

CUNNINGHAME HOUSING ASSOCIATION LIMITED
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST MARCH 2012

CUNNINGHAME HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MARCH, 2012

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CUNNINGHAME HOUSING ASSOCIATION LIMITED

ADVISERS AND REGISTERED OFFICE

FOR THE YEAR ENDED 31ST MARCH, 2012

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, 2012

The Committee of Management present their report and the audited financial statements for the year ended 31st March 2012.

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 surplus(deficit) for the year after taxation was £418,375 (2011 - restated £220,273) and transfers from/to reserves were £Nil (2011 - £197,169).

Review of Business

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

During the last year the Association's Development Housing Building Programme continued to deliver valuable assets for the organisation. A total of 95 additional new build houses were taken into management with a further total of 89 new build houses having commenced on site. A further 48 new build houses have now been programmed for site start during 2012-2013 subject to Scottish Government approval. Expenditure on land and buildings was £12.617m.

This year also saw further sustained and ongoing success in sustaining our APSR rent arrears performance from 1.62% in 2010-2011 to 1.68% in 2011-2012.

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 approximately £1.5m in SHQS works with around £1.3m programmed for next year.

In terms of national recognition for the work that the Association does, we were delighted to have again achieved a listing in the Sunday Times 100 Best Places to Work in the Public/Third Sector for 2012. We were also successful in being presented with the prestigious Chartered Institute of Housing Scotland's Excellence in Developing Skills & Capacity Award 2012.

Changes in Fixed Assets

Details of changes in fixed assets are set out in Notes 12-13.

The Committee of Management and Executive Officer

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

Executive Officer

. F.A. Sweeney

Committee of Management

. W.R. Richards (Chair)	(Reappointed 23.08.11)	. Cllr. W Gibson - NAC	(Reappointed 23.08.11)
. J. Steele (V. Chair)	(Reappointed 23.08.11)	. Cllr. W Coffey - EAC	(Reappointed 23.08.11)
. A.S. Greer (Secretary)	(Reappointed 23.08.11)	. H. Neill	(Reappointed 23.08.11)
. D. Lambie	(Reappointed 23.08.11)	. H. Glen	(Resigned 23.08.11)
. A. Ramsay	(Reappointed 23.08.11)	.	
. J. Strang	(Reappointed 23.08.11)	.	
. F. Schlesiger	(Reappointed 23.08.11)	.	

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, 2012/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.

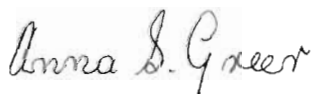
Statement as to Disclosure of Information to Auditors

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, Armstrongs, will be proposed at the Annual General Meeting.

By order of the Committee



Secretary

Dated : 09 | 04 | 2012

CUNNINGHAME HOUSING ASSOCIATION LIMITED
COMMITTEE STATEMENT ON THE ASSOCIATION'S
SYSTEM OF INTERNAL FINANCIAL CONTROL
FOR THE YEAR ENDED 31ST MARCH, 2012

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 2012 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

Dated : 09 | 08 | 2012

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, 2012

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".



Adam Armstrong, LLB, CA, (Senior Statutory Auditor),
for and on behalf of Armstrongs,
Statutory Auditor,
Chartered Accountants,
Victoria Chambers,
142, West Nile Street,
Glasgow,
G1 2RQ.

Dated : 19th August 2012

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

We have audited the financial statements for the year ended 31st March 2012 which comprise the Income and Expenditure Account, the Balance Sheet, the Cash Flow Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the Registered Social Landlords (Accounting Requirements) (Scotland) Order 2007.

This report is made solely to the Association's members, as a body, in accordance with Industrial and Provident Societies Acts 1965 to 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 auditor's 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 Committee and Auditors

As explained more fully in the Statement of Committee's Responsibilities, the Committee are responsible for the preparation of financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit 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 Ethical Standards for Auditors.

Scope of the audit of 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 Committee, and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Report of the Committee to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

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 2012 and of its surplus for the year then ended;
and
- 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.

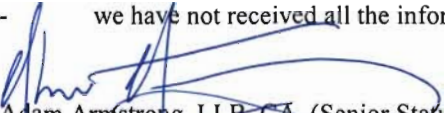
Opinion on Committee Report

In our opinion the information given in the Report of the Committee for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report

We have nothing to report in respect of the following matters where the current legislation requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Committee's remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.


Adam Armstrong, LLB, CA, (Senior Statutory Auditor),
for and on behalf of Armstrongs,
Statutory Auditor,
Chartered Accountants,
Victoria Chambers,
142, West Nile Street,
Glasgow,
G1 2RQ.

Dated : 19th August 2012

CUNNINGHAME HOUSING ASSOCIATION LIMITED

INCOME AND EXPENDITURE ACCOUNT

FOR THE YEAR ENDED 31ST MARCH, 2012

	Notes	2012 £	Restated 2011 £
Turnover	2	9,843,086	9,202,223
Operating Costs	2	(7,399,393)	(7,282,503)
Operating Surplus	2	2,443,693	1,919,720
Gain/(Loss) on Sale of Housing Property	5	-	17,000
		<u>2,443,693</u>	<u>1,936,720</u>
Interest Receivable and Other Income	7	9,880	14,391
Interest Payable and Similar Charges	8	(2,035,198)	(1,730,838)
(Deficit)/Surplus on ordinary activities before taxation		<u>418,375</u>	<u>220,273</u>
Tax credit (charge) on Surplus on ordinary activities	11	-	-
(Deficit)/Surplus on ordinary activities after taxation		<u>418,375</u>	<u>220,273</u>

The results for the year relate wholly to continuing activities.

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
STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
FOR THE YEAR ENDED 31ST MARCH 2012

	2012	Restated
	£	2011
		£
Surplus for the financial year	418,375	<u>220,273</u>
Prior year adjustment	(2,035,041)	
Total gains and losses recognised since last annual report	<u>(1,616,666)</u>	

CUNNINGHAME HOUSING ASSOCIATION LIMITED

BALANCE SHEET

AS AT 31ST MARCH, 2012

	Notes	2012 £	Restated 2011 £
Tangible Fixed Assets			
Housing Properties (net of depreciation)	12	156,638,417	145,699,536
Less : Grants	12	<u>103,965,273</u> 52,673,144	<u>99,748,142</u> 45,951,394
Other Fixed Assets	13	<u>1,723,880</u> <u>54,397,024</u>	<u>1,733,543</u> <u>47,684,937</u>
Current Assets			
Debtors	15	1,419,639	1,324,477
Cash at Bank and in Hand		<u>2,674,122</u> 4,093,761	<u>1,950,761</u> 3,275,238
Creditors : amounts falling due within one year	16	10,405,350	7,663,912
Net Current (Liabilities)/Assets		(6,311,589)	(4,388,674)
Total Assets less Current Liabilities		48,085,435	43,296,263
Creditors : amounts falling due after more than one year	17	(44,784,499)	(40,413,699)
Net Assets		<u>3,300,936</u>	<u>2,882,564</u>
Capital and Reserves			
Share Capital	18	94	97
Designated Reserves	19	2,282,876	2,282,876
Revenue Reserve	25	<u>1,017,966</u> <u>3,300,936</u>	<u>599,591</u> <u>2,882,564</u>

These financial statements were approved by the Committee on 09/03/2012 and signed on their behalf by:

Chairman *W R Richards*

Committee Member *John Steel*

Secretary *Anna S. Greer*

CUNNINGHAME HOUSING ASSOCIATION LIMITED

CASH FLOW STATEMENT

FOR THE YEAR ENDED 31ST MARCH, 2012

	2012	Restated
	£	2011
		£
Net Cash inflow from operating activities	<u>4,718,375</u>	<u>2,278,278</u>
Returns on investments and servicing of Finance		
Interest Received	9,880	14,391
Interest Paid	(2,035,198)	(1,730,838)
	<u>(2,025,318)</u>	<u>(1,716,447)</u>
Taxation		
Corporation Tax Paid	-	-
Less : Grant Received	-	-
	<u>-</u>	<u>-</u>
Capital Expenditure and Financial Investment		
Sale of Housing Property	-	17,000
Payments to acquire and develop housing properties	(12,712,158)	(11,294,433)
Payments to acquire other fixed assets	(122,905)	(123,305)
Grants Received	4,745,077	5,636,688
Grants Repaid	-	-
Net cash inflow/(outflow) from investing activities	<u>(8,089,986)</u>	<u>(5,764,050)</u>
Net cash inflow/(outflow) from before financing	<u>(5,396,929)</u>	<u>(5,202,219)</u>
Financing		
Mortgages and other loans received - housing	6,092,969	8,288,978
Mortgages and other loans received - non housing	-	-
Loans repaid - housing	(1,376,550)	(1,194,836)
- non-housing	(18,099)	(18,099)
Share Capital issued	8	6
Net cashflow from financing	<u>4,698,328</u>	<u>7,076,049</u>
Increase/(Decrease) in Cash	<u>(698,601)</u>	<u>1,873,830</u>
Reconciliation of net cash flow to movement in net debt		
Increase/(Decrease) in cash in the year	(698,601)	1,873,830
Cash inflow from increase in loan and hire purchase Finance	<u>(4,698,322)</u>	<u>(7,076,049)</u>
Change in net debt resulting from cash flows	<u>(5,396,923)</u>	<u>(5,202,219)</u>
Net debt at 01.04.11	(43,241,065)	(38,038,846)
Net debt at 31.03.12	<u>(48,637,988)</u>	<u>(43,241,065)</u>

CUNNINGHAME HOUSING ASSOCIATION LIMITED

NOTES TO THE CASH FLOW STATEMENT

FOR THE YEAR ENDED 31ST MARCH, 2012

	2012	Restated		
	£	2011		
		£		
1. Reconciliation of surplus for the year to net cashflow from operating activities				
Operating Surplus	2,443,693	1,919,720		
Depreciation	1,377,899	1,267,356		
(Increase)/Decrease in Debtors	(95,165)	(54,109)		
Increase/(Decrease) in Creditors	991,948	(854,677)		
Cancelled Shares	-	(12)		
	<u>4,718,375</u>	<u>2,278,278</u>		
	At	At		
	01.04.11	31.03.12		
	£	£		
2. Analysis of net debt				
Cash at Bank	1,950,761	723,361	-	2,674,122
Overdrafts	(3,510,462)	(1,421,962)	-	(4,932,424)
Debt due after one year	(40,413,705)	(4,370,794)	-	(44,784,499)
Debt due within one year	(1,267,659)	(327,528)	-	(1,595,187)
	<u>(43,241,065)</u>	<u>(5,396,923)</u>	<u>-</u>	<u>(48,637,988)</u>
	At	Cash	Other	At
	01.04.10	Flow	Non-cash	31.03.11
	£	£	Changes	£
Cash at Bank	4,359,974	(2,409,213)	-	1,950,761
Overdrafts	(7,793,505)	4,283,043	-	(3,510,462)
Debt due after one year	(33,602,626)	(6,811,079)	-	(40,413,705)
Debt due within one year	(1,002,689)	(264,970)	-	(1,267,659)
	<u>(38,038,846)</u>	<u>(5,202,219)</u>	<u>-</u>	<u>(43,241,065)</u>

CUNNINGHAME HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MARCH, 2012

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 (2010) 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.

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 2010 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.

Depreciation - housing properties

The Association adopted component accounting during the financial year. Properties other than heritable land are depreciated in accordance with FRS15 at rates calculated to reduce net book value of each component of the property to its estimated residual value, on a straight line basis, over the expected remaining life of the component. Heritable land is not depreciated. The estimated useful lives of the assets and components is shown in the table below.

Kitchens	18 years	Roofs	55 years
Heating Systems	18 years	Structure	60 years
Bathrooms	25 years	Windows	25 years

The year to March 2012 represents the first full year of implementation of component accounting (prior to this only three components - land, building and grant were recognised).

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

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CUNNINGHAME HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MARCH, 2012/Cont...

1. Principal Accounting Policies/Cont...

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.

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.

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CUNNINGHAME HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MARCH, 2012/Cont...

1. Principal Accounting Policies/Cont...

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.

Consolidation

The Association and its subsidiary undertakings, Cunninghame Enterprises Limited and Cunninghame Furniture Recycling Company, 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

			2012	
	Note	Turnover	Operating	Operating
		£	Costs	Surplus/
			£	(Deficit)
				£
Social lettings	3	8,343,070	5,886,844	2,456,226
Other activities	4	1,500,016	1,512,549	(12,533)
Total		<u>9,843,086</u>	<u>7,399,393</u>	<u>2,443,693</u>

			Restated	
			2011	
	Note	Turnover	Operating	Operating
		£	Costs	Surplus/
			£	(Deficit)
				£
Social lettings	3	7,621,304	5,677,499	1,943,805
Other activities	4	1,580,919	1,605,004	(24,085)
Total		<u>9,202,223</u>	<u>7,282,503</u>	<u>1,919,720</u>

CUNNINGHAME HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MARCH, 2012/Cont...

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

	General Housing Needs	Supported Housing £	Shared Ownership £	2012 Total £	Restated 2011 Total £
Income from Lettings					
Rent Receivable net of Identifiable Serv Chrgs	7,708,473	507,791	45,684	8,261,948	7,559,954
Service Charges Receivable	143,226	-	452	143,678	121,343
Gross Rents Receivable	<u>7,851,699</u>	<u>507,791</u>	<u>46,136</u>	<u>8,405,626</u>	<u>7,681,297</u>
Less: Rent Losses from Voids	(41,883)	(20,673)	-	(62,556)	(97,281)
Add: Revenue Grant from Local Authority	-	-	-	-	37,288
Total turnover from Social Letting Activities	<u>7,809,816</u>	<u>487,118</u>	<u>46,136</u>	<u>8,343,070</u>	<u>7,621,304</u>
Expenditure on Letting Activities					
Management & Maintenance					
Administration Costs	2,454,790	283,802	14,630	2,753,222	2,406,944
Bad Debts - Rents and Service Charges	58,727	13,327	-	72,054	68,508
Depreciation : Social Housing Property	1,216,096	20,000	9,235	1,245,331	1,132,316
Service Costs	159,068	556	452	160,076	124,998
Reactive Maintenance	884,367	46,453	-	930,820	909,231
Planned And Cyclical Maintenance	724,670	671	-	725,341	1,035,502
Total Expenditure on Letting Activities	<u>5,497,718</u>	<u>364,809</u>	<u>24,317</u>	<u>5,886,844</u>	<u>5,677,499</u>
Operating Surplus on Letting Activities 2012	<u>2,312,098</u>	<u>122,309</u>	<u>21,819</u>	<u>2,456,226</u>	<u>1,943,805</u>
Operating Surplus on Letting Activities 2011	<u>1,820,147</u>	<u>101,193</u>	<u>22,465</u>	<u>1,943,805</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, 2012/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 2012	Operating Surplus/ Deficit for 2011
	£	£	£	£	£	£	£	£	£	£	£
Supporting People	-	-	-	572,113	-	572,113	-	565,249	565,249	6,864	(15,329)
Leasehold / Commercial	-	-	-	-	205,671	205,671	-	109,761	109,761	95,910	116,459
Regen & Enterprise	35,561	254,297	107,195	-	4,750	401,803	-	517,056	517,056	(115,253)	(96,656)
Subsidiary	-	-	-	-	195,801	195,801	-	195,801	195,801	-	-
Care and Repair	-	124,628	-	-	-	124,628	-	124,682	124,682	54	3,226
Miscellaneous	-	-	-	-	-	-	-	-	-	-	(31,785)
Total Other Activities 2012	35,561	378,925	107,195	572,113	406,222	1,500,016	-	1,512,549	1,512,549	(12,533)	(24,085)
Total Other Activities 2011	91,885	431,671	115,605	572,113	369,645	1,580,919	34,413	1,570,591	1,605,004	(24,085)	

CUNNINGHAME HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MARCH, 2012/Cont...

5. Gain on Sales of Fixed Assets

	2012	2011
	£	£
Proceeds from Sale of Fixed Assets	-	28,000
Less : Cost of Sales		
Historic Cost including Depreciation and HAG received	-	10,377
HAG Received	-	-
HAG Repayable	-	-
Legal and Valuation Fees	-	623
Gain/(Loss) on Sale	<u>-</u>	<u>17,000</u>

6. Operating Surplus

Operating surplus is stated after charging:-

	2012	Restated
	£	2011
		£
Depreciation	1,377,899	1,267,356
Auditor's Remuneration	6,300	7,715
Leasing	105,268	157,927
Bad Debts	72,054	68,508
Gain/(Loss) on Sale - Housing Property	<u>-</u>	<u>17,000</u>

7. Interest Receivable and Similar Income

	2012	2011
	£	£
Interest Receivable	<u>9,880</u>	<u>14,391</u>

8. Interest Payable and Similar Charges

	2012	2011
	£	£
Loan Interest	2,130,021	1,858,954
Interest Capitalised in Housing Properties	<u>(94,823)</u>	<u>(128,116)</u>
	<u>2,035,198</u>	<u>1,730,838</u>

CUNNINGHAME HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MARCH, 2012/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	2012 £	Number of Officers	2011 £
Total Emoluments (including pension contributions and benefits in kind)				
60,000 to 69,999	3	187,606	2	126,023
70,000 to 79,999	-	-	-	-
80,000 to 89,999	2	171,833	2	176,769
90,000 to 99,999	-	-	-	-
100,000 to 109,999	<u>1</u>	<u>101,748</u>	<u>1</u>	<u>105,805</u>
	<u>6</u>	<u>461,187</u>	<u>5</u>	<u>408,597</u>
Total Emoluments (excluding pension contributions) to the highest paid Director		<u>93,595</u>		<u>92,811</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>3</u>	<u>21,912</u>	<u>3</u>	<u>34,702</u>
Total expenses reimbursed to the Committee in so far as not chargeable to United Kingdom Income Tax		<u>6,330</u>		<u>5,420</u>

10. Employee Information

	2012 £	2011 £
The average monthly number of full time equivalent employees during the year :-	<u>64</u>	<u>57</u>
Staff costs (including Executive Emoluments)		
Wages and Salaries	2,337,127	2,179,366
Social Security Costs	203,540	185,574
Pension Contributions	<u>266,847</u>	<u>190,012</u>
	<u>2,807,514</u>	<u>2,554,952</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, 2012/Cont...

12. Tangible Fixed Assets - Housing Properties

	Properties Held for Letting £	Held for Shared Ownership £	For Letting Under Construction £	Total £
Cost				
At 01.04.11 (as restated)	146,452,922	1,604,971	5,212,833	153,270,726
Additions	1,198,024	-	11,419,311	12,617,335
Disposals	(891,426)	-	-	(891,426)
Interest Capitalised	-	-	94,823	94,823
Schemes Completed	15,842,076	-	(15,842,076)	-
At 31.03.12	<u>162,601,596</u>	<u>1,604,971</u>	<u>884,891</u>	<u>165,091,458</u>
Depreciation				
As 01.04.11 (as restated)	7,463,899	107,291	-	7,571,190
Charge for Year	1,169,955	9,235	-	1,179,190
Disposals	(297,339)	-	-	(297,339)
At 31.03.12	<u>8,336,515</u>	<u>116,526</u>	<u>-</u>	<u>8,453,041</u>
Housing Properties Net of Depreciation	<u>154,265,081</u>	<u>1,488,445</u>	<u>884,891</u>	<u>156,638,417</u>
Housing Association Grant				
At 01.04.11 (as restated)	86,809,122	674,963	4,877,491	92,361,576
Received	725,324	-	4,243,354	4,968,678
Disposals	(527,946)	-	-	(527,946)
Schemes Completed	8,341,717	-	(8,341,717)	-
At 31.03.12	<u>95,348,217</u>	<u>674,963</u>	<u>779,128</u>	<u>96,802,308</u>
Other Grants				
At 01.04.11	7,224,243	-	162,323	7,386,566
Received	(223,601)	-	-	(223,601)
Repaid	-	-	-	-
Schemes Completed	162,323	-	(162,323)	-
At 31.03.12	<u>7,162,965</u>	<u>-</u>	<u>-</u>	<u>7,162,965</u>
Total Housing Association and Other Grants	<u>102,511,182</u>	<u>674,963</u>	<u>779,128</u>	<u>103,965,273</u>
Net book value at 31.03.12	<u>51,753,899</u>	<u>813,482</u>	<u>105,763</u>	<u>52,673,144</u>
Net book value at 31.03.11	<u>44,955,658</u>	<u>822,717</u>	<u>173,019</u>	<u>45,951,394</u>

Development administration costs capitalised amounted to £489,112 for which Housing Association Grants amounting to £125,444 were received in the year.

CUNNINGHAME HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MARCH, 2012/Cont...

13. Tangible Fixed Assets - Other Fixed Assets

	Freehold Property £	Equipment Fixtures & Fittings £	Total £
Cost			
As at 01.04.11	2,040,224	997,832	3,038,056
Additions	72,289	50,616	122,905
Disposals	-	-	-
As at 31.03.12	<u>2,112,513</u>	<u>1,048,448</u>	<u>3,160,961</u>
Depreciation			
As at 01.04.11	428,052	876,461	1,304,513
Charge for Year	42,250	90,318	132,568
Disposals	-	-	-
As at 31.03.12	<u>470,302</u>	<u>966,779</u>	<u>1,437,081</u>
Net Book Value as at 31.03.12	<u>1,642,211</u>	<u>81,669</u>	<u>1,723,880</u>
Net Book Value as at 31.03.11	<u>1,612,172</u>	<u>121,371</u>	<u>1,733,543</u>

14. Shares in Subsidiary

The Association controls Cunninghame Enterprises Limited and Cunninghame Furniture Recycling Company by virtue of common Committee and Board membership.

	2012 £	2011 £
15. Debtors		
Rental Debtors - Houses	307,126	301,361
Rental Debtors - Lease	38,948	43,044
Rental Debtors - Hostel	47,194	23,276
Other Debtors	400,685	558,279
Prepayments and accrued income	148,848	96,655
Grants Receivable Debtors	432,400	246,984
Loans to Group Undertakings	44,438	54,878
	<u>1,419,639</u>	<u>1,324,477</u>

Rent, lease and hostel debtors are stated net of a provision for bad debts amounting to £112,000 (2011 - £276,830). Rental debtors include technical arrears of £306,000 (2011 - £168,000).

	2012 £	2011 £
16. Creditors: Amounts Falling Due Within One Year		
Housing Loans	1,580,104	1,249,560
Non-Housing Loans	15,083	18,099
Trade Creditors	1,706,969	1,284,311
Accruals and Deferred Income	1,669,158	992,118
Retentions	277,501	401,013
Lease Creditors - Sinking Fund/Cyclical Maintenance	-	-
Development Guarantees	4,932,424	3,510,462
Rent in advance	169,920	150,767
Social Security and Other Taxes	54,191	57,582
	<u>10,405,350</u>	<u>7,663,912</u>

Creditors due within one year include development guarantees totalling £4,932,424 (2011: £3,510,462).

CUNNINGHAME HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MARCH, 2012/Cont...

	2012 £	2011 £
17. Creditors: Amounts Falling Due After More Than One Year		
Housing Loans	44,784,499	40,398,616
Non-Housing Loans	-	15,083
Cyclical & Sinking Fund Leases	-	-
	<u>44,784,499</u>	<u>40,413,699</u>

Loans are secured by specific charges on the Association properties and repayable at rates varying from 1.06% to 7.6% of interest in instalments due as follows which will mature over a period of 2 to 30 years:-

	2012 £	2011 £
Between one and two years	1,828,464	1,278,423
Between two and five years	5,442,644	4,061,637
In five years or more	<u>37,513,391</u>	<u>35,073,639</u>
	<u>44,784,499</u>	<u>40,413,699</u>

18. Called Up Share Capital

Shares of £1 each issued and fully paid	2012 £	2011 £
Allotted, issued and fully paid		
At 01.04.11	97	103
Issued during year	8	6
Cancelled in year	(11)	(12)
Balance at 31.03.12	<u>94</u>	<u>97</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 01.04.11	2,282,876	2,282,876	-
Transfers of lease sinking funds	-	-	-
Transfers to Revenue Reserves	(1,504,933)	(1,504,933)	-
Transfers from Revenue Reserves	<u>1,504,933</u>	<u>1,504,933</u>	-
Balance at 31.03.12	<u>2,282,876</u>	<u>2,282,876</u>	-

	Total £	Major Repairs £	Cyclical Mainten. £
Balance at 01.04.10	2,480,045	2,480,045	-
Transfers from Income & Expenditure A/c	(197,169)	(197,169)	-
Balance at 31.03.11	<u>2,282,876</u>	<u>2,282,876</u>	-

CUNNINGHAME HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MARCH, 2012/Cont...

20. Lease Commitments

	2012	2011
	£	£
The following payments are committed to be paid within one year	176,716	154,320
Operating leases expiring between one and five years	<u>100,122</u>	<u>443,020</u>

21. Housing Stock

	2012	2011
The number of units of accommodation in management at the year end was :-		
General Needs	2,204	2,110
Shared Ownership	29	30
Supported Accommodation	<u>27</u>	<u>26</u>
	<u>2,260</u>	<u>2,166</u>

There were an additional 78 rooms in supported accommodation that are currently leasehold.

22. Capital Commitments

	2012	2011
	£	£
Expenditure Authorised and Contracted Less Certified	<u>10,762,472</u>	<u>10,950,009</u>

The Association has secured from Santander & RBS loan facilities to cover its immediate known development programme. The £10,762,472 is the balance for projects which have received tender approval and the funding requirements are known.

23. Pensions

The Association participates in the Scottish Housing Associations' Pension Scheme ('the Scheme'). The Scheme is funded and is contracted out of the State Pension scheme.

It is not possible in the normal course of events to identify the share of underlying assets and liabilities belonging to individual participating employers as the Scheme is a multi-employer arrangement where the assets are co-mingled for investment purposes, benefits are paid from the total Scheme assets, and the contribution rate for all employers is set by reference to the overall financial position of the Scheme rather than by reference to individual employer experience. Accordingly, due to the nature of the Scheme, the accounting charge for the period under 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 2009 by a professionally qualified Actuary using the Projected Unit Credit method. The market value of the Scheme's assets at the valuation date was £295 million. The valuation revealed a shortfall of assets compared with the value of liabilities of £160 million, equivalent to a past service funding level of 64.8%.

The Scheme Actuary has prepared an actuarial report that provides an approximate update on the funding position of the Scheme as at 30th September 2011. 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 £341 million and indicated an increase in the shortfall of assets compared to liabilities to approximately £207 million, equivalent to a past service funding level of 62.2%.

CUNNINGHAME HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MARCH, 2012/Cont...

23. 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 2011. As of that date the estimated employer debt for the Association was £9,001,079.

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 £266,847 (2011: £190,012) of which £47,419 (2011 : £Nil) was unpaid and is included in Creditors.

24. Legislative Provisions

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

25. Reconciliation of Movement in Accumulated Surplus

	2012 £	2011 £
Revenue Reserve b/fwd	599,591	379,318
Surplus for year	418,375	220,273
Transfer from Designated Reserves	1,504,933	2,071,313
Transfer to Designated Reserves	(1,504,933)	(2,071,313)
	<u>1,017,966</u>	<u>599,591</u>

26. 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.

J Steele, D Lambie, F Schlesiger and W R Richards are Committee members and are Directors of Cunninghame Enterprises Limited, a company registered in Scotland, limited by guarantee without a share capital. The principal activity of this company is the provision of factoring services and any other activity outside the scope of Cunninghame Housing Association Limited.

CUNNINGHAME HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MARCH, 2012/Cont...

26. Related Party Transactions/Cont...

During the year the Association paid costs of £78,438 (2011: £31,572) on behalf of Cunninghame Enterprises Limited. These costs were recharged to the subsidiary company in the financial year.

At the end of the financial year the Association was owed £61,453 (2011: £79,174) by Cunninghame Enterprises Limited. This comprises of loan debtor £44,438 (repaid over seven years at an interest charge of Clydesdale Bank base rate plus 2%) and short term debtor of £17,015, which will be repaid by 30th September 2012.

H Neill, A Ramsay, F Schlesiger, A S Greer, D Lambie, W R Richards and J Steele are Committee members and are Directors of Cunninghame Furniture Recycling Company, a company registered in Scotland, limited by guarantee without a share capital. The company was granted charitable status on 1st November 2010. The principal activity of the company is the recycling of furniture and related activities.

During the year the Association paid costs of £117,363 (2011: £115,527) on behalf of Cunninghame Furniture Recycling Company. These costs were recharged to the subsidiary company in the financial year.

At the end of the financial year the Association was owed £1,645 (2011: £6,540) by Cunninghame Furniture Recycling Company. This comprises of a short term debtor of £1,645, which will be repaid by 30th September 2012.

27. Contingent Liabilities

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. The Association have received an offer figure from East Ayrshire Council and a response to this offer is currently being considered by them. 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 2011/2012.

28. Group Structure

Cunninghame Housing Association Limited is a Housing Association registered in Scotland, and forms part of a group. The other members are Cunninghame Enterprises Limited, a company registered whose main activities relate to commercial activities such as Factoring Services, and Cunninghame Furniture Recycling Company, a registered charity whose activities relate to the diversion of waste from landfills and recycling furniture and white goods.

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.

CUNNINGHAME HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MARCH, 2012/Cont...

29. Prior Year Adjustment

During the year the Association changed its accounting policy in relation to housing properties and depreciation, as detailed in Note 1 of the Financial Statements, in order to incorporate component accounting. Major repairs that relate to identified components are capitalised, with major components being depreciated over the estimated useful economic lives of each identified component.

As a result of the change in accounting policy, a prior year adjustment has been required under Financial Reporting Standard 3 - Reporting Financial Performance as follows:-

Major repairs capitalised	£ 329,245
Social Housing Grant written off	£ 720,612
Additional depreciation charged	£ 3,084,898

The overall effect of these adjustments has been to decrease the net book value of housing properties and decrease revenue reserves brought forward at 1st April 2011 by £2,035,041. Reserves have decreased from £4,917,508 to £2,882,467 and the net book value of housing properties has decreased from £47,986,435 to £45,951,394.

Of the prior year adjustment £903,981 related to 2011 in respect of additional depreciation charged of £577,538 and the net effect of components replaced of £326,443.

This resulted in the surplus reported for the year ended 31st March 2011 increasing from a deficit of £683,708 to a surplus of £220,273.