position date the present value of this obligation was £407,000 (2016 - £459,219). This was calculated by reference to the terms of the agreement and discounting the liability using the yield rate of a high quality corporate bond with a similar term. The discount rate used was 1.06% (2016 - 2.64%).

The Association made payments totalling £77,671 (2016 - £75,409) to the pension scheme during the year.