

CUNNINGHAME HOUSING ASSOCIATION LIMITED
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST MARCH 2010



CUNNINGHAME HOUSING ASSOCIATION LIMITED
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST MARCH, 2010

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CUNNINGHAME HOUSING ASSOCIATION LIMITED

ADVISERS AND REGISTERED OFFICE

FOR THE YEAR ENDED 31ST MARCH, 2010

Auditors

Armstrongs, Chartered Accountants
142 West Nile Street
Glasgow,
G1 2RQ

Bankers

Clydesdale Bank plc
29 Hamilton Street
Saltcoats
Ayrshire, KA21 5DX

Legal advisors

Messrs. Taylor & Henderson
Solicitors
51 Hamilton Street
Saltcoats, KA21 5DX

Messrs. Harper MacLeod
Solicitors
Ca 'd' oro Building
45 Gordon Street
Glasgow, G1 3PE

Registered Office

82-84 Glasgow Street,
Ardrossan,
Ayrshire,
KA22 8EH.

Registration Particulars

Financial Services Authority number: Industrial and Provident Societies Act 1965
Registration Number 2184 RS

The Scottish Housing Regulators
Registration number: HCB195

Scottish Charity Number : SCO37972

CUNNINGHAME HOUSING ASSOCIATION LIMITED

REPORT OF THE MANAGEMENT COMMITTEE

FOR THE YEAR ENDED 31ST MARCH, 2010.

The Committee of Management present their report and the audited financial statements for the year ended 31st March, 2010.

Principal Activities

The principal activities of the Association are the provision, construction, improvement and management of rented and shared-ownership accommodation. The Association is a not for profit organisation. The results for the year are as shown in the attached Income and Expenditure Account. The (deficit)/surplus for the year after taxation was £(200,860) (2009 - surplus £247,547) and transfers from/to reserves were £2,400,657 (2009 - £185,660).

Review of Business

This has been a very successful financial year for the Association.

During the last year the Association's Development Housing Building Programmes continued to deliver valuable assets for the organisation. A total of 132 additional new build houses were taken into management with a further total of 121 new build houses having commenced on site. A further 134 new build houses have now been programmed for site start during 2010-2011. Expenditure on land and buildings was £15.9m.

This year also saw further sustained and ongoing success in reducing our rent arrears from 2.56% in 2008-2009 to 2.32%.

Our investment in our older stock has also continued as we deliver our Planned Improvement & Repair Programmes in order to ensure that all our properties meet the Scottish Housing Quality Standards (SHQS) by 2015. This year we invested £606,000 in SHQS works with over £2m programmed for next year.

In terms of national recognition for the work that the Association does, we were delighted to have been recognised as the "Small Company of the Year" by Scottish Business in the Community (SBiC). Other accolades which came to the Association this year were the "Big Tick for Excellence in Employability" by SBiC and achieved "One to Watch" status in this year's Best Companies to Work For Survey by the Sunday Times.

Changes in Fixed Assets

Details of changes in fixed assets are set out in Notes 11-12.

The Committee of Management and Executive Officer

The Committee of Management and Executive Officer of the Association are as follows:-

Executive Officer

. F. Sweeney

Committee of Management

. W.R. Richards (Chair)	(Reappointed 25.08.09)	. M. Munn	(Reappointed 25.08.09)
. J. Steele (V. Chair)	(Reappointed 25.08.09)	. D. Lambie	(Reappointed 25.08.09)
. A.S. Greer (Secretary)	(Reappointed 25.08.09)	. H. Neill	(Reappointed 25.08.09)
. S. Maclaren	(Reappointed 25.08.09)	. Cllr. W Gibson – NAC	(Reappointed 25.08.09)
. A. Ramsay	(Reappointed 25.08.09)	. Cllr. W Coffey – EAC	(Reappointed 25.08.09)
. J. Strang	(Reappointed 25.08.09)	. H. Glen	(Appointed 25.08.09)
. F. Schlesiger	(Reappointed 25.08.09)		
. M. Wilmott	(Reappointed 25.08.09)		

Each member of the Committee of Management holds one fully paid share of £1 in the Association. The Executive Officer of the Association holds no interest in the Association's share capital and although not having the legal status of a director he acts as an executive within the authority delegated by the Committee.

CUNNINGHAME HOUSING ASSOCIATION LIMITED

REPORT OF THE MANAGEMENT COMMITTEE

FOR THE YEAR ENDED 31ST MARCH, 2010/Cont...

Statement of Committee's Responsibilities

Housing Association legislation requires the 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 income and expenditure of the Association for the year ended on that date. In preparing these financial statements, the Committee is required to:-

- . Select suitable accounting policies and then apply them consistently;
- . Make judgements 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 a going concern basis unless it is inappropriate to presume that the Association will continue in business;
- . Prepare a statement on internal financial control.

The 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 it to ensure that the financial statements comply with the requirements of the Industrial and Provident Societies Acts 1965-2002, the Housing (Scotland) Act 2001 and the Registered Social Landlords (Accounting Requirements) (Scotland) Order 2007. It is also responsible for safeguarding the assets of the Association and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Corporate Governance

The Association has complied throughout the accounting period with the Code of Best Practice published by the Cadbury Committee on the Financial Aspects of Corporate Governance in 1992.

In accordance with the requirements of the Scottish Housing Regulator, the auditors have confirmed that they consider this statement appropriately reflects the Association's compliance with those paragraphs of the Code of Best Practice required to be reviewed by them. The auditors have also confirmed that, in their opinion, with respect to the Statement on Internal Financial Control below, the Management Committee have provided the disclosures required by Paragraph 4.5 of the Code of Best Practice as supplemented by the related guidance for Management Committee and such statement is not inconsistent with the information of which they are aware from their audit work on the Financial Statements

Statement as to Disclosure of Information to Auditors

So far as the Committee are aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the Association's auditors are unaware, and each Committee Member has taken all the steps that he or she ought to have taken as a Committee Member in order to make himself or herself aware of any relevant audit information and to establish that the Association's auditors are aware of that information.

Auditors

A resolution to appoint the auditors, Messrs. Armstrongs, will be proposed at the Annual General Meeting.

By order of the Committee

Secretary *Anna Greer*

Dated : *05/08/2010*

CUNNINGHAME HOUSING ASSOCIATION LIMITED
COMMITTEE STATEMENT ON THE ASSOCIATION'S
SYSTEM OF INTERNAL FINANCIAL CONTROL
FOR THE YEAR ENDED 31ST MARCH, 2010

The Committee acknowledge their ultimate responsibility for ensuring that the Association has in place a system of controls that is appropriate to the various business environments 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 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 misstatement or loss. Key elements include ensuring that:

- . Formal policies and procedures are in place, including the documentation of key systems and rules relating to the delegation of authorities, which allow the monitoring of controls and restrict the unauthorised use of the Association's assets;
- . Experienced and suitably qualified staff take responsibility for important business functions. Annual appraisal procedures have been established to maintain standards of performance;
- . Forecasts and budgets are prepared regularly which allow the Committee and staff to monitor the key business risks and financial objectives, and progress towards financial plans set for the year and the medium term;
- . Regular management accounts are prepared promptly, providing relevant, reliable and up-to-date financial and other information and significant variances from budgets are investigated as appropriate;
- . All significant new initiatives, major commitments and investment projects are subject to formal authorisation procedures, through relevant sub-committees comprising Committee members and others;
- . The Committee review reports from management, from directors, staff and from the external and internal auditors to provide reasonable assurance that control procedures are in place and are being followed. This includes a general review of the major risks facing the Association;
- . Formal procedures have been established for instituting appropriate action to correct weaknesses identified from the above reports.

The Committee have reviewed the effectiveness of the system of internal financial control in existence in the Association for the year ended 31st March 2010 and until the below date. 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.

By order of the Committee

Secretary *Amya Green*
Dated : *05/04/2010*

CUNNINGHAME HOUSING ASSOCIATION LIMITED

REPORT OF THE AUDITORS ON THE COMMITTEE

STATEMENT ON THE ASSOCIATION'S SYSTEM OF INTERNAL FINANCIAL CONTROL

FOR THE YEAR ENDED 31ST MARCH, 2010

Corporate Governance

In addition to our audit of the financial statements, we have reviewed the Committee's statement on page four concerning the Association's compliance with the information required by the section on internal financial control within SFHA's publication "Raising Standards in Housing".

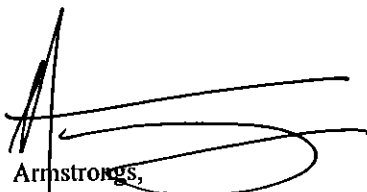
Basis of Opinion

We carried out our review having regard to the Bulletin "Disclosures Relating to Corporate Governance" 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 has provided the disclosures required by the section on internal financial control within SFHA's publication "Raising Standards in Housing" and is consistent with the information which came to our attention as a result of our audit work on the financial statements.

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



Armstrongs,
Statutory Auditor,
Chartered Accountants,
Victoria Chambers,
142, West Nile Street,
Glasgow.
G1 2RQ.

Dated: 15th August 2010

**REPORT OF THE INDEPENDENT AUDITORS TO
THE MEMBERS OF CUNNINGHAME HOUSING ASSOCIATION LIMITED**

We have audited the financial statements of Cunninghame Housing Association Limited for the year ended 31st March 2010 which comprise the Income and Expenditure Account, the Balance Sheet, the Cash Flow Statement and the related notes. These financial statements have been prepared under the historical cost convention and the accounting policies set out therein.

This report is made solely to the Association's members, as a body, in accordance with Industrial and Provident Societies Acts 1965-2002. 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 directors and auditors

The Committee's responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Committee's Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the relevant legislation. We also report to you if, in our opinion, a satisfactory system of control over transactions has not been maintained if the Association has not kept proper accounting records, or if we have not received all the information and explanation we require for our audit, or if information specified by law regarding director's remuneration and other transactions is not disclosed.

We read the information contained in the Report of the Committee and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of Opinion

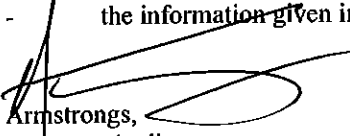
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Committee in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Association's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements:

- give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice of the state of the Association's affairs as at 31st March 2010 and of its deficit for the year then ended;
- have been properly prepared in accordance with the Industrial and Provident Societies Acts 1965 to 2002, Schedule 1, the Housing (Scotland) Act 2001 and the Registered Social Landlords (Accounting Requirements) (Scotland) Order 2007;
- and
- the information given in the Report of the Committee is consistent with the financial statements.


Armstrongs,
Statutory Auditor,
Chartered Accountants,
Victoria Chambers,
142, West Nile Street,
Glasgow.
G1 2RQ.

Dated: 15th August 2010

CUNNINGHAME HOUSING ASSOCIATION LIMITED

INCOME AND EXPENDITURE ACCOUNT

FOR THE YEAR ENDED 31ST MARCH, 2010

	Notes	2010 £	2009 £
Turnover	2	8,625,318	7,744,340
Operating Costs	2	(7,285,409)	(6,051,600)
Operating Surplus	2	1,339,909	1,692,740
Gain/(Loss) on Sale of Housing Property	5	40,796 <u>1,380,705</u>	73,553 <u>1,766,293</u>
Interest Receivable and Other Income	7	27,453	27,619
Interest Payable and Similar Charges	8	(1,609,018)	(1,546,365)
(Deficit)/Surplus on ordinary activities before taxation		<u>(200,860)</u>	<u>247,547</u>
Tax credit (charge) on Surplus on ordinary activities	11	-	-
(Deficit)/Surplus on ordinary activities after taxation		<u>(200,860)</u>	<u>247,547</u>

The results for the year relate wholly to continuing activities.

The Association has no recognised gains and losses other than those included in the surpluses above, and therefore no separate statement of total recognised gains and losses has been prepared.

There is no difference between the surplus on ordinary activities for the year and retained surplus for each year stated above, and their historical cost equivalents.

CUNNINGHAME HOUSING ASSOCIATION LIMITED

BALANCE SHEET

AS AT 31ST MARCH, 2010

	Notes	2010 £	2009 £
Tangible Fixed Assets			
Housing Properties (net of depreciation)	12	139,197,053	123,799,534
Less : Grants	12	<u>95,078,358</u> 44,118,695	<u>85,361,623</u> 38,437,911
Other Fixed Assets	13	<u>1,745,278</u> <u>45,863,973</u>	<u>1,758,897</u> <u>40,196,808</u>
Current Assets			
Debtors	15	1,516,660	946,024
Cash at Bank and in Hand		<u>4,359,974</u>	<u>990,167</u>
		5,876,634	1,936,191
Creditors : amounts falling due within one year	16	12,536,662	5,872,986
Net Current (Liabilities)/Assets		<u>(6,660,028)</u>	<u>(3,936,795)</u>
Total Assets less Current Liabilities		39,203,945	36,260,013
Creditors : amounts falling due after more than one year	17	<u>(34,020,825)</u>	<u>(30,876,031)</u>
Net Assets		<u>5,183,120</u>	<u>5,383,982</u>
Capital and Reserves			
Share Capital	18	103	107
Designated Reserves	19	4,864,677	2,464,020
Revenue Reserve	25	<u>318,340</u>	<u>2,919,855</u>
		<u>5,183,120</u>	<u>5,383,982</u>

These financial statements were approved by the Committee on 05/08/2010 and signed on their behalf by:

WR Richards Chairman

John Steer Committee Member

Anna Green Secretary

CUNNINGHAME HOUSING ASSOCIATION LIMITED

CASH FLOW STATEMENT

FOR THE YEAR ENDED 31ST MARCH, 2010

	2010 £	2009 £
Net Cash inflow from operating activities	<u>3,533,758</u>	<u>1,797,616</u>
Returns on investments and servicing of Finance		
Interest Received	27,453	27,619
Interest Paid	<u>(1,609,018)</u>	<u>(1,511,946)</u>
	<u>(1,581,565)</u>	<u>(1,484,327)</u>
Taxation		
Corporation Tax Paid	-	-
Less : Grant Received	<u>-</u>	<u>-</u>
	<u>-</u>	<u>-</u>
Capital Expenditure and Financial Investment		
Sale of Housing Property	40,796	192,584
Payments to acquire and develop housing properties	<u>(15,900,581)</u>	<u>(17,095,335)</u>
Payments to acquire other fixed assets	<u>(125,014)</u>	<u>(134,043)</u>
Grants Received	9,716,735	8,988,176
Grants Repaid	-	<u>(9,736)</u>
Net cash inflow/(outflow) from investing activities	<u>(6,268,064)</u>	<u>(8,058,354)</u>
Net cash inflow/(outflow) from before financing	<u>(4,315,871)</u>	<u>(7,745,065)</u>
Financing		
Mortgages and other loans received – housing	8,636,772	6,801,746
Mortgages and other loans received – non housing	-	-
Loans repaid - housing	<u>(932,991)</u>	<u>(699,096)</u>
- non-housing	<u>(18,099)</u>	<u>(36,967)</u>
Share Capital issued/forfeited	<u>(4)</u>	<u>1</u>
Net cashflow from financing	<u>7,685,678</u>	<u>6,065,684</u>
Increase/(Decrease) in Cash	<u>3,369,807</u>	<u>(1,679,381)</u>
Reconciliation of net cash flow to movement in net debt		
Increase/(Decrease) in cash in the year	3,369,807	<u>(1,679,381)</u>
Cash inflow from increase in loan and hire purchase Finance	<u>(7,685,678)</u>	<u>(6,065,684)</u>
Change in net debt resulting from cash flows	<u>(4,315,871)</u>	<u>(7,745,065)</u>
Net debt at 01.04.09	<u>(33,722,975)</u>	<u>(25,977,910)</u>
Net debt at 31.03.10	<u>(38,038,846)</u>	<u>(33,722,975)</u>

CUNNINGHAME HOUSING ASSOCIATION LIMITED

NOTES TO THE CASH FLOW STATEMENT

FOR THE YEAR ENDED 31ST MARCH, 2010

	2010 £	2009 £
1. Reconciliation of surplus for the year to net cashflow from operating activities		
Operating Surplus	1,339,909	1,692,740
Depreciation	641,694	539,994
(Increase)/Decrease in Debtors	(570,636)	(38,937)
Increase/(Decrease) in Creditors	2,122,791	(407,781)
Deferred Taxation		11,600
	<u>3,533,758</u>	<u>1,797,616</u>

	At 01.04.09 £	Cash Flow £	Other Non-cash Changes £	At 31.03.10 £
2. Analysis of net debt				
Cash at Bank	990,167	(3,369,807)	-	4,359,974
Overdrafts	(2,947,357)	(4,846,148)	-	(7,793,505)
Debt due after one year	(30,876,031)	(2,726,595)	-	(33,602,626)
Debt due within one year	(889,754)	(112,935)	-	(1,002,689)
	<u>(33,722,975)</u>	<u>(4,315,871)</u>	<u>-</u>	<u>(38,038,846)</u>

	At 01.04.08 £	Cash Flow £	Other Non-cash Changes £	At 31.03.09 £
Cash at Bank	2,669,549	(1,679,382)	-	990,167
Overdrafts	(2,109,728)	(837,629)	-	(2,947,357)
Debt due after one year	(25,932,281)	(4,943,750)	-	(30,876,031)
Debt due within one year	(605,450)	(284,304)	-	(889,754)
	<u>(25,977,910)</u>	<u>(7,745,065)</u>	<u>-</u>	<u>33,722,975</u>

CUNNINGHAME HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MARCH, 2010

1. Principal Accounting Policies

The Association is incorporated under the Industrial and Provident Societies Act 1965 and is registered by the Financial Services Authority.

The financial statements have been prepared under the historical cost convention in accordance with applicable Accounting Standards, the Statement of Recommended Practice - Accounting by registered social landlords (2008) and the Registered Social Landlords (Accounting Requirements) (Scotland) Order 2007. 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 from the Scottish Housing Regulator, Local Authorities and other agencies.

Housing Properties

Housing Properties are stated at cost, less social housing and other public grants or the fair value of assets transferred on the transfer of engagement and less accumulated depreciation. Depreciation is charged on a straight line basis over 60 years, the expected economic useful lives of the properties at an annual rate of 1.66%.

Improvements are capitalised where these result in an enhancement of the economic benefits of the property. Such enhancement can occur if the improvements result in an increase in rental income, a material reduction in future maintenance costs or a significant extension of the life of the property. Works to existing properties, which fail to meet the above criteria, are charged to the Income and Expenditure Account.

The Statement of Recommended Practice 2008 states that the disposal of shared-ownership properties first tranche sales be included in turnover at completion with the balance being classified as fixed assets. Due to Cunninghame's last shared-ownership scheme being off-site in 2000 and records only being required to be held for six years, this exercise has not been carried out.

Reviews for impairment of housing properties are carried out regularly and any impairment in an income-generating unit is recognised by a charge to the Income and Expenditure Account. Impairment is recognised where the carrying value of an income-generating unit exceeds the higher of its net realisable value or its value in use. Value in use represents the net present value of expected future cash flows from these units. Impairment of assets would be recognised in the Income and Expenditure Account.

Other Fixed Assets

Other fixed assets are stated at cost or the fair value of assets transferred on the transfer of engagements less accumulated depreciation. Depreciation is charged by equal instalments commencing with the year of acquisition at rates estimated to write off costs less any residual value over the expected economic useful lives at annual rates :-

Freehold Property	- 2% per annum
Equipment, Fixtures & Fittings	- 33% per annum

Housing Association Grants and Other Grants

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

Housing Association Grant and Wider Role 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 Housing Association 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.

/Cont...

CUNNINGHAME HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MARCH, 2010/Cont...

1. Principal Accounting Policies/Cont...

Capitalisation of Interest

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

Acquisition and Development Allowances

Acquisition and Development Allowances are determined by the Scottish Housing Regulator and are advanced as grants. They are intended to finance certain internal administrative costs relating to the acquisition and development of housing land and buildings for approved schemes. Development Allowances become available in instalments according to the progress of work on the scheme.

Development Administration Costs

Development costs incremental to the other costs of the Association have been capitalised.

Cyclical and Major Repairs

The Association seeks to maintain its properties to the highest standard. To this end programmes of cyclical repairs are carried out in the medium term to deal with the gradual and predictable deterioration of building components. It is expected that the costs of these repairs would be charged to the Income and Expenditure Account.

In addition the Association completes programmes of major repairs to cover for works which have become necessary since the original development was completed, including works required by legislative changes. This includes replacement or repairs to features of the properties which have come to the end of their economic lives. The costs of these repairs would be charged to the Income and Expenditure Account, unless it was agreed that they could be capitalised within the terms outlined in the SORP.

Designated Reserves

The Association has designated part of its long term obligations.

- The Cyclical Maintenance Reserve has been designated to meet future repair and maintenance obligations which are cyclical in nature. These are carried out in accordance with a planned programme of works.
- The Major Repairs Reserve is based on the Association's liability to maintain housing properties in a state of repair which at least maintains their residual values in prices prevailing at the time of acquisition and construction.

Pension Costs

The Association participates in the centralised SFHA defined benefit pension scheme and retirement benefits to employees of the Association are funded by contributions from all participating employers and employees in the scheme. Payments are made in accordance with periodic calculations by consulting actuaries and are based on pension costs applicable across the various participating Associations taken as a whole.

The expected costs to the Association of pension is charged to the income and expenditure accounts so as to spread the cost of pensions over the service lives of employees.

Leasing

Rentals paid under operating leases are charged to the income and expenditure account over the lease term.

Value Added Tax

The Association is VAT registered, but a large proportion of its income, namely rents is exempt for VAT purposes, and therefore gives rise to a partial exemption calculation. Expenditure as a result is shown inclusive of VAT.

CUNNINGHAME HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MARCH, 2010/Cont...

1. Principal Accounting Policies/Cont...

Consolidation

The Association and its subsidiary undertaking Cunninghame Enterprises comprise a group. The Financial Services Authority has granted exemption from preparing group financial statements. The Accounts therefore represent the results of the Association and not of the group.

2. Lettings and Other Related Information

Particulars of Turnover, Operating Costs & Operating Surpluses

			2010	
	Note	Turnover £	Operating Costs £	Operating Surplus/ (Deficit) £
Social Lettings	3	7,051,982	5,696,699	1,355,283
Other activities	4	1,573,336	1,588,710	(15,374)
Total		<u>8,625,318</u>	<u>7,285,409</u>	<u>1,339,909</u>
			2009	
	Note	Turnover £	Operating Costs £	Operating Surplus/ (Deficit) £
Social lettings	3	6,124,064	4,433,746	1,690,318
Other activities	4	1,620,276	1,617,854	2,422
Total		<u>7,744,340</u>	<u>6,051,600</u>	<u>1,692,740</u>

CUNNINGHAME HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MARCH, 2010/Cont...

3. Particulars of Turnover, Operating Costs & Operating Surpluses from Social Letting Activities

	General Housing Needs	Supported Housing £	Shared Ownership £	2010 Total £	2009 Total £
Income from Lettings					
Rent Receivable net of Identifiable Serv Chrgs	6,529,468	467,382	107,720	7,104,570	6,129,067
Service Charges Receivable	<u>100,294</u>	<u>-</u>	<u>2,524</u>	<u>102,818</u>	<u>86,294</u>
Gross Rents Receivable	6,629,762	467,382	110,244	7,207,388	6,215,361
Less: Rent Losses from Voids	<u>(98,992)</u>	<u>(56,414)</u>	<u>-</u>	<u>(155,406)</u>	<u>(91,297)</u>
Total turnover from Social Letting Activities	<u>6,530,770</u>	<u>410,968</u>	<u>110,244</u>	<u>7,051,982</u>	<u>6,124,064</u>
Expenditure on Letting Activities					
Management & Maintenance					
Administration Costs	2,257,958	360,111	37,547	2,655,616	2,435,135
Bad Debts – Rents and Service Charges	89,028	100,000	-	189,028	45,856
Depreciation : Social Housing Property	473,827	20,000	9,235	503,062	432,792
Service Costs	132,710	-	2,524	135,234	136,560
Reactive Maintenance	995,632	41,869	-	1,037,501	905,994
Planned And Cyclical Maintenance	<u>1,175,428</u>	<u>830</u>	<u>-</u>	<u>1,176,258</u>	<u>477,409</u>
Total Expenditure on Letting Activities	<u>5,124,583</u>	<u>522,810</u>	<u>49,306</u>	<u>5,696,699</u>	<u>4,433,746</u>
Operating Surplus on Letting Activities 2010	<u>1,406,187</u>	<u>(111,842)</u>	<u>60,938</u>	<u>1,355,283</u>	<u>1,690,318</u>
Operating Surplus on Letting Activities 2009	<u>1,623,275</u>	<u>48,648</u>	<u>18,395</u>	<u>1,690,318</u>	

The amount of service charges receivable on housing accommodation not eligible for housing benefit is £Nil.

CUNNINGHAME HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MARCH, 2010/Cont...

4. Particulars of Turnover, Operating Costs & Operating Surpluses or Deficits from Other Activities

	Grants from the Scottish Ministers	Other Revenue Grants	Enterprises Centre Income	Supporting People Income	Other Income	Total Turnover	Operating Costs- Bad Debt	Other Operating Costs	Total Operating Costs	Operating Surplus/ Deficit for 2010	Operating Surplus/ Deficit for 2009
	£	£	£	£	£	£	£	£	£	£	£
Supporting People	-	-	-	555,989	-	555,989	-	555,961	555,961	28	43,392
Leasehold / Commercial	-	-	-	-	202,822	202,822	-	98,367	98,367	104,455	16,307
Regen & Enterprise	90,999	395,328	128,609	-	4,267	619,203	-	739,100	739,100	(119,897)	(84,572)
Subsidiary	-	-	-	-	14,721	14,721	-	14,721	14,721	-	-
Care and Repair	-	180,601	-	-	-	180,601	-	180,561	180,561	40	1,585
Income Miscellaneous	-	-	-	-	-	-	-	-	-	-	25,710
Total Other Activities 2010	90,999	575,929	128,609	555,989	221,810	1,573,336	-	1,588,710	1,588,710	(15,374)	2,422
Total Other Activities 2009	88,521	389,436	-	578,124	564,195	1,620,276	-	1,617,854	1,617,854	2,422	-

CUNNINGHAME HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MARCH, 2010/Cont...

5. Gain on Sales of Fixed Assets

	2010	2009
	£	£
Proceeds from Sale of Fixed Assets	75,440	192,584
Less : Cost of Sales		
Historic Cost including Depreciation and HAG received	32,952	115,422
HAG Received	-	9,736
HAG Repayable	-	(9,736)
Legal and Valuation Fees	1,692	3,609
Gain/(Loss) on Sale	<u>40,796</u>	<u>73,553</u>

6. Operating Surplus

Operating surplus is stated after charging:-

Depreciation	641,694	539,994
Auditor's Remuneration	6,379	6,555
Leasing	222,207	122,884
Bad Debts	189,028	45,856
Gain/(Loss) on Sale – Housing Property	<u>40,796</u>	<u>73,553</u>

7. Interest Receivable and Similar Income

Interest Receivable	<u>27,453</u>	<u>27,619</u>
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8. Interest Payable and Similar Charges

Loan Interest	1,723,772	1,746,761
Interest Capitalised in Housing Properties	<u>(114,754)</u>	<u>(200,396)</u>
	<u>1,609,018</u>	<u>1,546,365</u>

CUNNINGHAME HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MARCH, 2010/Cont...

9. Directors Emoluments

The Directors are defined as the members of the Management Committee, The Chief Executive Officer and any other person reporting directly to the Directors or the Management Committee whose total emoluments exceed £60,000 per annum.

None of the Committee Members received any remuneration during the year.

	Number of Officers	2010 £	Number of Officers	2009 £
Total Emoluments (including pension contributions and benefits in kind)				
60,000 to 69,999	2	128,248	3	188,170
70,000 to 79,999	-	-	1	77,631
80,000 to 89,999	1	86,579	1	83,721
90,000 to 99,999	2	200,182	1	98,942
	<u>5</u>	<u>415,009</u>	<u>6</u>	<u>448,464</u>
Total Emoluments (excluding pension contributions) to the highest paid Director		<u>95,116</u>		<u>86,791</u>
Total Emoluments (excluding pension contributions) to the Chairman amounted to		<u>Nil</u>		<u>Nil</u>
Pension contribution payable to Officers in excess of £60,000 Salary	<u>5</u>	<u>51,237</u>	<u>3</u>	<u>31,966</u>
Total expenses reimbursed to the Committee in so far as not chargeable to United Kingdom Income Tax		<u>5,026</u>		<u>8,100</u>

10. Employee Information

	2010 £	2009 £
The average monthly number of full time equivalent employees during the year :-	<u>69</u>	<u>85</u>
Staff costs (including Executive Emoluments)		
Wages and Salaries	2,184,372	2,104,209
Social Security Costs	185,035	159,621
Pension Contributions	197,459	190,061
Temporary, seconded or agency staff costs	92,196	89,014
	<u>2,659,062</u>	<u>2,542,905</u>

11. Taxation

Cunninghame Housing Association Limited converted to a Charity registered in Scotland on 21st March 2007 and as such is no longer subject to taxation.

CUNNINGHAME HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MARCH, 2010 / Cont...

12. Tangible Fixed Assets - Housing Properties

	Properties Held for Letting £	Held for Shared Ownership £	For Letting Under Construction £	Total £
Cost				
At 01.04.09	91,577,018	1,604,971	34,045,997	127,227,986
Additions	1,046,825	-	14,771,954	15,818,779
Disposals	(32,952)	-	-	(32,952)
Interest Capitalised	-	-	114,754	114,754
Schemes Completed	43,723,439	-	(43,723,439)	-
At 31.03.10	<u>136,314,330</u>	<u>1,604,971</u>	<u>5,209,266</u>	<u>143,128,567</u>
Depreciation				
As 01.04.09	3,339,631	88,821	-	3,428,452
Charge for Year	493,827	9,235	-	503,062
At 31.03.10	<u>3,833,458</u>	<u>98,056</u>	<u>-</u>	<u>3,931,514</u>
Housing Properties Net of Depreciation	<u>132,480,872</u>	<u>1,506,915</u>	<u>5,209,266</u>	<u>139,197,053</u>
Housing Association Grant				
At 01.04.09	57,921,992	674,963	20,763,488	79,360,443
Received	1,102,147	-	7,824,359	8,926,506
Repaid	-	-	-	-
Schemes Completed	24,691,103	-	(24,691,103)	-
At 31.03.10	<u>83,715,242</u>	<u>674,963</u>	<u>3,896,744</u>	<u>88,286,949</u>
Other Grants				
At 01.04.09	4,124,592	-	1,876,588	6,001,180
Received	2,666,817	-	(1,876,588)	790,229
At 31.03.10	<u>6,791,409</u>	<u>-</u>	<u>-</u>	<u>6,791,409</u>
Total Housing Association and Other Grants	<u>90,506,651</u>	<u>674,963</u>	<u>3,896,744</u>	<u>95,078,358</u>
Net book value at 31.03.10	<u>41,974,221</u>	<u>831,952</u>	<u>1,312,522</u>	<u>44,118,695</u>
Net book value at 31.03.09	<u>26,190,803</u>	<u>841,187</u>	<u>11,405,921</u>	<u>38,437,911</u>

Development administration costs capitalised amounted to £419,670 for which Housing Association Grants amounting to £182,514 were received in the year.

CUNNINGHAME HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MARCH, 2010/Cont...

13. Tangible Fixed Assets - Other Fixed Assets

	Freehold Property £	Equipment Fixtures & Fittings £	Total £
Cost			
As at 01.04.09	2,012,243	785,202	2,797,445
Additions	19,546	105,467	125,013
Disposals	-	(6,840)	(6,840)
As at 31.03.10	<u>2,031,789</u>	<u>883,829</u>	<u>2,915,618</u>
Depreciation			
As at 01.04.09	346,611	691,937	1,038,548
Charge for Year	40,636	97,996	138,632
Disposals	-	(6,840)	(6,840)
As at 31.03.10	<u>387,247</u>	<u>783,093</u>	<u>1,170,340</u>
Net Book Value as at 31.03.10	<u>1,644,542</u>	<u>100,736</u>	<u>1,745,278</u>
Net Book Value as at 31.03.09	<u>1,665,632</u>	<u>93,265</u>	<u>1,758,897</u>

14. Shares in Subsidiary

The Association holds 100% of the share capital of its subsidiary Cunninghame Enterprises, a company registered in Scotland whose main activity is the provision of Factoring Services and any other activity outside the scope of Cunninghame Housing Association Limited.

	2010 £	2009 £
15. Debtors		
Rental Debtors-Houses	312,293	241,887
Rental Debtors – Lease	41,804	134,455
Rental Debtors-Hostel	111,085	118,759
Other Debtors	362,604	333,710
Prepayments and accrued income	28,379	21,123
Grants Receivable Debtors	493,276	22,960
Loans to Group Undertakings	167,219	73,130
	<u>1,516,660</u>	<u>946,024</u>

Rent, lease and hostel debtors are stated net of a provision for bad debts amounting to £276,829 (2009 - £136,829). Rental debtors include technical arrears of £368,000 (2009 - £105,290).

16. Creditors: Amounts Falling Due Within One Year

Housing Loans	984,270	855,970
Non-Housing Loans	18,419	33,784
Trade Creditors	1,756,793	874,160
Accruals and Deferred Income	1,263,019	319,578
Retentions	533,599	315,230
Lease Creditors – Sinking Fund/Cyclical Maintenance	-	372,081
Development Guarantees	7,793,505	2,947,357
Rent in advance	133,790	150,035
Social Security and Other Taxes	53,267	4,791
	<u>12,536,662</u>	<u>5,872,986</u>

Creditors due within one year include development guarantees totalling £7,793,505 (2009: £2,947,357). This includes a short term loan of £Nil in advance of HAG (2009: £Nil).

CUNNINGHAME HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MARCH, 2010/Cont...

	2010 £	2009 £
17. Creditors: Amounts Falling Due After More Than One Year		
Housing Loans	33,569,765	29,864,179
Non-Housing Loans	32,861	1,011,852
Cyclical & Sinking Fund Leases	418,199	-
	<u>34,020,825</u>	<u>30,876,031</u>

Loans are secured by specific charges on the Association properties and repayable at rates varying from 0.9% to 7.6% of interest in instalments due as follows which will mature over a period of 2 to 30 years:-

	2010 £	2009 £
Between one and two years	1,045,096	1,766,180
Between two and five years	3,360,080	2,821,343
In five years or more	29,197,450	26,288,508
	<u>33,602,626</u>	<u>30,876,031</u>

18. Called Up Share Capital

	2010 £	2009 £
Shares of £1 each issued and fully paid		
Allotted, issued and fully paid		
At 01.04.09	107	106
Issued during year	9	7
Cancelled in year	(13)	(6)
Balance at 31.03.10	<u>103</u>	<u>107</u>

Each shareholder of the Association holds only one share and is entitled to vote at general meetings of the Association. Shares carry no right to dividend or distribution 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 member meetings.

19. Designated Reserves

	Total £	Major Repairs £	Cyclical Mainten. £
Balance at 01.04.09	2,464,020	2,118,747	345,273
Transfers	-	345,273	(345,273)
Transfers to Revenue Reserves	(751,450)	(751,450)	-
Transfers from Revenue Reserves	3,152,107	3,152,107	-
Balance at 31.03.10	<u>4,864,677</u>	<u>4,864,677</u>	<u>-</u>

	Total £	Major Repairs £	Cyclical Mainten. £
Balance at 01.04.08	2,278,360	1,933,087	345,273
Transfers from Income & Expenditure A/c	185,660	185,660	-
Balance at 31.03.09	<u>2,464,020</u>	<u>2,118,747</u>	<u>345,273</u>

CUNNINGHAME HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MARCH, 2010/Cont...

20. Lease Commitments		2010	2009
		£	£
The following payments are committed to be paid within one year		167,760	162,348
Operating leases expiring between one and five years		<u>559,016</u>	<u>162,348</u>
21. Housing Stock		2010	2009
The number of units of accommodation in management at the year end was :-			
General Needs		2,001	1,902
Shared Ownership		30	30
Supported Accommodation		26	26
		<u>2,057</u>	<u>1,958</u>
22. Capital Commitments		2010	2009
		£	£
Expenditure Authorised and Contracted Less Certified		<u>7,298,697</u>	<u>13,364,085</u>

The Association has secured from the Royal Bank of Scotland loan facilities to cover its immediate known development programme. The £7,298,697 is the balance for projects which have received tender approval and the funding requirements are known, being HAG of £1,883,879, private finance £5,050,515 and other funding of £364,303.

23. Pensions

The Association participates in the SFHA Pension Scheme. The SFHA Pension Scheme is a multi-employer defined benefit scheme. The scheme is funded and is contracted out of the state scheme.

It is not possible in the normal course of events to identify the share of underlying assets and liabilities belonging to individual participating employers. SFHA is a multi-employer scheme where the scheme 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.

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 last formal valuation of the scheme was performed as at 30th September 2006 by a professionally qualified actuary using the "projected unit credit" method. The market value of the scheme's assets at the valuation date was £268million. The valuation revealed a shortfall of assets compared with the value of liabilities of £54 million, equivalent to a past service funding level of 83.4%.

The Scheme Actuary has prepared an actuarial report that provides an approximate update on the funding position of the scheme as at 30th September 2008. Such a report is required by legislation for years in which a full actuarial valuation is not carried out. The funding update revealed a decrease in the assets of the scheme to £265 million and indicated an increase in the shortfall of assets compared to liabilities to approximately £149 million, equivalent to a past service funding level of 63.9%. The current triennial formal valuation of the scheme as at 30th September 2009 is being undertaken by a qualified actuary. The results of the valuation will be available in Autumn 2010.

CUNNINGHAME HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MARCH, 2010/Cont...

13. Pensions/Cont...

Following a change in legislation in September 2005 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 performances, 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.

The Association has been notified by the Pensions Trust of the estimated employer debt on withdrawal from the SFHA scheme based on the financial position of the scheme as at 30th September 2007. As of that date the estimated employer debt for the Association was £3,583,565.

The current triennial formal valuation of the Scheme, as at 30 September 2009, is being undertaken by a professionally qualified actuary. The provisional results of this valuation were issued by the SFHA Pension scheme in May 2010. These figures show that the deficit on the scheme has increased from £53.6 million to £160 million. The funding level of liabilities, based on these figures, would be 68.4% (2006 - 83.4%).

As a result of this valuation the total contribution rate must increase on average by 7% of pensionable earnings for all existing benefit option structures from April 2011.

The total pension cost for the Association was £197,459 (2009: £190,061) of which £21,093 (2009 : £3.87) was unpaid and is included in Creditors.

14. Legislative Provisions

The Association is incorporated under the Industrial and Provident Societies Act 1965.

15. Reconciliation of Movement in Accumulated Surplus

	2010	2009
	£	£
Revenue Reserve b/fwd	2,919,855	2,857,968
Surplus for year	(200,858)	247,547
Transfer from Designated Reserves	751,450	-
Transfer to Designated Reserves	(3,152,107)	(185,660)
	<u>318,340</u>	<u>2,919,855</u>

16. Related Party Transactions

There are members of the Management Committee who are tenants. Their tenancies are on the Association's normal tenancy terms and they cannot use their positions to their advantage. Two members of the Management Committee are Council Representatives from North Ayrshire Council and East Ayrshire Council. Any transaction with these Councils are at arms length on normal commercial terms and these members cannot use their position to their advantage.

Cunningham Enterprises Limited, a subsidiary of the Association, made a contribution of £14,721 (2009: £25,000) in respect of overheads.

At the end of the financial year the Association was owed £167,216 (2009: £73,130) by Cunninghame Enterprises Limited. This comprises of loan debtor £65,063 (repaid over seven years at an interest charge of Clydesdale Bank base rate plus 2%) and short term debtor of £102,153, of which £75,000 was repaid by 30th June 2010.

CUNNINGHAME HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MARCH, 2010/Cont...

27. Contingent Liabilities

LSVT Contracts

The Scottish Government made concessions to LSVT excess right to buy receipts after the expiry of the initial 10 Year contract period. In terms of the 3 Towns contract at the end of February 2007 there is a potential repayment to the Scottish Government under the contract agreement of approximately £335,000 in respect of excess Right to Buy sales receipts over the initial estimates by Cunninghame Housing Association Limited. This balance is potentially owing at 31st March 2010.

As at 31st March 2010 no excess sales had been made in respect of the Garnock Valley LSVT contract. The Garnock Valley contract has now expired (ended 27th November 2008).

The Scottish Government has confirmed the process to be adopted that will result in cessation of contract agreements. This process is currently being followed by the Association and it is expected that no liability shall arise in respect of any repayments to the Scottish Government.

Development Scheme Overspend

One of the Association's scheme developments at Altonhill, completed 2009/2010, has a projected overspend of £1,800,000 in terms of the works cost. This is primarily due to the requirement to remediate the site. At present a temporary funding arrangement is in place to ensure that all contractual obligations can be met by the Association. Dialogue is continuing with Partners and specialists in this matter to achieve a resolution. This is expected to be concluded by November 2010. In the event that any or all of the overspent monies are irrecoverable they may be written off in future years. Although this matter is material in terms of the overall finances of the Association, no going concern issues are viewed to be relevant in terms of long term financial projections completed in 2009/2010.

28. Group Structure

Cunninghame Housing Association Limited is a Housing Association registered in Scotland, and forms part of a group. The other member in Cunninghame Enterprises Limited, a company registered whose main activities relate to commercial activities such as Factoring Services.

Cunninghame Housing Association Limited is considered to be the ultimate parent undertaking of the group. Separate accounts are not prepared as the Financial Services Authority has exempted the group from this requirement.