

CUNNINGHAME HOUSING ASSOCIATION LIMITED
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST MARCH 2019

CUNNINGHAME HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MARCH 2019

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CUNNINGHAME HOUSING ASSOCIATION LIMITED

REPORT OF THE BOARD OF MANAGEMENT

FOR THE YEAR ENDED 31ST MARCH 2019

The Board of Management present their report and the audited financial statements for the year ended 31st March 2019.

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.

Review of business

The results for the year are as shown in the attached Statement of Comprehensive Income. The surplus for the year was £233,290 (2018 - £1,492,831) - this is after pension adjustments of £1,227,000 (2018 - £Nil). The financial year has been another hugely successful chapter in the ongoing journey of growth and sustainability of the Association.

During last year the Association's Development House Building Programme continued to deliver valuable assets for the organisation. We are now developing new build housing in three geographical areas (North and East Ayrshire and Dumfries & Galloway). In 2018/2019 a total of 183 new houses were taken into management. In addition, during this year, another 220 new houses commenced on-site with 481 programmed for a site start in 2019/20.

Welfare reform remained a concern with the emphasis moving away from the spare room subsidy (bedroom tax) to the rollout of Universal Credit. The payment of housing costs directly to claimants represents a significant increase in the process of rent collection, with those on housing benefit previously having this paid directly to the Association. The Association's Financial Inclusion Officer worked directly with those tenants requiring support in terms of money and budget management and dealt with the additional administration involved in preparing the housing cost element of universal credit claims. An additional Financial Inclusion Officer will be recruited during 2019/2020. This work is very labour intensive and is becoming an increasing feature of the Property Services teams' work as Universal Credit is rolled out to all claimants. We now have around 27% of all tenants on Full Service Universal Credit. The Association has reported in the Scottish Housing Regulator's Annual Return on the Charter (ARC) that rent arrears this year were 4.15% up from 3.37% in 2017/18 with unpaid rent on Universal Credit cases contributing to this increase.

In February 2019 we secured our first financial placement from the financial markets with Canada Life being selected to lend the Association £30 million which will fund part of our ambitious development programme. In this coming year 2019/20 we will be seeking a further £27 million funding in order to complete the present agreed development programme.

Changes in fixed assets

Details of changes in fixed assets are set out in Note 13.

Defined benefit accounting - Scottish Housing Associations' Pension Scheme (the Scheme)

The company participates in the Scheme, a multi-employer scheme which provides benefits to over 150 non-associated employers. The Scheme is a defined benefit scheme in the UK. In previous years it was not possible for the company to obtain sufficient information to enable it to account for the scheme as a defined benefit scheme and has accounted for it as a defined contribution scheme.

With effect from 1st April 2018 information to use the defined benefit method of accounting has been available from TPT Retirement Solutions and has been applied for the year ended 31st March 2019. Under the new accounting treatment the liability at 1st April 2018 has been increased by £685,000 and the change has been accounted for as a change in accounting estimate. These figures have placed reliance on the actuarial assumptions of qualified actuaries which are considered reasonable and appropriate.

CUNNINGHAME HOUSING ASSOCIATION LIMITED

ADVISERS AND REGISTERED OFFICE

FOR THE YEAR ENDED 31ST MARCH 2019

Auditors

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

Bankers

Santander
Customer Service Centre
Bootle
Merseyside L30 4GB

Legal advisors

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

Harper MacLeod LLP
Solicitors
Ca 'd'oro Building
45 Gordon Street
Glasgow G1 3PE

TC Young Solicitors
Merchants House
7 West George Street
Glasgow
G2 1BA

Rooney Nimmo Limited
8 Walker Street
Edinburgh
EH3 7LA

Registered office

Quayside Offices
Marina Quay, Dock Road
Ardrossan, Ayrshire
KA22 8DA

Registration information

Financial Conduct Authority:	2184 RS
Scottish Housing Regulator:	HCB195
Registered Scottish Charity:	SCO37972

CUNNINGHAME HOUSING ASSOCIATION LIMITED

REPORT OF THE BOARD OF MANAGEMENT

FOR THE YEAR ENDED 31ST MARCH 2019

The Board of Management and Executive Officer

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

Executive Officer

. F.A. Sweeney

Board of Management

. J. Strang (Chair)	. A. McDougall (Resigned 30.06.2018)
. J. Kelly (Vice-Chair)	. Cllr. J. Miller - NAC
. L. Keenan (Secretary)	. Cllr. D. Reid - EAC
. H. Neill (Resigned 18.07.18)	. W. Gibson
. A. Ramsay (Resigned 09.07.18)	. E. MacColl (Resigned 24.04.2018)
. F. Schlesiger	. J. McLaren
. M. Whitelaw (Resigned 22.08.2018)	. B. Johnstone
. Cameron Crawford	. L. Loudon (Appointed 22.08.2018)
. J Nisbet (Appointed 08.11.2018)	. J. Fenlon (Appointed 08.11.2018)

Each member of the Board 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 Board.

Council Positions are held on the Board and representatives are appointed directly by the Council.

Co-opted positions are held for an annual period. Co-opted members must stand to be re-appointed if they wish to be on the board the following year.

CUNNINGHAME HOUSING ASSOCIATION LIMITED

REPORT OF THE BOARD OF MANAGEMENT

FOR THE YEAR ENDED 31ST MARCH 2019

Statement of Board's responsibilities

The Co-operative and Community Benefit Societies Act 2014 requires the Board 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 period. In preparing these financial statements, the Board is required to:-

- . Select suitable accounting policies and apply them consistently;
- . Make judgements 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 Board 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 Co-operative and Community Benefit Societies Act 2014, the Housing (Scotland) Act 2010 and the Scottish Housing Regulator's Determination of Accounting Requirements 2014. 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 on page five, the Board of Management have provided the disclosures required by Paragraph 4.5 of the Code of Best Practice as supplemented by the related guidance for Board of Management 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 Board are aware, there is no relevant audit information of which the Association's auditors are unaware, and each Board Member has taken all the steps that he or she ought to have taken as a Board 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 French Duncan for external auditor services will be put to the members at the annual general meeting.

By order of the Board

Secretary: L Keenan

Dated : 21/08/19

CUNNINGHAME HOUSING ASSOCIATION LIMITED

BOARD STATEMENT ON THE ASSOCIATION'S

SYSTEM OF INTERNAL FINANCIAL CONTROL

FOR THE YEAR ENDED 31ST MARCH 2019

The Board 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:

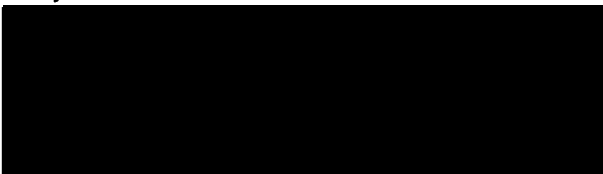
- . the reliability of financial information used within the Association or for publication;
- . the maintenance of proper accounting records;
- . the safeguarding of assets (against unauthorised use or disposition).

It is the Board'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 Board 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 being investigated as appropriate;
- . regulatory returns are prepared, authorised and submitted promptly to the relevant regulatory bodies;
- . all significant new initiatives, major commitments and investment projects are subject to formal authorisation procedures, through relevant sub-committees comprising Board members and others;
- . the Board 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 Board have reviewed the effectiveness of the system of internal financial control in existence in the Association for the year ended 31st March 2019 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 Board



Secretary : L Keenan

Dated : 21 | 08 | 19

CUNNINGHAME HOUSING ASSOCIATION LIMITED
REPORT BY THE INDEPENDENT AUDITOR TO THE BOARD
ON CORPORATE GOVERNANCE MATTERS
FOR THE YEAR ENDED 31ST MARCH 2019

Corporate Governance

In addition to our audit of the financial statements, we have reviewed the Board's statement on page four concerning the Association's compliance with the information required by the Regulatory Standards in respect of internal financial controls contained within the publication "Our Regulatory Framework" and associated Regulatory Advice Notes which are issued by the Scottish Housing Regulator.

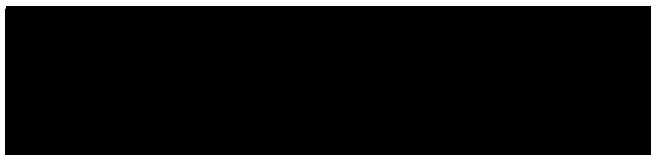
Basis of opinion

We carried out our review having regard to the requirements to corporate governance matters within Bulletin 2006/5 issued by the Financial Reporting Council. The Bulletin does not require us to review the effectiveness of the Association's procedures for ensuring compliance with the guidance notes, nor to investigate the appropriateness of the reasons given for non-compliance.

Opinion

In our opinion the Statement on Internal Financial Control on page five has provided the disclosures required by the relevant Regulatory Standards within the publication "Our Regulatory Framework" and associated Regulatory Advice Notes issued by the Scottish Housing Regulator in respect of internal financial controls and is consistent with the information which came to our attention as a result of our audit work on the financial statements.

Through enquiry of certain Board members, directors and officers of the Association, and examination of relevant documents, we have satisfied ourselves that the Board's Statement on Internal Financial Control appropriately reflects the Association's compliance with the information required by the Regulatory Standards contained within the publication "Our Regulatory Framework" and associated Regulatory Advice Notes issued by the Scottish Housing Regulator in respect of internal financial controls.



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 : 28th August 2019

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

Opinion

We have audited the financial statements of Cunninghame Housing Association Limited for the year ended 31st March 2019 which comprise a statement of comprehensive income, statement of financial position, statement of changes in equity, statement of cash flows and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 102 - The Financial Reporting Standard applicable in the UK and Republic of Ireland.

This report is made solely to the Association's members, as a body, in accordance with the Co-operative and Community Benefit Societies Act 2014. Our audit work has been undertaken so that we might state to the Association's members those matters we are required to state to them in an 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.

In our opinion the financial statements:

- give a true and fair view of the state of the Association's affairs as at 31st March 2019 and of its surplus for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been properly prepared in accordance with the Co-operative and Community Benefit Societies Act 2014, the Housing (Scotland) Act 2010 and the Determination of Accounting Requirements 2014.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Association in accordance with the ethical requirements that are relevant to our audit of financial statements in the UK, including the Financial Reporting Council's Ethical Standard and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Board members' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Board members have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Association's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The Board is responsible for the other information. The other information comprises the information in the Report of the Board of Management, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

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

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Association and its environment obtained in the course of the audit, we have not identified material misstatements in the Report of the Board of Management.

We have nothing to report in respect of the following matters where the Co-operative and Community Benefit Societies Act 2014 requires us to report to you if, in our opinion:

- a satisfactory system of control over transactions has not been maintained; or
- the Association has not kept proper accounting records; or
- the financial statements are not in agreement with the books of account of the Association; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of the Board

As explained more fully in the Board's Responsibilities statement set out on page four, the Board is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Board determine is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board are responsible for assessing the Association's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board members either intend to liquidate the Association or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

We have been appointed as auditor under the Co-operative and Community Benefit Societies Act 2014 and report in accordance with the Acts and relevant regulations made or having effect thereunder.

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but it is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

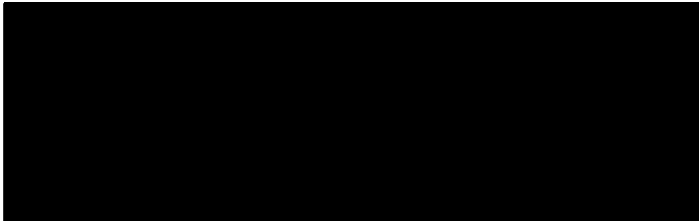
As part of an audit in accordance with ISAs (UK), we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide the basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Association's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Association's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However future events or circumstances may cause the Association to cease to continue as a going concern.

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

Auditor's responsibilities for the audit of the financial statements (continued)

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during 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 : 28th August 2019

CUNNINGHAME HOUSING ASSOCIATION LIMITED

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31ST MARCH 2019

	Notes	2019	2018
		£	£
Turnover	2	17,491,803	14,842,780
Operating costs	2	(13,660,136)	(11,219,673)
Operating surplus	2	<u>3,831,667</u>	<u>3,623,107</u>
Gain/(loss) on sale of housing property	5	-	38,503
Interest receivable and other income	7	23,613	27,075
Interest payable and similar charges	8	(2,345,990)	(2,200,313)
Other finance charges	9	(49,000)	4,459
Surplus before tax		<u>1,460,290</u>	<u>1,492,831</u>
Other comprehensive income			
Initial recognition of multi-employer defined benefit scheme	23	(685,000)	-
Actuarial gain/(loss) recognised in the pension liability		(542,000)	-
Total comprehensive income for the year		<u>233,290</u>	<u>1,492,831</u>

The results for the year relate wholly to continuing activities.

The notes form part of these financial statements.

CUNNINGHAME HOUSING ASSOCIATION LIMITED

STATEMENT OF FINANCIAL POSITION

AS AT 31ST MARCH 2019

	Notes	2019 £	2018 £
Fixed assets			
Tangible assets - social housing	13a	191,242,260	167,918,009
Other tangible assets - plant and equipment	13b	4,445,271	4,315,937
		<u>195,687,531</u>	<u>172,233,946</u>
Current assets			
Receivables	15	5,010,622	2,671,906
Cash at bank and in hand		687,007	1,408,071
		<u>5,697,629</u>	<u>4,079,977</u>
Creditors: amounts falling due within one year	16	(6,232,490)	(5,507,407)
Net current assets		<u>(534,861)</u>	<u>1,427,430</u>
Total assets less current liabilities		195,152,670	170,806,516
Creditors : amounts falling due after more than one year	17	(67,504,044)	(57,695,645)
Deferred income			
Deferred capital grants: Social Housing Grants	18	(113,045,139)	(101,044,986)
Other Fixed Asset Grants		<u>(1,182,030)</u>	<u>(1,217,874)</u>
		(114,227,169)	(102,262,860)
Pension Scheme liability	23	(2,340,150)	-
Net assets		<u>11,081,307</u>	<u>10,848,011</u>
Equity			
Share capital	19	52	46
Revenue reserves	25	11,081,255	10,847,965
		<u>11,081,307</u>	<u>10,848,011</u>

These financial statements were approved by the Board on 21st Aug 19 and signed on their behalf by:

Chairperson

Board Member

Secretary

The notes form part of these financial statements.

CUNNINGHAME HOUSING ASSOCIATION LIMITED

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31ST MARCH 2019

	Share Capital £	Revenue Reserve £	Total £
Balance as at 1st April 2018	46	10,847,965	10,848,011
Issue of shares	11	-	11
Cancellation of shares	(5)	-	(5)
Surplus for year	-	1,460,290	1,460,290
Pension movements from Other Comprehensive Income	-	(1,227,000)	(1,227,000)
Balance as at 31st March 2019	<u>52</u>	<u>11,081,255</u>	<u>11,081,307</u>

CUNNINGHAME HOUSING ASSOCIATION LIMITED

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31ST MARCH 2019

	Notes	2019 £	2018 £
Net cash inflow from operating activities	a	<u>5,702,370</u>	<u>2,431,946</u>
Cash flows from investing activities			
Payments to acquire and develop housing properties		(27,838,414)	(25,874,569)
Payments to acquire other fixed assets		(426,209)	(1,416,757)
Proceeds from sale of housing properties		-	75,000
Interest received		23,613	27,075
Grants Received		12,957,009	21,110,678
Net cash outflow from investing activities		<u>(15,284,001)</u>	<u>(6,078,573)</u>
Cashflow from financing activities			
Grants repaid		-	-
Inter-company investment		25,000	125,000
Interest payable		(2,345,990)	(2,200,313)
		<u>(2,320,990)</u>	<u>(2,075,313)</u>
Net cash inflow/(outflow) from before financing		<u>(11,902,621)</u>	<u>(5,721,940)</u>
Financing			
Mortgages and other loans received - housing		23,000,000	9,616,749
Mortgages and other loans received - non-housing		-	-
Loans repaid - housing		(11,818,454)	(3,909,503)
- non-housing		-	-
Share capital issued		11	6
Non cash adjustment		-	-
Net cash outflow from financing activities		<u>11,181,557</u>	<u>5,707,252</u>
Net change in cash and cash equivalents		<u>(721,064)</u>	<u>(14,688)</u>
Cash and cash equivalents at the beginning of the year		1,408,071	1,422,759
Cash and cash equivalents at the end of the year		<u>687,007</u>	<u>1,408,071</u>
Notes			
a) Cashflow from operating activities		2019 £	2018 £
Surplus for the year		233,290	1,492,831
Depreciation of tangible fixed assets		4,379,076	3,819,016
Decrease/(increase) in trade and other debtors		(624,112)	(46,457)
Increase/(decrease) in trade and other creditors		1,898,569	(2,745,040)
Share capital written off		(5)	(26)
Amortisation of Grants		(2,732,305)	(2,335,522)
Carrying amount of tangible fixed asset disposals		225,480	148,906
Proceeds from the sale of tangible fixed assets		-	(75,000)
Interest payable		2,345,990	2,200,313
Interest receivable		(23,613)	(27,075)
		<u>5,702,370</u>	<u>2,431,946</u>

CUNNINGHAME HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MARCH 2019

1. Principal accounting policies

The financial statements have been prepared in accordance with FRS 102 as issued by the Financial Reporting Council and comply with the requirements of the Co-operative and Community Benefit Societies Act 2014, the Housing (Scotland) Act 2010, the Determination of Accounting Requirements 2014 issued by the Scottish Housing Regulator and the Statement of Recommended Practice (SORP) Accounting for social housing providers issued in 2014.

To comply with the amendments to FRS 102 regarding multi-employer defined benefit plans, the accounting treatment for the membership of Scottish Housing Associations' Pension Scheme (SHAPS) has been included as a defined benefit scheme with effect from 1st April 2018. To comply with FRS 102 the impact of the transition from defined contribution accounting to defined benefit accounting has been presented as other comprehensive income and has been accounted for as a change in accounting estimate in accordance with the amendments to FRS 102, the Financial Report Standard applicable in the UK and Republic of Ireland, relating to multi-employer defined benefit plans.

Cunninghame Housing Association Limited is a public benefit entity (PBE).

Turnover

Turnover represents rental and service charge income receivable, fees receivable and revenue grants receivable from the Scottish Government, local authorities and other agencies.

Housing properties

Housing properties are stated at cost less accumulated depreciation and impairment losses.

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 Statement of Comprehensive Income.

The Statement of Recommended Practice 2014 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 Statement of Comprehensive Income. 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 Statement of Comprehensive Income.

Depreciation - housing properties

Properties other than heritable land and properties under construction are depreciated 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
PV Solar Panels	25 years		

CUNNINGHAME HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MARCH 2019

1. Principal accounting policies (continued)

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
Motor Vehicles	- 20% per annum

Housing Association Grants and other grants

Social housing grants and other capital grants are accounted for using the accrual method as outlined in Section 24 of Financial Reporting Standard 102. Grants are treated as deferred income and recognised in income on a systematic basis over the expected useful life of the property and assets to which it relates.

Where developments have been financed wholly or partly by Housing Association Grant (HAG) or other capital grant. The amount of the grants receivable is shown separately on the Statement of Financial Position.

Housing Association Grant and Other Grants received in respect of revenue expenditure is credited to the Statement of Comprehensive Income in the same period as the expenditure to which it relates.

Although 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.

Where the acquisition of other fixed assets have been financed wholly or partly by grants. The amount of the grant receivable is shown separately in the Statement of Financial Position.

Capitalisation of interest

Interest incurred on financing a development is capitalised up to the date of completion of 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 Statement of Comprehensive Income.

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 Statement of Comprehensive Income, unless it was agreed that they could be capitalised within the terms outlined in the SORP.

CUNNINGHAME HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MARCH 2019

1. Principal accounting policies (continued)

Pension costs

As explained above, this is a change in the accounting treatment from the previous year when the defined contribution method of accounting was used. The transitional adjustment has been included in Other Comprehensive Income.

The Scottish Housing Associations' Pension Scheme is accounted for as a defined benefit scheme. In accordance with FRS 102, the operating and financing costs of pension and post retirement schemes (determined by a qualified actuary) are recognised separately in the Statement of Comprehensive Income. Service costs are systematically spread over the service lives of the employees and financing costs are recognised in the period in which they arise.

The difference between actual and expected returns on assets during the year, including changes in the actuarial assumptions, is recognised in Other Comprehensive Income.

The Association closed the defined benefit scheme at 1st July 2014 and transferred staff over to the SHAPS defined contribution scheme. Auto enrolment commenced for the Association on 1st July 2014 for all eligible staff through Scottish Widows. The costs to the Association of such pension contributions are charged to the Statement of Comprehensive Income.

Leasing

Rentals paid under operating leases are charged to the Statement of Comprehensive Income 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, Citrus Energy Limited and Cunninghame Furniture Recycling Company, comprise a group. The Financial Conduct Authority has granted exemption from preparing group financial statements. The accounts therefore represent the results of the Association and not of the group.

Judgements in applying policies and key sources of estimation uncertainty

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

Rent arrears - bad debt provision

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

Life cycle of components

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

The categorisation of housing properties

In the judgement of the Board the entirety of the Association's housing stock is held for social benefit and is therefore classified as property, plant and equipment in accordance with FRS 102.

Identification of cash generating units

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

Obligations under SHAPS pension scheme

The accounting for the pension scheme and the transition from defined contribution disclosure to defined benefit has relied on the actuarial assumptions of qualified actuaries which have been reviewed and are considered reasonable and appropriate.

Financial instruments - basic

The Association recognises basic financial instruments in accordance with Section 11 of Financial Reporting Standard. The Association's debt instruments are measured at amortised cost using the effective interest rate method.

CUNNINGHAME HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MARCH 2019

2. Particulars of turnover, cost of sales, operating costs and operating surpluses / (deficits)

	Turnover	2019 Operating costs	Operating surplus / (deficit)
	£	£	£
Income and expenditure from lettings			
Social lettings	15,026,893	11,095,717	3,931,176
Other activities	2,464,910	2,564,419	(99,509)
Total	<u>17,491,803</u>	<u>13,660,136</u>	<u>3,831,667</u>
		2018 Operating costs	Operating surplus / (deficit)
		£	£
Social lettings	13,382,504	9,810,733	3,571,771
Other activities	1,460,276	1,408,940	51,336
Total	<u>14,842,780</u>	<u>11,219,673</u>	<u>3,623,107</u>

3. Particulars of income and expenditure from social letting activities

	General housing needs £	Supported housing £	Shared ownership £	2019 Total £	2018 Total £
Income from letting					
Rent receivable net of identifiable service charges	11,572,874	540,870	49,172	12,162,916	10,946,754
Service charges	235,817	-	603	236,420	209,325
Gross income from rents and service charges	<u>11,808,691</u>	<u>540,870</u>	<u>49,775</u>	<u>12,399,336</u>	<u>11,156,079</u>
Less : voids	(40,744)	(28,160)	-	(68,904)	(66,901)
	<u>11,767,947</u>	<u>512,710</u>	<u>49,775</u>	<u>12,330,432</u>	<u>11,089,178</u>
Revenue grants from Scottish Ministers	-	-	-	-	-
Release of deferred capital grant	2,696,461	-	-	2,696,461	2,293,326
Total turnover from social letting activities	<u>14,464,408</u>	<u>512,710</u>	<u>49,775</u>	<u>15,026,893</u>	<u>13,382,504</u>
Expenditure on lettings					
Management and maintenance admin costs	4,266,345	339,622	17,983	4,623,950	3,855,808
Reactive maintenance	1,059,481	34,524	-	1,094,005	989,939
Planned & cyclical maintenance	739,538	23,879	-	763,417	872,893
Bad debts - rents and service charges	152,045	4,328	-	156,373	212,140
Depreciation of social housing	4,131,130	60,000	24,431	4,215,561	3,673,943
Service charges	241,204	604	603	242,411	206,010
Total expenditure on lettings	<u>10,589,743</u>	<u>462,957</u>	<u>43,017</u>	<u>11,095,717</u>	<u>9,810,733</u>
Operating surplus for social lettings for 2019	<u>3,874,665</u>	<u>49,753</u>	<u>6,758</u>	<u>3,931,176</u>	
Operating surplus for social lettings for 2018	<u>3,525,086</u>	<u>25,748</u>	<u>20,937</u>	<u>3,571,771</u>	

Planned and cyclical maintenance costs noted above include £318,183 (2018 - £247,107) in respect of major repair costs.

CUNNINGHAME HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MARCH 2019

4. Particulars of turnover, 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 2019	Operating Surplus/ Deficit for 2018
	£	£	£	£	£	£	£	£	£	£	£
Supporting People	-	-	-	409,941	-	409,941	-	405,019	405,019	4,922	(3,233)
Leasehold / Commercial	-	-	-	-	237,128	237,128	-	125,065	125,065	112,063	105,334
Regen & Enterprise	-	10,000	254,844	-	-	264,844	-	425,578	425,578	(160,734)	(68,725)
Factoring	-	-	-	-	133,842	133,842	-	133,589	133,589	253	3,145
Subsidiary	-	-	-	-	994,894	994,894	-	994,894	994,894	-	-
Care and Repair	-	-	-	-	-	-	-	-	-	-	38,865
Fuel Poverty	194,209	154,108	-	-	25,000	373,317	-	380,669	380,669	(7,352)	(24,610)
Other Development Costs	-	-	-	-	-	-	-	99,605	99,605	(99,605)	-
Other Income	-	-	-	-	15,100	15,100	-	-	-	15,100	560
Amortisation OFA	-	-	-	-	35,844	35,844	-	-	-	35,844	-
Total Other Activities 2019	194,209	164,108	254,844	409,941	1,441,808	2,464,910	-	2,564,419	2,564,419	(99,509)	51,336
Total Other Activities 2018	186,374	118,289	105,336	409,999	640,278	1,460,276	-	1,408,940	1,408,940	51,336	-

CUNNINGHAME HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MARCH 2019

5. Gain/(loss) on sale of housing property

	2019	2018
	£	£
Sale proceeds	-	75,000
Less: Cost of sales		
Historic cost including depreciation and HAG received	-	(29,756)
HAG repayable	-	(13,997)
Legal and valuation fees	-	(874)
Amortised HAG to be eliminated on disposal	-	8,130
	<u>-</u>	<u>38,503</u>

6. Surplus for year

The surplus for the year is stated after charging:-

	2019	2018
	£	£
Amortisation of capital grants	2,732,305	2,293,326
(Gain)/loss on sale - tangible other fixed assets	-	(38,503)
Depreciation - tangible land & buildings fixed assets	4,082,201	3,819,016
Auditor's remuneration	8,880	8,700
Leasing	23,049	25,707
Bad debts	153,639	218,739
	<u>153,639</u>	<u>218,739</u>

7. Interest receivable and similar income

	2019	2018
	£	£
Interest receivable	<u>23,613</u>	<u>27,075</u>

8. Interest payable and similar charges

	2019	2018
	£	£
Loan interest	2,576,679	2,296,755
Interest capitalised in housing properties	(230,689)	(96,442)
	<u>2,345,990</u>	<u>2,200,313</u>

9. Other finance income / charges

	2019	2018
	£	£
Defined benefit pension scheme net interest	(49,000)	-
Unwinding of discounted liabilities and remeasurement	-	4,459
	<u>(49,000)</u>	<u>4,459</u>

CUNNINGHAME HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MARCH 2019

10. Directors emoluments

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

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

	Number of officers	2019 £	Number of officers	2018 £
Total emoluments (including pension contributions and benefits in kind)				
60,000 to 69,999	2	132,875	2	130,044
70,000 to 79,999	1	78,189	1	71,601
80,000 to 89,999	-	-	-	-
90,000 to 99,999	-	-	3	291,278
100,000 to 109,999	3	321,652	-	-
110,000 to 119,999	1	128,901	1	120,465
	<u>7</u>	<u>661,617</u>	<u>7</u>	<u>613,388</u>
Total emoluments (excluding pension contributions) to the highest paid Director		<u>112,712</u>		<u>109,950</u>
Total Remuneration paid to key management personnel		<u>450,553</u>		<u>411,744</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>7</u>	<u>77,886</u>	<u>7</u>	<u>50,200</u>
Total expenses reimbursed to the Board in so far as not chargeable to United Kingdom income tax		<u>1,179</u>		<u>2,715</u>

11. Employee information

	2019 No.	2018 No.
The average monthly number of full time equivalent employees during the year :-	<u>94</u>	<u>84</u>
	2019 £	2018 £
Staff costs (including Executive emoluments)		
Wages and salaries	2,984,852	2,747,793
Social security costs	327,880	269,481
Pension contributions	273,850	197,955
	<u>3,586,582</u>	<u>3,215,229</u>

12. 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 2019

13. **Non-current assets**

a) **Housing properties**

	Properties held for let £	Shared ownership £	Properties under construction £	Total £
Cost				
As at 01.04.18	190,876,102	1,465,835	25,233,646	217,575,583
Additions during year	11,255,886	-	16,376,046	27,631,932
Disposals in year	(773,309)	-	-	(773,309)
Schemes completed	15,260,758	-	(15,260,758)	-
At 31.03.19	<u>216,619,437</u>	<u>1,465,835</u>	<u>26,348,934</u>	<u>244,434,206</u>
Depreciation				
As at 01.04.18	49,464,775	192,799	-	49,657,574
Provided during year	4,057,770	24,431	-	4,082,201
Disposals in year	(547,829)	-	-	(547,829)
At 31.03.19	<u>52,974,716</u>	<u>217,230</u>	<u>-</u>	<u>53,191,946</u>
Net book value at 31.03.19	<u>163,644,721</u>	<u>1,248,605</u>	<u>26,348,934</u>	<u>191,242,260</u>
Net book value at 31.03.18	<u>141,411,327</u>	<u>1,273,036</u>	<u>25,233,646</u>	<u>167,918,009</u>

Development administration costs capitalised amounted to £556,479 (2018 - £536,607) for which Housing Association Grants amounting to £Nil (2018 - £Nil) were received in the year. Interest capitalised during the year amounted to £230,689 (2018 - £96,442). Component replacement costs of £844,579 (2018 - £948,799) were capitalised during the year.

b) **Other tangible assets**

	Freehold property £	Motor vehicles £	Equipment fixtures & fittings £	Total £
Cost				
As at 01.04.18	6,962,308	150,210	1,555,961	8,668,479
Additions during year	340,513	31,368	54,328	426,209
Disposals in year	-	-	(14,730)	(14,730)
As at 31.03.19	<u>7,302,821</u>	<u>181,578</u>	<u>1,595,559</u>	<u>9,079,958</u>
Aggregate depreciation				
As at 01.04.18	2,912,579	71,431	1,368,532	4,352,542
Provided in year	150,728	36,315	109,832	296,875
Disposals in year	-	-	(14,730)	(14,730)
As at 31.03.19	<u>3,063,307</u>	<u>107,746</u>	<u>1,463,634</u>	<u>4,634,687</u>
Net Book Value as at 31.03.19	<u>4,239,514</u>	<u>73,832</u>	<u>131,925</u>	<u>4,445,271</u>
Net Book Value as at 31.03.18	<u>4,049,729</u>	<u>78,779</u>	<u>187,429</u>	<u>4,315,937</u>

CUNNINGHAME HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MARCH 2019

14. Shared equity scheme

The Association was a participant in a number of shared equity housing developments. The transactions at March 2019 totalled:-

	2019 £	2018 £
Cost	3,455,618	3,455,618
Grants	(3,445,618)	(3,455,618)
	<u>-</u>	<u>-</u>

15. Receivables - Amounts falling due within one year

	2019 £	2018 £
Rental debtors - houses	599,215	400,089
Rental debtors - lease	14,659	13,759
Rental debtors - hostel	7,445	11,547
Rental provisions for Bad debt	(255,000)	(255,000)
Factored debtors	102,984	112,078
Other debtors	657,659	205,269
Prepayments and accrued income	609,841	624,949
Grants receivable debtors	2,973,819	1,234,215
Loans to group undertakings	300,000	325,000
	<u>5,010,622</u>	<u>2,671,906</u>

Rent, lease and hostel debtors are stated net of a provision for bad debts amounting to £255,000 (2018 - £255,000). Rental debtors include technical arrears of £255,429 (2018 - £84,746).

Included within Other debtors is an amount of £167,505 which will be repaid after more than one year. The loans to group undertakings of £300,000 (2018 - £325,000) are regarded as being due after one year.

16. Creditors - Amounts falling due within one year

	2019 £	2018 £
Housing loans	2,101,536	1,792,538
Pension creditor	-	357,851
Trade payables	2,610,178	2,086,024
Accruals and deferred income	416,314	328,644
Retentions	871,934	665,451
Rent in advance	232,528	196,887
Social security and other taxes	-	80,012
	<u>6,232,490</u>	<u>5,507,407</u>

CUNNINGHAME HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MARCH 2019

17. Creditors - Amounts falling due after more than one year

	2019	2018
	£	£
Pension creditor	-	1,064,149
Housing loans	<u>67,504,044</u>	<u>56,631,496</u>
	<u>67,504,044</u>	<u>57,695,645</u>

The Scottish Housing Association's Pension Scheme deficit liability is allocated as stated:-

	2019	2018
	£	£
Pension creditor		
Between one and two years	-	363,104
Between two and five years	-	701,045
	<u>-</u>	<u>1,064,149</u>

Loan debt with Santander totals £12.555 million at March 2019, sums are repayable between 2022 and 2030 and around 430 properties are provided as security for the loans. The Association has four loan agreements with Clydesdale Bank totalling £11.32 million, term dates range from 2021 to 2037 and around 470 units are secured to the lender. RBS loans total £27.73 million, balance repayment periods range from 2027-2040 and around 1070 properties are provided as security for the loans. Bank of Scotland loan is £7million, term dates 2019-2039 and around 180 properties are provided as security. At 31 March 2019 the Canada Life group private placement has drawn £10million and around 450 units are currently offered as security. Around 62% of debt is on a fixed interest rate basis and the individual fixed rate arrangements expire at various periods over the short, medium and long term. Interest rate charges on fixed rate debt range from 3.23% to 7.6% with variable rate charges from 1.9% to 2.9%.

	2019	2018
	£	£
Between one and two years	2,134,820	1,896,338
Between two and five years	6,693,635	10,141,014
In five years or more	<u>58,675,589</u>	<u>44,594,144</u>
	<u>67,504,044</u>	<u>56,631,496</u>

18. Deferred capital grants

	2019	2018
	£	£
Social Housing Grants		
Balance as at 1 st April 2018	101,044,986	87,355,883
Additions in year	14,696,614	16,039,759
Amortisation in year	(2,696,461)	(2,293,326)
Eliminated on disposal	-	(57,330)
Balance as at 31 st March 2019	<u>113,045,139</u>	<u>101,044,986</u>

	2019	2018
	£	£
Other Fixed Asset Grants		
Balance as at 1 st April 2018	1,217,874	1,217,874
Additions in year	-	-
Amortisation in year	(35,844)	-
Balance as at 31 st March 2019	<u>1,182,030</u>	<u>1,217,874</u>
Total	<u>114,227,169</u>	<u>102,262,860</u>

CUNNINGHAME HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MARCH 2019

18. **Deferred capital grants** (continued)

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

	2019 £	2018 £
Amounts due within one year	2,736,654	2,329,170
Amounts due in one year or more	111,490,515	99,933,690
	<u>114,227,169</u>	<u>102,262,860</u>

19. **Called up share capital**

Shares of £1 each issued and fully paid

Allotted, issued and fully paid

At 01.04.18

Shares issued at par during year

Shares forfeited

Balance at 31.03.19

	2019 £	2018 £
	46	66
	<u>11</u>	<u>6</u>
	57	72
	(5)	(26)
	<u>52</u>	<u>46</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.

20. **Lease commitments**

	2019 £	2018 £
The following payments are committed to be paid within one year	26,400	22,525
Operating leases expiring between one and five years	<u>96,865</u>	<u>37,958</u>

21. **Housing stock**

The number of units of accommodation in management at the year end was :-

	2019	2018
General needs	2,684	2,501
Shared ownership	24	24
Supported accommodation	<u>27</u>	<u>27</u>
	<u>2,735</u>	<u>2,552</u>

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

22. **Capital commitments**

	2019 £	2018 £
Expenditure authorised and contracted less certified	<u>22,169,683</u>	<u>19,653,692</u>

The Association has secured loan facilities to cover its immediate known development programme. The £22,169,683 is the balance for projects which have received tender approval and the funding requirements are known.

CUNNINGHAME HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MARCH 2019

23. Pensions

Scottish Widows Pension Scheme

The Association operates a Defined Contribution Pension scheme with Scottish Widows. The assets are held separately from the Association in a fund administered independently by Scottish Widows. The pension cost charge represents the contributions payable by the Association to the fund and amounted to £260,998 (2018 - £161,425) of which £19,675 (2018: £14,326) was unpaid and is included in Creditors. During the year the Association paid contributions at rates of between 6% and 10% of pensionable salaries.

Scottish Housing Associations' Pension Scheme

Cunninghame Housing Association Limited participates in the Scottish Housing Associations' Pension Scheme which is a statutory multi-employer defined contribution scheme providing benefits to over 150 non-associated employers. At 31st March 2019 there were 12 (2018 - 12) active members of the scheme employed by the Association.

Present values of defined benefit obligation, fair value of assets and defined benefit asset (liability)

	2019	2018
	(£000s)	(£000s)
Fair value of plan assets	10,996	10,791
Present value of defined benefit obligation	13,336	12,898
Surplus (deficit) in plan	(2,340)	(2,107)
Unrecognised surplus	-	-
Defined benefit asset (liability) to be recognised	(2,340)	(2,107)
Deferred tax	-	-
Net defined benefit asset (liability) to be recognised	(2,340)	(2,107)

Reconciliation of the impact of the asset ceiling

	2019
	(£000s)
Impact of asset ceiling at start of period	-
Effect of the asset ceiling included in net interest cost	-
Actuarial losses (gains) on asset ceiling	-
Impact of asset ceiling at end of period	-

Reconciliation of opening and closing balances of the defined benefit obligation

	2019
	(£000s)
Defined benefit obligation at start of period	12,898
Current service cost	-
Expenses	11
Interest expense	325
Contributions by plan participants	-
Actuarial losses (gains) due to scheme experience	(251)
Actuarial losses (gains) due to changes in demographic assumptions	35
Actuarial losses (gains) due to changes in financial assumptions	896
Benefits paid and expenses	(578)
Liabilities acquired in a business combination	-
Liabilities extinguished on settlements	-
Losses (gains) on curtailments	-
Losses (gains) due to benefit changes	-
Exchange rate changes	-
Defined benefit obligation at end of period	13,336

CUNNINGHAME HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MARCH 2019

23. Pensions (continued)

Reconciliation of opening and closing balances of the fair value of plan assets

	2019
	(£000s)
Fair value of plan assets at start of period	10,791
Interest income	276
Experience on plan assets (excluding amounts included in interest income) - gain (loss)	138
Contributions by the employer	369
Contributions by plan participants	-
Benefits paid and expenses	(578)
Assets acquired in a business combination	-
Assets distributed on settlements	-
Exchange rate changes	-
Fair value of plan assets at end of period	10,996

The actual return on the plan assets (including any changes in share of assets) over the period ended 31st March 2019 was £414,000

Defined benefit costs recognised in Statement of Comprehensive Income (SOCİ)

	2019
	(£000s)
Current service cost	-
Expenses	11
Net interest expense	49
Losses (gains) on business combinations	-
Losses (gains) on settlements	-
Losses (gains) on curtailments	-
Losses (gains) due to benefit charges	-
Defined benefit costs recognised in Statement of Comprehensive Income (SOCİ)	60

Defined benefit costs recognised in Other Comprehensive Income

	2019
	(£000s)
Experience on plan assets (excluding amounts included in net interest cost) - gain (loss)	138
Experience gains and losses arising on the plan liabilities - gain (loss)	251
Effects of changes in the demographic assumptions underlying the present value of the defined benefit obligation - gain (loss)	(35)
Effects of changes in the financial assumptions underlying the present value of the defined benefit obligation - gain (loss)	(896)
Total actuarial gains and losses (before restriction due to some of the surplus not being recognisable) - gain (loss)	(542)
Effects of changes in the amount of surplus that is not recoverable (excluding amounts included in net interest cost) - gain (loss)	-
Total amount recognised in other comprehensive income - gain (loss)	(542)

CUNNINGHAME HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MARCH 2019

23. **Pensions (continued)**

Assets

	2019	2018
	(£000s)	(£000s)
Global Equity	1,769	1,942
Absolute Return	931	1,281
Distressed Opportunities	188	49
Credit Relative Value	191	-
Alternative Risk Premia	614	408
Fund of Hedge Funds	31	310
Emerging Markets Debt	353	369
Risk Sharing	319	98
Insurance-Linked Securities	285	295
Property	218	426
Infrastructure	461	197
Private Debt	142	100
Corporate Bond Fund	771	753
Long Lease Property	133	-
Secured Income	384	395
Over 15 Year Gilts	282	349
Index Linked All Stock Gilts	-	-
Liability Driven Investment	3,913	3,799
Net Current Assets	11	20
Total assets	<u>10,996</u>	<u>10,791</u>

None of the fair values of the assets shown above include any direct investments in the employer's own financial instruments or any property occupied by, or other assets used by, the employer.

Key assumptions

	2019	2018
	% per annum	% per annum
Discount Rate	2.31%	2.58%
Inflation (RPI)	3.29%	3.18%
Inflation (CPI)	2.29%	2.18%
Salary Growth	3.29%	3.18%
Allowance for commutation of pension for cash at retirement	75% of maximum allowance	75% of maximum allowance

The mortality assumptions adopted at 31 March 2019 imply the following life expectancies:

	Life expectancy at age 65
	(Years)
Male retiring in 2019	21.7
Female retiring in 2019	23.4
Male retiring in 2039	23.1
Female retiring in 2039	24.7

In previous years the scheme was accounted for on a defined contribution basis. The liability included at 1st April 2018 has increased from £1,422,000 to £2,107,000.

CUNNINGHAME HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MARCH 2019

24. Legislative provisions

The Association is incorporated under the Co-operative and Community Benefit Societies Act 2014.

25. Reconciliation of movement in accumulated surplus

	2019 £	2018 £
Revenue Reserve b/fwd	10,847,965	9,355,134
Total Comprehensive Income for year	<u>233,290</u>	<u>1,492,831</u>
	<u>11,081,255</u>	<u>10,847,965</u>

26. Related party transactions

Key management personnel and their close families are related parties of the Association as defined by Financial Reporting Standard 102.

There are members of the Board of Management 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 Board of Management are the Council representatives of North Ayrshire Council and East Ayrshire Council. Any transaction with the Council is at arms length on normal commercial terms and the members cannot use their position to their advantage.

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

Gross Rents charged in year to tenants on the Board £4,479.

At the year end total rent advances by the tenant members of the Board were £521. There were no tenant members rent arrears at the year end.

L Loudon, W Gibson, F Schlesiger, J Kelly, J Strang and L Keenan are Board members and are Directors of Citrus Energy Limited, a company registered in Scotland. Formerly Cunninghame Enterprises Limited, the company changed its name at Companies House on 23rd July 2013 to Citrus Energy Limited. The main business activities of the company are energy brokerage to both individuals and businesses.

During the year the Association paid costs of £922,405 (2018 - £42,589) on behalf of Citrus Energy Limited. These costs were recharged to the subsidiary company in the financial year.

At the end of the financial year the Association owed Citrus Energy Limited £600 (2018 - £640).

At the end of the financial year the Association was owed £216,356 (2018 - £57,867) by Citrus Energy Limited. This is in addition to the inter-company loan balance of £300,000 as detailed in Note 27.

F Schlesiger, J Strang, J Kelly, L Keenan and L Loudon are Board members and are Trustees 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 £72,488 (2018 - £82,287) 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 owed Cunninghame Furniture Recycling Company £4,914 (2018 - £7,803).

At the end of the financial year the Association was owed by Cunninghame Furniture Recycling Company £71,724 (2018 - £42,574). This is in addition to the inter-company loan balance of £Nil as detailed in Note 27.

CUNNINGHAME HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MARCH 2019

27. Inter-company loans

Subsidiary company loans

On 1st September 2014, there was an inter-company loan facility granted to Cunninghame Furniture Recycling Company for £100,000 repayable over 5 years at an interest rate of 3.5% per annum. During the year Cunninghame Furniture Recycling Company repaid £25,000.

On 1st September 2014, there was an inter-company loan facility granted to Citrus Energy Limited for £400,000 repayable over 10 years at an interest rate of 3.5% per annum. During the year Citrus Energy Limited repaid £Nil.

Both loan facilities are secured by a Bond and Floating Charge.

28. Group structure

Cunninghame Housing Association Limited is a Registered Social Landlord and Charity in Scotland, and forms part of a group. The other members are Citrus Energy Limited, a company registered whose main activities relate to commercial activities such as Energy Brokering, 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. Group accounts are not prepared as the Financial Conduct Authority has exempted the group from this requirement.

The Association controls Citrus Energy Limited by virtue of common Board membership. Citrus Energy Limited is a company registered in Scotland and is limited by guarantee without having a share capital. The company's name was changed from Cunninghame Enterprises Limited to Citrus Energy Limited on 23rd July 2013 at Companies House. The previous factoring business activities of the subsidiary company were transferred to Cunninghame Housing Association Limited with effect from 1st October 2012. Citrus Energy Limited's main activities are energy brokering for commercial and domestic customers.