

Cernach Housing Association Limited

Report and Financial Statements

For the year ended 31st March 2015

Registered Housing Association No.HAC 231

FCA Reference No. 2374R(S)

Scottish Charity No. SC036607

CERNACH HOUSING ASSOCIATION LIMITED

CONTENTS

	Page
MEMBERS OF THE MANAGEMENT COMMITTEE EXECUTIVES AND ADVISERS	1
REPORT OF THE MANAGEMENT COMMITTEE	2
REPORT BY THE AUDITORS ON CORPORATE GOVERNANCE MATTERS	5
REPORT OF THE AUDITORS	6
INCOME AND EXPENDITURE ACCOUNT	8
STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES	8
BALANCE SHEET	9
CASH FLOW STATEMENT	10
NOTES TO THE FINANCIAL STATEMENTS	11

CERNACH HOUSING ASSOCIATION LIMITED

**MANAGEMENT COMMITTEE, EXECUTIVES AND ADVISERS
YEAR ENDED 31st MARCH 2015**

MANAGEMENT COMMITTEE

Susan McDonald MBE	Chairperson
Zandra Yeaman	Vice Chairperson
David Unett	Secretary
Poppy Livingstone	
Rosemary McGill	
Tracy Bowie	
Beth Elliot	Resigned 30/06/2014
Alan McNaught	Resigned 31/08/2014
Steven McColl	
Karen McGinley	Appointed 25/06/2014
Jianna Stewart	Appointed 05/02/2015
Ann Hardie	Co-opted 27/05/2015
Janette Meechan	Co-opted 27/05/2015

EXECUTIVE OFFICERS

Caroline Shepherd	Director
-------------------	----------

REGISTERED OFFICE

79 Airgold Drive
Drumchapel
Glasgow
G15 7HF

AUDITORS

Alexander Sloan
Chartered Accountants
38 Cadogan Street
Glasgow
G2 7HF

BANKERS

Bank of Scotland
789 Dumbarton Road
Clydebank
G81 4BY

SOLICITORS

Harper McLeod
The 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 2015

The Management Committee presents its report and the Financial Statements for the year ended 31st March 2015.

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 SC036607.

Principal Activities

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

Review of Business and Future Developments

The members of the Management Committee are of the opinion that the state of affairs of the Association is satisfactory. The surplus for the year after taxation was £1,125,699 (2014 £1,094,783). Net assets now stand at £5,884,864 (2014 £4,758,689). The transfer to designated reserves amounted to £844,274 (2014 £821,088).

There is no doubt that one of the most significant events for the Association in the past year was the decision of the senior officer to take early retirement. The previous Director had been the Association's first member of staff in 1991 and had led the organisation through a comprehensive development programme during a twenty-year period, a successful stock transfer from Glasgow Housing Association in 2010 and in the achievement of numerous awards and accreditations. The Committee completed an options appraisal in autumn 2014 and decided to appoint a new Director from March 2015.

We made great progress in relation to Investors in People Gold and, in May 2014, joined only 4% of organisations throughout the UK to achieve this prestigious accreditation.

Operationally, the year commenced with the Association fine tuning its approach to mitigating the impact of reforms to the welfare benefits system in the UK on levels of lost income. This work built on the "bedroom tax" impact report considered by the Committee in February 2014, continuing to target our work in the area of arrears prevention for those tenants experiencing reductions on previous benefit levels. We also made changes to our allocations policy to facilitate down-sizing where tenants wished to transfer to a smaller home in order to avoid a reduction in housing benefit. The Committee is pleased to note that arrears have reduced in the past twelve months despite the challenges currently being faced.

The Association completed comprehensive assessments of compliance with the Regulatory Standards of Governance & Financial Management and with the Scottish Social Housing Charter. These provide baseline assessments for the annual updates that will take place in June of each year. Also in the area of corporate governance, the Association trialled its new Committee member effectiveness framework, including 360° assessment of the Chair and "nine-year" appraisal, and made good progress in relation to Committee training by continuing to implement the biennial training programme agreed with the other local RSLs.

REPORT OF THE MANAGEMENT COMMITTEE
FOR THE YEAR ENDED 31ST MARCH 2015

Review of Business and Future Developments (Contd)

Our community development work continued this year with another successful Gala Day - themed on the Commonwealth Games that were taking place in Glasgow at the same time. Other events included a Halloween party for local children and a Christmas lunch for our older residents. We also submitted a successful People and Communities Fund bid on behalf of COPE to kick-start an important local project as part of our wider role work.

We continued to consider ways in which we could improve our communication to tenants, members and other stakeholders and part of this was an in-house review of the website by staff members. We issued our first annual report to tenants on outcomes in relation to the Scottish Social Housing Charter, combining this with the Annual Report in an attempt to communicate our message to as many people as possible.

REPORT OF THE MANAGEMENT COMMITTEE
FOR THE YEAR ENDED 31ST MARCH 2015

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 & Community Benefit Societies 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 2010 and the Determination of Accounting Requirements 2012. They are also responsible for safeguarding the assets of the Association and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities. It is also responsible for ensuring the Association's suppliers are paid promptly.

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

In so far as the Management Committee are aware:

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

CERNACH HOUSING ASSOCIATION LIMITED

REPORT OF THE MANAGEMENT COMMITTEE FOR THE YEAR ENDED 31ST MARCH 2015

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:

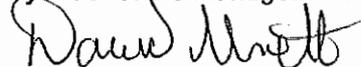
- formal policies and procedures are in place, including the ongoing documentation of key systems and rules relating to the delegation of authority, which allow the monitoring of controls and restrict the unauthorised use of Association's assets;
- experienced and suitably qualified staff take responsibility 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 internal financial controls are in place and are effective and that a 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 2015. No weaknesses were found in internal financial controls which resulted in material losses, contingencies or uncertainties which require disclosure in the financial statements or in the auditor's report on the financial statements.

Auditors

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

By order of the Management Committee



DAVID UNETT
Secretary
29 July 2015

REPORT BY THE AUDITORS TO THE MEMBERS
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 within the publication "Our Regulatory Framework" and associated Regulatory Advice Notes which are issued by the Scottish Housing Regulator.

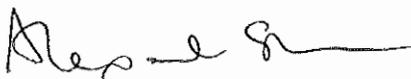
Basis of Opinion

We carried out our review having regard to the requirements relating to corporate governance matters within Bulletin 2006/5 issued by the Financial Reporting Council. 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 5 has provided the disclosures required by the relevant Regulatory Standards 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 relevant Regulatory Standards 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
29 July 2015

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

We have audited the financial statements of Cernach Housing Association Limited for the year ended 31st March 2015 which comprise an income and expenditure account, balance sheet, cash flow statement and related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the Association's members, as a body, in accordance with 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, are responsible for the preparation of the Financial Statements that give a true and fair view.

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

Scope of the audit on the Financial Statements

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

Opinion on the financial statements

In our opinion the Financial Statements:

- give a true and fair view of the state of the Association's affairs as at 31st March 2015 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 2010 and the Determination of Accounting Requirements 2012.

Matters on which we are required to report by exception

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

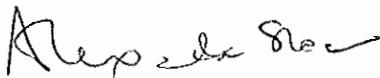
- the information given in the Management Committee's Report is inconsistent with the financial statements.

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

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

- proper books of account have not been kept by the Association in accordance with the requirements of the legislation.
- a satisfactory system of control over transactions has not been maintained by the Association in accordance with the requirements of the legislation.
- the Income and Expenditure Account to which our report relates, and the Balance Sheet are not in agreement with the books of the Association.
- we have not received all the information and explanations necessary for the purposes of our audit.

We have nothing to report in respect of these matters.



ALEXANDER SLOAN
Chartered Accountants
Statutory Auditors
GLASGOW
29 July 2015

CERNACH HOUSING ASSOCIATION LIMITED

INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED 31st MARCH 2015

	Notes	2015 £	2014 £
TURNOVER	2.	3,061,814	2,959,591
Operating Costs	2.	<u>(1,832,792)</u>	<u>(1,752,786)</u>
OPERATING SURPLUS	9.	1,229,022	1,206,805
Gain On Sale Of Housing Stock	7.	2,085	409
Release of Negative Goodwil	22.	61,793	62,046
Interest Receivable and Other Income		33,664	35,895
Interest Payable and Similar Charges	8.	<u>(200,865)</u>	<u>(210,372)</u>
		<u>(103,323)</u>	<u>(112,022)</u>
SURPLUS ON ORDINARY ACTIVITIES BEFORE TAXATION		1,125,699	1,094,783
Tax on surplus on ordinary activities	10.	-	-
SURPLUS ON ORDINARY ACTIVITIES AFTER TAXATION		<u>1,125,699</u>	<u>1,094,783</u>

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

CERNACH HOUSING ASSOCIATION LIMITED

BALANCE SHEET AS AT 31st MARCH 2015

	Notes	£	2015 £	£	2014 £
TANGIBLE FIXED ASSETS					
Housing Properties - Depreciated Cost	11.(a)		31,352,561		31,656,615
Less: Social Housing Grant	11.(a)		(19,906,943)		(19,965,951)
: Other Public Grants	11.(a)		(1,024,457)		(1,024,457)
			<u>10,421,161</u>		<u>10,666,207</u>
Other fixed assets	11.(b)		733,097		747,560
			<u>11,154,258</u>		<u>11,413,767</u>
Negative Goodwill	22.		(2,518,015)		(2,579,808)
CURRENT ASSETS					
Debtors	13.	163,517		151,323	
Cash at bank and in hand		4,115,060		3,047,871	
			<u>4,278,577</u>	<u>3,199,194</u>	
CREDITORS: Amounts falling due within one year	14.	(729,514)		(644,866)	
NET CURRENT ASSETS			<u>3,549,063</u>		<u>2,554,328</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>12,185,306</u>		<u>11,388,287</u>
CREDITORS: Amounts falling due after more than one year	15.		(6,300,942)		(6,629,598)
NET ASSETS			<u>5,884,364</u>		<u>4,758,689</u>
CAPITAL AND RESERVES					
Share Capital	17.		131		155
Designated Reserves	18.(a)		4,027,296		3,183,022
Revenue Reserves	18.(b)		1,856,937		1,575,512
			<u>5,884,364</u>		<u>4,758,689</u>

The Financial Statements were approved by the Management Committee and signed on their behalf on 29 July 2015.

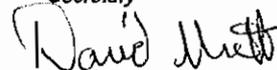
Chairperson

 M. S. MBE

Committee Member

T. Bowie

Secretary



CERNACH HOUSING ASSOCIATION LIMITED

CASH FLOW STATEMENT FOR THE YEAR ENDED
31st MARCH 2015

	Notes	2015 £	2014 £
Net Cash Inflow from Operating Activities	16.	1,624,401	1,519,681
Returns on Investment and Servicing of Finance			
Interest Received		33,664	35,895
Interest Paid		(200,865)	(210,372)
Net Cash Outflow from Investment and Servicing of Finance		(167,201)	(174,477)
Capital Expenditure and Financial Investment			
Acquisition and Construction of Properties		(133,272)	(217,202)
Purchase of Other Fixed Assets		(42,092)	(208,779)
Social Housing Grant Received		42,241	90,489
Proceeds on Disposal of Properties		34,261	11,335
Net Cash Outflow from Capital Expenditure and Financial Investment		(98,862)	(324,157)
Net Cash Inflow before use of Liquid Resources and Financing		1,358,338	1,021,047
Financing			
Loan Advances Received		-	1,268,000
Loan Principal Repayments		(291,155)	(816,825)
Share Capital Issued		6	9
Net Cash (Outflow) / Inflow from Financing		(291,149)	451,184
Increase in Cash	16.	1,067,189	1,472,231

CERNACH HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2015

NOTES TO THE FINANCIAL STATEMENTS

1 PRINCIPAL ACCOUNTING POLICIES

Basis Of Accounting

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

Turnover

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

Retirement Benefits

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

Valuation Of Housing Properties

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

<i>Component</i>	<i>Useful Economic Life</i>
Structure	50 years
Electrics	30 years
Bathrooms	30 years
Internal doors	30 years
Windows	25 years
Gutters	25 years
Central Heating	15 years
Boilers	15 years
Kitchens	15 years
Land	N/A

CERNACH HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2015

NOTES TO THE FINANCIAL STATEMENTS (Continued)

1 PRINCIPAL ACCOUNTING POLICIES (Continued.)

Depreciation And Impairment Of Other Fixed Assets

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

Office Premises	2%
Furniture and Fittings	10 - 25%

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

Social Housing Grant And Other Grants In Advance/Arrears

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

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

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

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

Sales Of Housing Properties

First tranche Shared Ownership disposals are credited to turnover on completion. The cost of construction of these sales is taken to operating cost. In accordance with the Statement of Recommended Practice, disposals of subsequent tranches are treated as fixed asset disposals with the gain or loss on disposal shown in the Income and Expenditure Account.

Disposals of housing property under the Right to Buy scheme are treated as a fixed asset disposal and any gain and loss on disposal accounted for in the Income and Expenditure Account.

Disposals under shared equity schemes are accounted for in the Income and Expenditure Account. The remaining equity in the property is treated as a fixed asset investment, which is matched with the grant received.

CERNACH HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2015

NOTES TO THE FINANCIAL STATEMENTS (Continued)

1 PRINCIPAL ACCOUNTING POLICIES (Continued.)

Leases/Leased Assets

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

Works to Existing Properties

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

Capitalisation Of Development Overheads

Directly attributable development administration costs relating to development activities are capitalised in accordance with the Statement of Recommended Practice.

Development Interest

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

Designated Reserves

The Association has designated part of its reserves to meet its long term obligations.

The Cyclical Maintenance Reserve had been designated to meet future repair and maintenance obligations which are cyclical in nature. This has been transferred into the Major Repairs Reserve during the current year reflecting the intended purpose for which those reserves are intended to be used.

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

Property Development Cost

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

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

Negative Goodwill

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

CERNACH HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2015

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

	Notes	2015			2014		
		Turnover £	Operating Costs £	Operating Surplus / (Deficit) £	Turnover £	Operating Costs £	Operating Surplus / (Deficit) £
Social Lettings	3.	3,010,708	1,775,693	1,235,015	2,904,405	1,689,572	1,214,833
Other Activities	4.	51,106	57,099	(5,993)	55,186	63,214	(8,028)
Total		3,061,814	1,832,792	1,229,022	2,959,591	1,752,786	1,206,805

3. PARTICULARS OF INCOME & EXPENDITURE FROM SOCIAL LETTINGS

	General Needs Housing £	Shared ownership £	2015 Total £	2014 Total £
Income from Lettings				
Rent Receivable Net of Identifiable Service Charges	2,885,484	35,715	2,921,199	2,856,583
Service Charges Receivable	27,390	3,825	31,215	31,051
Gross Rents Receivable	2,912,874	39,540	2,952,414	2,887,634
Less: Rent losses from voids	3,556	-	3,556	20,853
Net Rents Receivable	2,909,318	39,540	2,948,858	2,866,781
Revenue Grants from Scottish Ministers	-	-	-	24,842
Revenue Grants From Local Authorities and Other Agencies	61,850	-	61,850	12,782
Total Income From Social Letting	2,971,168	39,540	3,010,708	2,904,405
Expenditure on Social Letting Activities				
Service Costs	27,390	3,825	31,215	31,051
Management and maintenance administration costs	845,205	11,473	856,678	767,420
Reactive Maintenance	281,819	-	281,819	296,284
Bad Debts - Rents and Service Charges	(7,320)	-	(7,320)	4,380
Planned and Cyclical Maintenance, including Major Repairs	309,400	-	309,400	287,795
Depreciation of Social Housing	293,443	10,458	303,901	302,642
Operating Costs of Social Letting	1,749,937	25,756	1,775,693	1,689,572
Operating Surplus on Social Letting Activities	1,221,231	13,784	1,235,015	1,214,833
2014	1,190,208	24,625	1,214,833	

CERNACH HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2015

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

	Grants From Scottish Ministers	Other Revenue Grants	Supporting People Income	Other Income	Total Turnover	Operating Costs Bad Debts	Operating Costs Other	Operating Surplus / (Deficit) 2015	Operating Surplus / (Deficit) 2014
	£	£	£	£	£	£	£	£	£
Wider Role Activities	-	34,995	-	-	34,995	-	39,019	(4,024)	(1,599)
Factoring	-	-	-	10,615	10,615	319	10,615	(319)	(1,551)
Welfare Rights Service	-	-	-	-	-	-	7,146	(7,146)	(5,560)
Other Income	-	-	-	5,496	5,496	-	-	5,496	682
Total From Other Activities	-	34,995	-	16,111	51,106	319	56,780	(5,993)	(8,028)
2014	43,515	-	-	11,671	55,186	1,551	61,663	(8,028)	

CERNACH HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2015

NOTES TO THE FINANCIAL STATEMENTS (Continued)

5. OFFICERS' EMOLUMENTS

The Officers are defined in s149 of the Co-operative and Community Benefit Societies Act 2014 as the members of the Management Committee, managers or servants of the Association.

	2015	2014
	£	£
Aggregate Emoluments payable to Officers with Emoluments greater than £60,000 (excluding Pension Contributions)	<u>66,910</u>	<u>65,440</u>
Pension contributions made on behalf on Officers with emoluments greater than £60,000	<u>5,905</u>	<u>5,905</u>
Emoluments payable to Chief Executive (excluding pension contributions)	<u>66,910</u>	<u>65,440</u>

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

	Number	Number
£60,001 to £70,000	1	1

6. EMPLOYEE INFORMATION

	2015	2014
	No.	No.
The average monthly number of full time equivalent persons employed during the year was	<u>10</u>	<u>11</u>
Staff Costs were:	£	£
Wages and Salaries	365,461	388,693
Social Security Costs	34,614	36,074
Other Pension Costs	106,436	42,991
	<u>506,511</u>	<u>467,758</u>

CERNACH HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2015

NOTES TO THE FINANCIAL STATEMENTS (Continued)

7. GAIN ON SALE OF HOUSING STOCK

	2015	2014
	£	£
Sales Proceeds	34,261	11,335
Cost of Sales	<u>32,176</u>	<u>10,926</u>
Gain On Sale Of Housing Stock	<u>2,085</u>	<u>409</u>

8. INTEREST PAYABLE

	2015	2014
	£	£
On Bank Loans & Overdrafts	<u>200,865</u>	<u>210,372</u>
	<u>200,865</u>	<u>210,372</u>

9. SURPLUS ON ORDINARY ACTIVITIES BEFORE TAXATION

	2015	2014
	£	£
Surplus on Ordinary Activities before Taxation is stated after charging:-		
Depreciation - Tangible Owned Fixed Assets	360,456	339,246
Auditors' Remuneration - Audit Services	<u>7,800</u>	<u>7,332</u>

10. TAX ON SURPLUS ON ORDINARY ACTIVITIES

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

CERNACH HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2015

NOTES TO THE FINANCIAL STATEMENTS (Continued)

11. TANGIBLE FIXED ASSETS

a) Housing Properties	Housing Properties Held for Letting £	Completed Shared Ownership Properties £	Total £
COST			
As at 1st April 2014	32,170,315	1,501,758	33,672,073
Additions	133,272	-	133,272
Disposals	(91,835)	(51,686)	(143,521)
As at 31st March 2015	<u>32,211,752</u>	<u>1,450,072</u>	<u>33,661,824</u>
DEPRECIATION			
As at 1st April 2014	1,800,155	215,303	2,015,458
Charge for Year	293,443	10,458	303,901
Disposals	(6,428)	(3,668)	(10,096)
As at 31st March 2015	<u>2,087,170</u>	<u>222,093</u>	<u>2,309,263</u>
SOCIAL HOUSING GRANT			
As at 1st April 2014	19,057,028	908,923	19,965,951
Additions	42,241	-	42,241
Disposals	(61,016)	(40,233)	(101,249)
As at 31st March 2015	<u>19,038,253</u>	<u>868,690</u>	<u>19,906,943</u>
OTHER CAPITAL GRANTS			
As at 1st April 2014	1,024,457	-	1,024,457
As at 31st March 2015	<u>1,024,457</u>	<u>-</u>	<u>1,024,457</u>
NET BOOK VALUE			
As at 31st March 2015	<u>10,061,872</u>	<u>359,289</u>	<u>10,421,161</u>
As at 31st March 2014	<u>10,288,675</u>	<u>377,532</u>	<u>10,666,207</u>

Additions to housing properties includes capitalised development administration costs of £nil (2014 - £nil) and capitalised major repair costs to existing properties of £26,297 (2014 £29,490)

All land and housing properties are freehold.

CERNACH HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2015

NOTES TO THE FINANCIAL STATEMENTS (Continued)

11. TANGIBLE FIXED ASSETS (Continued)

b) Other Tangible Assets

	Office Premises £	Furniture & Equipment £	Total £
COST			
As at 1st April 2014	611,829	642,381	1,254,210
Additions	-	42,092	42,092
As at 31st March 2015	<u>611,829</u>	<u>684,473</u>	<u>1,296,302</u>
GRANTS RECEIVED			
As at 1st April 2014	11,661	88,067	99,728
As at 31st March 2015	<u>11,661</u>	<u>88,067</u>	<u>99,728</u>
AGGREGATE DEPRECIATION			
As at 1st April 2014	93,273	313,649	406,922
Charge for year	11,643	44,912	56,555
As at 31st March 2015	<u>104,916</u>	<u>358,561</u>	<u>463,477</u>
NET BOOK VALUE			
As at 31st March 2015	<u>495,252</u>	<u>237,845</u>	<u>733,097</u>
As at 31st March 2014	<u>506,895</u>	<u>240,665</u>	<u>747,560</u>

12. CAPITAL COMMITMENTS

	2015 £	2014 £
Capital Expenditure that has been contracted for but has not been provided for in the Financial Statements	<u>173,639</u>	<u>32,168</u>

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

CERNACH HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2015

NOTES TO THE FINANCIAL STATEMENTS (Continued)

13. DEBTORS

	2015 £	2014 £
Arrears of Rent & Service Charges	112,908	137,944
Less: Provision for Doubtful Debts	<u>(46,560)</u>	<u>(64,969)</u>
Other Debtors	66,348 97,169	72,975 78,348
	<u>163,517</u>	<u>151,323</u>

14. CREDITORS: Amounts falling due within one year

	2015 £	2014 £
Housing Loans	335,328	297,827
Trade Creditors	75,337	62,327
Rent in Advance	81,033	67,214
Other Taxation and Social Security	15,005	9,816
Other Creditors	154,106	136,282
Accruals and Deferred Income	68,705	71,400
	<u>729,514</u>	<u>644,866</u>

At the balance sheet date there were pension contributions outstanding of £10,104 (2014 £4,129)

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

	2015 £	2014 £
Housing Loans	<u>6,300,942</u>	<u>6,629,598</u>
Housing Loans are secured by specific charges on the Association's housing properties and are repayable at varying rates of interest in instalments, due as follows:-		
Within one year	335,328	297,827
Between one and two years	347,312	311,047
Between two and five years	1,116,437	1,019,205
In five years or more	4,837,193	5,299,346
	<u>6,636,270</u>	<u>6,927,425</u>
Less: Amount shown in Current Liabilities	335,328	297,827
	<u>6,300,942</u>	<u>6,629,598</u>

CERNACH HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2015

NOTES TO THE FINANCIAL STATEMENTS (Continued)

16. CASH FLOW STATEMENT

<i>Reconciliation of operating surplus to net cash inflow from operating activities</i>	2015 £	2014 £
Operating Surplus	1,229,022	1,206,805
Depreciation	360,456	339,246
Change in Debtors	(12,194)	14,966
Change in Creditors	47,147	(41,319)
Share Capital Written Off	(30)	(17)
Net Cash Inflow from Operating Activities	1,624,401	1,519,681

<i>Reconciliation of net cash flow to movement in net debt</i>	2015 £	£	2014 £	£
Increase in Cash	1,067,189		1,472,231	
Cash flow from change in debt	291,155		(451,175)	
Movement in net debt during year		1,358,344		1,021,056
Net debt at 1st April 2014		(3,879,554)		(4,900,610)
Net debt at 31st March 2015		<u>(2,521,210)</u>		<u>(3,879,554)</u>

<i>Analysis of changes in net debt</i>	At 01.04.14 £	Cash Flows £	Other Changes £	At 31.03.15 £
Cash at bank and in hand	3,047,871	1,067,189		4,115,060
Debt: Due within one year	3,047,871	1,067,189		4,115,060
Due after more than one year	(297,827)	291,155	(328,656)	(335,328)
	(6,629,598)	-	328,656	(6,300,942)
Net Debt	(3,879,554)	1,358,344	-	(2,521,210)

CERNACH HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2015

NOTES TO THE FINANCIAL STATEMENTS (Continued)

17. SHARE CAPITAL

Shares of £1 each Issued and Fully Paid	£
At 1st April 2014	155
Issued in year	6
Cancelled in year	(30)
At 31st March 2015	<u>131</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

18. RESERVES

(a) Designated Reserves	Cyclical Maintenance	Major Repairs	Total
	£	£	£
At 1st April 2014	125,000	3,058,022	3,183,022
Transfer (to) / from Revenue Reserves	-	844,274	844,274
Transfer (to) / from Major Repairs Reserves	(125,000)	125,000	-
At 31st March 2015	<u>-</u>	<u>4,027,296</u>	<u>4,027,296</u>

(b) Revenue Reserves	Total
	£
At 1st April 2014	1,575,512
Surplus for the year	1,125,699
Transfer (to) / from Designated Reserves	(844,274)
At 31st March 2015	<u>1,856,937</u>

19. HOUSING STOCK

The number of units of accommodation in management at the year end was:-	2015	2014
	No.	No.
General Needs - New Build	339	339
- Rehabilitation	458	459
Shared Ownership	19	20
	<u>816</u>	<u>818</u>

CERNACH HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2015

NOTES TO THE FINANCIAL STATEMENTS (Continued)

20. RELATED PARTY TRANSACTIONS

Members of the Management Committee are related parties of the Association as defined by Financial Reporting Standard 8.

The related party relationships of the members of the Management Committee is summarised as follows:

- 6 members are tenants of the Association
- 1 member is a factored owner
- 1 member is a tenant of another RSL
- 1 member is on the Committee of another RSL
- 1 member is employed by another RSL

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.

22. NEGATIVE GOODWILL

	2015
	£
Balance as at 1st April 2014	2,579,808
Release during the year	(61,793)
As at 31st March 2015	<u>2,518,015</u>

CERNACH HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2015

NOTES TO THE FINANCIAL STATEMENTS (Continued)

23. RETIREMENT BENEFIT OBLIGATIONS

General

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

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

The Scheme offers six benefit structures to employers, namely:

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

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

Cernach Housing Association Limited has elected to operate the final salary with a 1/60th accrual rate for all existing members at 31 March 2013. Any new members from 1st April 2014 will be offered the defined contribution option.

The Trustee commissions an actuarial valuation of the Scheme every three years. The main purpose of the valuation is to determine the financial position of the Scheme in order to determine the level of future contributions required, so that the Scheme can meet its pension obligations as they fall due.

The actuarial valuation assesses whether the Scheme's assets at the valuation date are likely to be sufficient to pay the pension benefits accrued by members as at the valuation date. Asset values are calculated by reference to market values. Accrued pension benefits are valued by discounting expected future benefit payments using a discount rate calculated by reference to the expected future investment returns.

During the accounting period Cernach Housing Association Limited paid contributions at the rate of 10% to 14.2% of pensionable salaries. Member contributions were 5% and 12.3%.

As at the balance sheet date there were 5 active members of the Scheme employed by Cernach Housing Association Limited. The annual pensionable payroll in respect of these members was £158,636. Cernach Housing Association Limited continues to offer membership of the Scheme to its employees.

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

CERNACH HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2015

NOTES TO THE FINANCIAL STATEMENTS (Continued)

23. RETIREMENT BENEFIT OBLIGATIONS (Continued)

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

The Scheme Actuary has prepared an Actuarial Report that provides an approximate update on the funding position of the Scheme as at 30th September 2010. Such a report is required by legislation for years in which a full actuarial valuation is not carried out. The funding update revealed an increase in the assets of the Scheme to £335 million and indicated an increase in the shortfall of assets compared to liabilities to approximately £162 million, equivalent to a past service funding level of 67.4%.

Financial Assumptions

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

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

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

CERNACH HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2015

NOTES TO THE FINANCIAL STATEMENTS (Continued)

23. RETIREMENT BENEFIT OBLIGATIONS (Continued)

Valuation Results

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

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

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

The Trustees have recently supplied Cernach Housing Association Limited with an updated contribution figure to the past service deficit. From 1 April 2015 Cernach Housing Association Limited will be required to pay £78,000 per annum as a contribution to the past service deficit. This will represent an increase of 3% in Cernach Housing Association Limited's contribution to the past service deficit. The deficit contribution will increase each April by 3%.

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

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

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