

**CUNNINGHAME HOUSING ASSOCIATION LIMITED**  
**FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31ST MARCH 2015**

**CUNNINGHAME HOUSING ASSOCIATION LIMITED**

**FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31ST MARCH, 2015**

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**CUNNINGHAME HOUSING ASSOCIATION LIMITED**

**ADVISERS AND REGISTERED OFFICE**

**FOR THE YEAR ENDED 31ST MARCH, 2015**

**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

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

Young & Partners LLP  
126 West Regent Street  
Glasgow  
G2 2BH

**Registered Office**

82-84 Glasgow Street  
Ardrossan  
Ayrshire  
KA22 8EH

**Registration Particulars**

Financial Conduct Authority number:	Co-operative and Community Benefit Societies Act 2014 Registration Number 2184 RS
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The Scottish Housing Regulators Registration number:	HCB195
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Scottish Charity Number :	SCO37972
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# **CUNNINGHAME HOUSING ASSOCIATION LIMITED**

## **REPORT OF THE BOARD OF MANAGEMENT**

### **FOR THE YEAR ENDED 31ST MARCH, 2015**

The Board of Management present their report and the audited financial statements for the year ended 31<sup>st</sup> March 2015.

#### **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 £2,830,906 (2014 - £1,740,133) and transfers from/to reserves were £Nil (2014 - £Nil).

#### **Review of Business**

The financial year has been another hugely successful chapter in the ongoing development and sustainability of the Association.

During the last year the Association's Development Housing Building Programme continued to deliver valuable assets for the organisation. In 2014/2015, a total of 61 new houses were taken into management. In addition, and during this year, another 12 new units started on site with all 12 scheduled to be handed over before the end of March 2016.

Our investment in our older stock has also continued at a pace as we deliver our Planned Improvement and Repair Programmes in order to ensure that all our housing stock meets the Scottish Housing Quality Standards (SHQS) by 2015. In 2014/2015 we invested £1,105,044 in SHQS works and will spend in 2015/2016 a further £1,212,000 to maintain our properties to SHQS. At the end of March 2015, 2,234 of our domestic properties met SHQS and 127 properties are either exempt or held in abeyance.

Welfare reform remained a concern with the emphasis moving away from the spare room subsidy (bedroom tax) to the roll out 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 recently appointed 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. This work is very labour intensive for what is a relatively small number of claims and will become an increasing feature of the Property Services team's work as Universal Credit is rolled out to all claimants. Local authority Housing Benefit processing times have deteriorated which has led to an increase in arrears. In this respect the Association has reported in the Scottish Housing Regulators Annual Return on the Charter (ARC) that rent arrears this year were 2.28% up from 1.73% from 2013/14.

On 31<sup>st</sup> March 2015 the Scottish Housing Regulator notified the Association that having completed their Regulatory Risk Assessment for 2015-2016 the Association would be 'low' engagement with no Regulation Plan.

#### **Changes in Fixed Assets**

Details of changes in fixed assets are set out in Notes 13-14.

# CUNNINGHAME HOUSING ASSOCIATION LIMITED

## REPORT OF THE BOARD OF MANAGEMENT

FOR THE YEAR ENDED 31ST MARCH, 2015

### 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

. W.R. Richards	(Appointed 21.08.12) - (Deceased 18.01.15)		
. J. Steele (Chair)	(Reappointed 26.08.14)	. Cllr. A. Gallagher - NAC	(Appointed 26.08.14)
. H. Neill	(Reappointed 20.08.13)	. A. McDougall	(Co-opted 26.08.14)
. A. Ramsay	(Reappointed 26.08.14)	. Alison Keith	(Co-opted 26.08.14)
. J. Strang (Vice Chair)	(Reappointed 26.08.14)	. Cameron Crawford	(Co-opted 26.08.14)
. F. Schlesiger	(Reappointed 20.08.13)	.	
. M. Whitelaw	(Appointed 20.08.13)	.	
. J. Kelly (Secretary)	(Appointed 20.08.13)		

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. During the year there was no representative appointed from East Ayrshire 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, 2015/Cont...

### Statement of Committee's responsibilities

The Co-operative and Community Benefit Societies Act 2014 require 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 year ended on that date. 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 Determination of Accounting Requirements April 2012. 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, 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 re-appoint the auditors, Armstrongs, Chartered Accountants, will be proposed at the Annual General Meeting.

By order of the Board

Secretary

Dated :

13<sup>TH</sup> August 2015

**CUNNINGHAME HOUSING ASSOCIATION LIMITED**

**BOARD STATEMENT ON THE ASSOCIATION'S**

**SYSTEM OF INTERNAL FINANCIAL CONTROL**

**FOR THE YEAR ENDED 31ST MARCH, 2015**

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 are 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 31<sup>st</sup> March 2015 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

Secreta

Dated: 13<sup>th</sup> August 2015



**CUNNINGHAME HOUSING ASSOCIATION LIMITED**

**REPORT BY THE AUDITORS TO THE BOARD**

**ON CORPORATE GOVERNANCE MATTERS**

**FOR THE YEAR ENDED 31ST MARCH, 2015**

**Corporate Governance**

In addition to our audit of the financial statements, we have reviewed your 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 Advisory Notes which are issued by the Scottish Housing Regulator.

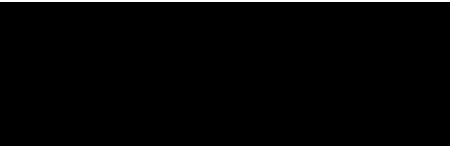
**Basis of Opinion**

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 Advisory 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 relevant Regulatory Standards in respect of internal financial controls contained within the publication "Our Regulatory Framework" and associated Regulatory Advisory 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: 25th August 2015



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

We have audited the financial statements of Cunninghame Housing Association Limited for the year ended 31<sup>st</sup> March 2015 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 United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the Association's members, as a body, in accordance with Section 87 of 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, the Association's members as a body and its trustees as a body, for our audit work, for this report, or for the opinions we have formed.

**Respective responsibilities of Board and Auditors**

As explained more fully in the Statement of Board's Responsibilities set out on page four, the Board are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's 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 Board; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Report of the Board of Management 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**

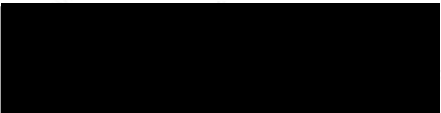
In our opinion the financial statements:

- give a true and fair view of the state of the Association's affairs as at 31<sup>st</sup> March 2015 and of its surplus for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- and
- have been properly prepared in accordance with the Co-operative and Community Benefit Societies Act 2014, Schedule 1, the Housing (Scotland) Act 2010 and the Determination of Accounting Requirements April 2012.

**Matters on which we are required to report**

We have nothing to report in respect of the following matters where the Co-operative and Community Benefit Societies Act 2014, or the Charity Accounts (Scotland) Regulations 2006 (as amended) require us to report to you if, in our opinion:

- a satisfactory system of control over transactions has not been maintained; or
- the information given in the Report of the Board of Management is inconsistent in any material respect with the financial statements; or
- the Association has not kept proper accounting records; or
- the financial statements are not in agreement with the books of account; or
- we have not received all the information and explanations we need 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 : 25<sup>th</sup> August 2015

**CUNNINGHAME HOUSING ASSOCIATION LIMITED**

**INCOME AND EXPENDITURE ACCOUNT**

**FOR THE YEAR ENDED 31ST MARCH, 2015**

	<b>Notes</b>	<b>2015 £</b>	<b>2014 £</b>
Turnover	2	11,719,852	12,262,659
Operating Costs	2	( 8,119,100)	( 8,361,019)
Operating Surplus	2	3,600,752	3,901,640
Gain on RTB Sales	5	106,988	81,181
Exceptional Item	6	1,350,586	-
Interest Receivable and Other Income	8	38,955	11,926
Interest Payable and Similar Charges	9	( 2,266,375)	( 2,254,614)
(Deficit)/Surplus on ordinary activities before taxation		<u>2,830,906</u>	<u>1,740,133</u>
Tax credit (charge) on Surplus on ordinary activities	12	-	-
(Deficit)/Surplus on ordinary activities after taxation		<u>2,830,906</u>	<u>1,740,133</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**

**BALANCE SHEET**

**AS AT 31ST MARCH, 2015**

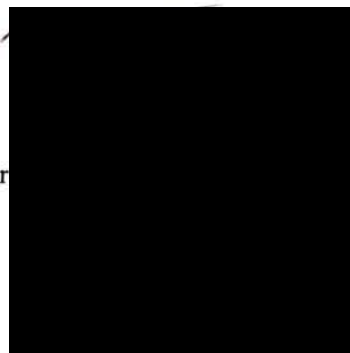
	Notes	2015 £	2014 £
<b>Tangible Fixed Assets</b>			
Housing Properties (net of depreciation)	13	166,076,396	161,385,036
Less : Grants	13	( 108,056,557) 58,019,839	( 105,990,607) 55,394,429
Other Fixed Assets	14	1,582,389 59,602,228	1,684,577 57,079,006
<b>Fixed Asset Investment</b>			
Shared Equity Cost	15	3,455,618	3,472,868
Shared Equity Grants	15	( 3,455,618) -	( 3,472,868) -
<b>Current Assets</b>			
Debtors	16	3,155,141	2,081,436
Cash at Bank and in Hand		3,472,998 6,628,139	4,330,938 6,412,374
<b>Creditors : amounts falling due within one year</b>	17	( 3,028,478)	( 3,810,130)
Net Current (Liabilities)/Assets		3,599,661	2,602,244
Total Assets less Current Liabilities		63,201,889	59,681,250
<b>Creditors : amounts falling due after more than one year</b>	18	( 54,223,244)	( 53,533,502)
Net Assets		8,978,645	6,147,748
<b>Capital and Reserves</b>			
Share Capital	19	80	87
Designated Reserves	20	2,282,876	2,282,876
Revenue Reserve	26	6,695,689 8,978,645	3,864,785 6,147,748

These financial statements were approved by the Board on 13th August 15 and signed on their behalf by:

Chairman

Board Member

Secretary





**CUNNINGHAME HOUSING ASSOCIATION LIMITED**

**CASH FLOW STATEMENT**

**FOR THE YEAR ENDED 31ST MARCH, 2015**

	<b>2015</b>	<b>2014</b>
	<b>£</b>	<b>£</b>
<b>Net Cash inflow from operating activities</b>	<u>5,750,322</u>	<u>4,281,099</u>
<b>Returns on investments and servicing of Finance</b>		
Interest Received	38,955	11,926
Interest Paid	( 2,266,375)	( 2,254,614)
	<u>( 2,227,420)</u>	<u>( 2,242,688)</u>
<b>Taxation</b>		
Corporation Tax Paid	-	-
Less : Grant Received	<u>-</u>	<u>-</u>
<b>Capital Expenditure and Financial Investment</b>		
Sale of housing property	148,033	171,590
Payments to acquire and develop housing properties	( 6,709,067)	( 6,670,754)
Payments to acquire other fixed assets	( 28,476)	( 53,885)
Grants Received	2,688,107	4,013,928
Shared Equity Receipts	17,250	604,800
Grants repaid	( 23,329)	( 52,650)
Inter-Company Investment	( 500,000)	-
Net cash inflow/(outflow) from investing activities	<u>( 4,407,482)</u>	<u>( 1,986,971)</u>
<b>Net cash inflow/(outflow) from before financing</b>	<u>( 884,580)</u>	<u>51,440</u>
<b>Financing</b>		
Mortgages and other loans received - housing	2,137,938	6,722,144
Loans repaid - housing	( 1,512,498)	( 1,782,923)
- non-housing	-	-
Share Capital issued	-	3
Non cash adjustment	-	( 3)
<b>Net cashflow from financing</b>	<u>625,440</u>	<u>4,939,221</u>
<b>Increase/(Decrease) in Cash</b>	<u>( 259,140)</u>	<u>4,990,661</u>
<b>Reconciliation of net cash flow to movement in net debt</b>		
Increase/(Decrease) in cash in the year	( 259,140)	4,990,661
Cash inflow from increase in loan and hire purchase finance	<u>( 625,440)</u>	<u>( 4,939,221)</u>
<b>Change in net debt resulting from cash flows</b>	<u>( 884,580)</u>	<u>51,440</u>
<b>Net debt at 01.04.14</b>	( 51,313,862)	( 51,365,302)
<b>Net debt at 31.03.15</b>	<u>( 52,198,442)</u>	<u>( 51,313,862)</u>

**CUNNINGHAME HOUSING ASSOCIATION LIMITED**

**NOTES TO THE CASH FLOW STATEMENT**

**FOR THE YEAR ENDED 31ST MARCH, 2015**

			2015 £	2014 £
<b>1. Reconciliation of surplus for the year to net cashflow from operating activities</b>				
Operating Surplus			3,600,752	3,901,640
Depreciation			1,571,799	1,502,247
(Increase)/Decrease in Debtors			636,221	( 624,110)
Increase/(Decrease) in Creditors			( 58,443)	( 498,672)
Cancelled Shares			( 7)	( 6)
			<u>5,750,322</u>	<u>4,281,099</u>
	At 01.04.14 £	Cash Flow £	Other Non-cash Changes £	At 31.03.15 £
<b>2. Analysis of net debt</b>				
Cash at Bank	4,330,938	( 857,940)	-	3,472,998
Overdrafts	( 598,800)	598,800	-	-
Debt due after one year	( 53,533,502)	( 689,742)	-	( 54,223,244)
Debt due within one year	( 1,512,498)	64,302	-	( 1,448,196)
	<u>( 51,313,862)</u>	<u>( 884,580)</u>	<u>-</u>	<u>( 52,198,442)</u>
	At 01.04.13 £	Cash Flow £	Other Non-cash Changes £	At 31.03.14 £
Cash at Bank	4,696,526	( 365,588)	-	4,330,938
Overdrafts	( 5,955,049)	5,356,249	-	( 598,800)
Debt due after one year	( 48,323,856)	( 5,209,646)	-	( 53,533,502)
Debt due within one year	( 1,782,923)	270,425	-	( 1,512,498)
	<u>( 51,365,302)</u>	<u>51,440</u>	<u>-</u>	<u>( 51,313,862)</u>

# CUNNINGHAME HOUSING ASSOCIATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31ST MARCH, 2015

#### 1. Principal Accounting Policies

The Association is incorporated under the Co-operative and Community Benefit Societies Act 2014 and is registered by the Financial Conduct 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 Determination of Accounting Requirements April 2012. A summary of the more important accounting policies is set out below.

#### Turnover

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

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

#### 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 and Motor Vehicles	- 33% per annum

/Cont...



# CUNNINGHAME HOUSING ASSOCIATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31<sup>ST</sup> MARCH, 2015/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.

Where the acquisition of other fixed assets have been financed wholly or partly by grants, the cost of acquisition has been reduced by the amount of the grant receivable. The amount of the grant receivable is shown separately in the Balance Sheet.

#### 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 Government 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.

/Cont...

# CUNNINGHAME HOUSING ASSOCIATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31<sup>ST</sup> MARCH, 2015/Cont...

### 1. Principal Accounting Policies/Cont...

#### Pension Costs

The Association participated until August 2014, in the centralised Scottish Housing Associations' 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 were 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 are charged to the Income and Expenditure accounts so as to spread the cost of pensions over the service lives of employees.

The Association from August 2014 agreed to participate in a defined contribution pension scheme with Scottish Housing Associations Pension Scheme and Scottish Widows. This scheme replaces the defined benefit scheme. The costs to the Association of such pension contributions are charged to the Income and Expenditure account.

Auto enrolment commenced for the Association on 1<sup>st</sup> July 2014 for all eligible staff through Scottish Widows. The costs to the Association of such pension contributions are charged to the Income and Expenditure account.

#### 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, 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.

### 2. Lettings and Other Related Information

#### Particulars of Turnover, Operating Costs & Operating Surpluses

	Note	Turnover £	2015 Operating Costs £	Operating Surplus/ (Deficit) £
Social lettings	3	10,217,679	6,623,114	3,594,565
Other activities	4	1,502,173	1,495,986	6,187
Total		<u>11,719,852</u>	<u>8,119,100</u>	<u>3,600,752</u>
	Note	Turnover £	2014 Operating Costs £	Operating Surplus/ (Deficit) £
Social lettings	3	9,793,752	5,818,264	3,975,488
Other activities	4	2,468,907	2,542,755	( 73,848)
Total		<u>12,262,659</u>	<u>8,361,019</u>	<u>3,901,640</u>



# CUNNINGHAME HOUSING ASSOCIATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MARCH, 2015/Cont...

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

	General Housing Needs	Supported Housing £	Shared Ownership £	2015 Total £	2014 Total £
<b>Income from Lettings</b>					
Rent Receivable net of Identifiable Serv Chrgs	9,566,118	517,837	49,350	10,133,305	9,641,941
Service Charges Receivable	186,514	-	724	187,238	176,921
<b>Gross Rents Receivable</b>	<u>9,752,632</u>	<u>517,837</u>	<u>50,074</u>	<u>10,320,543</u>	<u>9,818,862</u>
Less: Rent Losses from Voids	( 25,394 )	( 105,329 )	-	( 130,723 )	( 54,756 )
Add: Revenue Grant from Local Authority	27,859	-	-	27,859	29,646
<b>Total turnover from Social Letting Activities</b>	<u>9,755,097</u>	<u>412,508</u>	<u>50,074</u>	<u>10,217,679</u>	<u>9,793,752</u>
<b>Expenditure on Letting Activities</b>					
Management & Maintenance					
Administration Costs	3,069,684	313,642	15,761	3,399,087	2,876,972
Bad Debts - Rents and Service Charges	89,992	1,923	-	91,915	80,426
Depreciation : Social Housing Property	1,411,900	20,000	9,235	1,441,135	1,363,810
Service Costs	164,009	567	724	165,300	169,091
Reactive Maintenance	966,030	37,785	-	1,003,815	899,323
Planned And Cyclical Maintenance	515,157	6,705	-	521,862	428,642
<b>Total Expenditure on Letting Activities</b>	<u>6,216,772</u>	<u>380,622</u>	<u>25,720</u>	<u>6,623,114</u>	<u>5,818,264</u>
<b>Operating Surplus on Letting Activities 2015</b>	<u>3,538,325</u>	<u>31,886</u>	<u>24,354</u>	<u>3,594,565</u>	<u>3,975,488</u>
<b>Operating Surplus on Letting Activities 2014</b>	<u>3,761,878</u>	<u>188,039</u>	<u>25,571</u>	<u>3,975,488</u>	

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

Planned and cyclical maintenance costs noted above include £68,439 (2014 - £84,216) in respect of major repair costs.



CUNNINGHAME HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MARCH, 2015/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 2015 £	Operating Surplus/ Deficit for 2014 £
Supporting People	-	-	-	496,936	-	496,936	-	495,481	495,481	1,455	( 462 )
Leasehold / Commercial	-	-	-	-	222,412	222,412	-	134,512	134,512	87,900	122,762
Regen & Enterprise	88,227	57,837	133,073	-	-	279,137	-	362,598	362,598	( 83,461 )	( 112,809 )
Factoring	-	-	-	-	147,434	147,434	-	145,914	145,914	1,520	1,666
Subsidiary	-	-	-	-	125,204	125,204	-	125,204	125,204	-	( 85,350 )
Care and Repair	-	174,827	-	-	-	174,827	-	176,054	176,054	( 1,227 )	345
Agency Services	-	-	-	-	56,223	56,223	-	56,223	56,223	-	-
Property Sales	-	-	-	-	-	-	-	-	-	-	-
Total Other Activities 2015	88,227	232,664	133,073	496,936	551,273	1,502,173	-	1,495,986	1,495,986	6,187	( 73,848 )
Total Other Activities 2014	15,781	254,049	108,089	543,151	1,547,837	2,468,907	-	2,542,755	2,542,755	( 73,848 )	-

**CUNNINGHAME HOUSING ASSOCIATION LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31ST MARCH, 2015/Cont...**

**5. Gain on Sale of Fixed Assets**

	<b>2015</b>	<b>2014</b>
	<b>£</b>	<b>£</b>
Proceeds from sale of Fixed Assets	151,600	178,450
Less: Cost of Sales		
Historic cost including depreciation and HAG received	( 17,716)	( 37,757)
HAG repayable	( 23,329)	( 52,652)
Legal and valuation fees	( 3,567)	( 6,860)
Gain /(Loss) on Sale - Housing Property	<u>106,988</u>	<u>81,181</u>

**6. Exceptional Item**

The Association received a payment of just over £1.35m from one of its funders after 31<sup>st</sup> March 2015. This amount reflects compensation and a refund of interest and other net charges paid following a review carried out by that funder in line with its own reappraisal of interest rate hedging products and tailored business loans. The loan in question was taken out by the Association in 2002.

**7. Operating Surplus**

Operating surplus is stated after charging:-

	<b>2015</b>	<b>2014</b>
	<b>£</b>	<b>£</b>
Depreciation	1,571,799	1,502,247
Auditor's Remuneration	6,780	6,650
Leasing	79,731	136,962
Bad Debts	91,915	106,103
Gain /(Loss) on Sale - Housing Property	<u>106,988</u>	<u>81,181</u>

**8. Interest Receivable and Similar Income**

	<b>2015</b>	<b>2014</b>
	<b>£</b>	<b>£</b>
Interest Receivable	<u>38,955</u>	<u>11,926</u>

**9. Interest Payable and Similar Charges**

	<b>2015</b>	<b>2014</b>
	<b>£</b>	<b>£</b>
Loan Interest	2,304,559	2,351,452
Interest Capitalised in Housing Properties	( 38,184)	( 96,838)
	<u>2,266,375</u>	<u>2,254,614</u>

# CUNNINGHAME HOUSING ASSOCIATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31<sup>ST</sup> MARCH, 2015/Cont...

### 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	2015 £	Number of Officers	2014 £
Total Emoluments (including pension contributions and benefits in kind)				
60,000 to 69,999	3	191,380	-	-
70,000 to 79,999	-	-	1	66,799
80,000 to 89,999	2	170,802	1	76,983
90,000 to 99,999	2	184,449	2	172,860
100,000 to 109,999	1	109,122	1	100,717
	<u>8</u>	<u>655,753</u>	<u>5</u>	<u>417,359</u>
Total Emoluments (excluding pension contributions) to the highest paid Director		<u>102,351</u>		<u>100,717</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>8</u>	<u>42,609</u>	<u>5</u>	<u>23,417</u>
Total expenses reimbursed to the Board in so far as not chargeable to United Kingdom Income Tax		<u>4,376</u>		<u>3,799</u>

### 11. Employee Information

	2015 £	2014 £
The average monthly number of full time equivalent employees during the year :-	<u>57</u>	<u>53</u>
Staff costs (including Executive Emoluments)		
Wages and Salaries	2,350,314	2,299,777
Social Security Costs	216,200	202,196
Pension Contributions	495,065	261,172
	<u>3,061,579</u>	<u>2,763,145</u>

Pension deficit contributions for the year were £344,296 (2014 - £160,743).

### 12. Taxation

Cunninghame Housing Association Limited converted to a Charity registered in Scotland on 21<sup>st</sup> 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, 2015/Cont...**

**13. Tangible Fixed Assets - Housing Properties**

	<b>Properties Held for Let £</b>	<b>Shared Ownership £</b>	<b>Properties Under Construction £</b>	<b>Total £</b>
<b>Cost</b>				
At 01.04.14	168,151,430	1,604,971	2,047,705	171,804,106
Additions	1,673,174	-	4,938,100	6,611,274
Disposals	( 1,057,329)	( 29,197)	-	( 1,086,526)
Interest Capitalised	-	-	38,184	38,184
Schemes Completed	6,772,989	-	( 6,772,989)	-
At 31.03.15	<u>175,540,264</u>	<u>1,575,774</u>	<u>251,000</u>	<u>177,367,038</u>
<b>Depreciation</b>				
As 01.04.14	10,284,074	134,996	-	10,419,070
Charge for Year	1,431,900	9,235	-	1,441,135
Disposals	( 568,488)	( 1,075)	-	( 569,563)
At 31.03.15	<u>11,147,486</u>	<u>143,156</u>	<u>-</u>	<u>11,290,642</u>
Housing Properties Net of Depreciation	<u>164,392,778</u>	<u>1,432,618</u>	<u>251,000</u>	<u>166,076,396</u>
<b>Housing Association Grant</b>				
At 01.04.14	94,925,452	674,963	2,047,705	97,648,120
Received	180,615	-	1,961,600	2,142,215
Disposals	( 475,389)	( 23,358)	-	( 498,747)
Schemes Completed	3,763,562	-	( 3,763,562)	-
At 31.03.15	<u>98,394,240</u>	<u>651,605</u>	<u>245,743</u>	<u>99,291,588</u>
<b>Other Grants</b>				
At 01.04.14	8,342,487	-	-	8,342,487
Received	94,282	-	328,200	422,482
Schemes Completed	328,200	-	( 328,200)	-
At 31.03.15	<u>8,764,969</u>	<u>-</u>	<u>-</u>	<u>8,764,969</u>
Total Housing Association and Other Grants	<u>107,159,209</u>	<u>651,605</u>	<u>245,743</u>	<u>108,056,557</u>
<b>Net book value at 31.03.15</b>	<u>57,233,569</u>	<u>781,013</u>	<u>5,257</u>	<u>58,019,839</u>
<b>Net book value at 31.03.14</b>	<u>54,599,417</u>	<u>795,012</u>	<u>-</u>	<u>55,394,429</u>

Development administration costs capitalised amounted to £351,296 (2014 - £371,401) for which Housing Association Grants amounting to £68,368 (2014 - £100,100) were received in the year. Interest capitalised during the year amounted to £38,184 (2014 - £96,838). Component replacement costs of £1,105,044 (2014 - £1,187,632) were capitalised during the year.

**CUNNINGHAME HOUSING ASSOCIATION LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31ST MARCH, 2015/Cont...**

**14. Tangible Fixed Assets - Other Fixed Assets**

	<b>Freehold Property £</b>	<b>Motor Vehicles £</b>	<b>Equipment Fixtures &amp; Fittings £</b>	<b>Total £</b>
<b>Cost</b>				
As at 01.04.14	2,136,870	-	1,259,223	3,396,093
Additions	2,457	35,304	44,981	82,742
Disposals	-	-	-	-
As at 31.03.15	<u>2,139,327</u>	<u>35,304</u>	<u>1,304,204</u>	<u>3,478,835</u>
<b>Grants</b>				
As at 01.04.14	-	-	-	-
Received in year	-	35,304	18,962	54,266
Disposals	-	-	-	-
As at 31.03.15	<u>-</u>	<u>35,304</u>	<u>18,962</u>	<u>54,266</u>
<b>Depreciation</b>				
As at 01.04.14	555,565	-	1,155,951	1,711,516
Charge for Year	42,787	-	87,877	130,664
Disposals	-	-	-	-
As at 31.03.15	<u>598,352</u>	<u>-</u>	<u>1,243,828</u>	<u>1,842,180</u>
<b>Net Book Value as at 31.03.15</b>	<u>1,540,975</u>	<u>-</u>	<u>41,414</u>	<u>1,582,389</u>
<b>Net Book Value as at 31.03.14</b>	<u>1,581,305</u>	<u>-</u>	<u>103,272</u>	<u>1,684,577</u>

**15. Shared Equity Scheme**

The Association was a participant in a number of shared equity housing developments. The transactions at March 2015 totalled:-

	<b>2015 £</b>	<b>2014 £</b>
Cost	3,455,618	3,472,868
Grants	( 3,455,618)	( 3,472,868)
	<u>-</u>	<u>-</u>

**16. Debtors**

	<b>2015 £</b>	<b>2014 £</b>
Rental Debtors - Houses	427,319	356,521
Rental Debtors - Lease	28,790	35,143
Rental Debtors - Hostel	28,329	21,587
Factored Debtors	93,659	66,823
Other Debtors	240,542	1,149,684
Prepayments and accrued income	1,638,615	113,131
Grants Receivable Debtors	197,887	338,547
Loans to Group Undertakings	500,000	-
	<u>3,155,141</u>	<u>2,081,436</u>

Rent, lease and hostel debtors are stated net of a provision for bad debts amounting to £135,000 (2014 - £90,000). Rental debtors include technical arrears of £354,000 (2014 - £306,000).

The loans to group undertakings of £500,000 (2014 - £Nil) are regarded as being due after one year.

**CUNNINGHAME HOUSING ASSOCIATION LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31ST MARCH, 2015/Cont...**

	<b>2015</b>	<b>2014</b>
	<b>£</b>	<b>£</b>
<b>17. Creditors: Amounts Falling Due Within One Year</b>		
Housing Loans	1,448,196	1,512,498
Trade Creditors	745,912	830,657
Accruals and Deferred Income	509,685	488,541
Retentions	82,217	142,323
Development Guarantees	-	598,800
Rent in advance	180,652	160,596
Social Security and Other Taxes	61,816	76,715
	<u>3,028,478</u>	<u>3,810,130</u>

Creditors due within one year include development guarantees totalling £Nil (2014: £598,800).

	<b>2015</b>	<b>2014</b>
	<b>£</b>	<b>£</b>
<b>18. Creditors: Amounts Falling Due After More Than One Year</b>		
Housing Loans	<u>54,223,244</u>	<u>53,533,502</u>

Loans are secured by specific charges on the Association properties and repayable at rates varying from 0.94% to 7.6% of interest in instalments due as follows which will mature over a period of 2 to 30 years:-

	<b>2015</b>	<b>2014</b>
	<b>£</b>	<b>£</b>
Between one and two years	1,533,267	1,427,255
Between two and five years	5,100,032	4,834,358
In five years or more	47,589,945	47,271,889
	<u>54,223,244</u>	<u>53,533,502</u>

<b>19. Called Up Share Capital</b>		
Shares of £1 each issued and fully paid	<b>2015</b>	<b>2014</b>
	<b>£</b>	<b>£</b>
<b>Allotted, issued and fully paid</b>		
At 01.04.14	87	90
Issued during year	-	3
Cancelled in year	( 7 )	( 6 )
Balance at 31.03.15	<u>80</u>	<u>87</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.



**CUNNINGHAME HOUSING ASSOCIATION LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31ST MARCH, 2015/Cont...**

**20. Designated Reserves**

	<b>Total £</b>	<b>Major Repairs £</b>
Balance at 01.04.14	2,282,876	2,282,876
Transfers to Revenue Reserves	( 1,173,483)	( 1,122,735)
Transfers from Revenue Reserves	<u>1,173,483</u>	<u>1,122,735</u>
Balance at 31.03.15	<u>2,282,876</u>	<u>2,282,876</u>

	<b>Total £</b>	<b>Major Repairs £</b>
Balance at 01.04.13	2,282,876	2,282,876
Transfers to Revenue Reserves	( 1,250,473)	( 1,250,473)
Transfers from Revenue Reserves	<u>1,250,473</u>	<u>1,250,473</u>
Balance at 31.03.14	<u>2,282,876</u>	<u>2,282,876</u>

**21. Lease Commitments**

	<b>2015 £</b>	<b>2014 £</b>
The following payments are committed to be paid within one year	214,426	174,160
Operating leases expiring between one and five years	<u>45,978</u>	<u>62,049</u>

The lease commitments include the lease of three vehicles. The costs attributable to the leases are recharged to Citrus Energy Limited. Citrus Energy Limited is controlled by Cunninghame Housing Association Limited.

**22. Housing Stock**

	<b>2015</b>	<b>2014</b>
The number of units of accommodation in management at the year end was :-		
General Needs	2,360	2,302
Shared Ownership	28	29
Supported Accommodation	<u>27</u>	<u>27</u>
	<u>2,415</u>	<u>2,358</u>

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

**23. Capital Commitments**

	<b>2015 £</b>	<b>2014 £</b>
Expenditure Authorised and Contracted Less Certified	<u>1,131,749</u>	<u>8,199,197</u>

The Association has secured from Santander loan facilities to cover its immediate known development programme. The £1,131,749 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, 2015/Cont...

### 24. Pensions

The Association ended its participation in the Scottish Housing Association's Pension Scheme, defined benefit scheme. This scheme was replaced by a defined contribution scheme administered by Scottish Widows. The Scheme and its assets are held by Scottish Widows.

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.

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

The Scheme offers six benefit structures to employers, namely:

- Final salary with a 1/60<sup>th</sup> accrual rate.
- Career average revalued earnings with a 1/60<sup>th</sup> accrual rate.
- Career average revalued earnings with a 1/70<sup>th</sup> accrual rate.
- Career average revalued earnings with a 1/80<sup>th</sup> accrual rate.
- Career average revalued earnings with a 1/120<sup>th</sup> accrual rate, contracted-in.
- Defined Contribution (DC) option.

The Association has elected to discontinue the final salary scheme and operate the DC benefit option for active members with effect from 1<sup>st</sup> August 2014.

During the accounting period Cunninghame Housing Association Limited paid contributions at the rate of 9.6% to 12.3% of pensionable salaries. Member contributions varied between 4.6% and 12.3%.

It is not possible in the normal course of events to identify the share of underlying assets and liabilities belonging to an individual participating employer 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 30<sup>th</sup> September 2012 by a professionally qualified Actuary using the Projected Unit Credit method. The market value of the Scheme's assets at the valuation date was £394 million. The valuation revealed a shortfall of assets compared with the value of liabilities of £304 million, equivalent to a past service funding level of 56.4%.

The Scheme Actuary has prepared an Actuarial Report that provides an approximate update on the funding position of the Scheme as at 30<sup>th</sup> September 2014. 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 £539 million and indicated a decrease in the shortfall of assets compared to liabilities to approximately £281 million, equivalent to a past service funding level of 66%.

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 buy-out 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.



# CUNNINGHAME HOUSING ASSOCIATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MARCH, 2015/Cont...

### 24. Pensions/Cont...

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

The Association has been notified by The Pensions Trust of the estimated employer debt on withdrawal from the Scottish Housing Associations' Pension Scheme based on the financial position of the Scheme as at 30<sup>th</sup> September 2014. As of this date the estimated employer debt for the Association was £11,726,883.

The total pension cost for the Association was £495,065 (2014: £261,172) of which £68,188 (2014 : £45,122) was unpaid and is included in Creditors.

### 25. Legislative Provisions

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

### 26. Reconciliation of Movement in Accumulated Surplus

	2015 £	2014 £
Revenue Reserve b/fwd	3,864,783	2,124,652
Surplus for year	2,830,906	1,740,133
Transfer from Designated Reserves	1,173,483	1,250,473
Transfer to Designated Reserves	( 1,173,483 )	( 1,250,473 )
	<u>6,695,689</u>	<u>3,864,785</u>

### 27. Related Party Transactions

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. A member of the Board of Management is the Council representative of North Ayrshire Council. Any transaction with the Council is at arms length on normal commercial terms and the member cannot use their position to their advantage.

J Steele, A Ramsay, H Neill, A Keith, F Schlesiger, M Whitelaw, J Kelly, J Strang and W R Richards (deceased 18.01.15) 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 23<sup>rd</sup> 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 £36,672 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 £5,839 (2014 - £Nil).

At the end of the financial year the Association was owed £2,891 (2014 - £176,935) by Citrus Energy Limited. This is in addition to the inter-company loan balance of £400,000 as detailed in Note 30.

H Neill, A Ramsay, F Schlesiger, J Strang, A Keith and J Steele are Board 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 1<sup>st</sup> November 2010. The principal activity of the company is the recycling of furniture and related activities.

During the year the Association paid costs of £88,532 (2014 - £123,663) on behalf of Cunninghame Furniture Recycling Company. These costs were recharged to the subsidiary company in the financial year.



# **CUNNINGHAME HOUSING ASSOCIATION LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS**

### **FOR THE YEAR ENDED 31ST MARCH, 2015/Cont...**

#### **27. Related Party Transactions/Cont...**

At the end of the financial year the Association owed Cunninghame Furniture Recycling Company £17,352 (2014 - £15,054).

At the end of the financial year the Association was owed by Cunninghame Furniture Recycling Company £3,566 (2014 - £124,990). This is in addition to the inter-company loan balance of £100,000 as detailed in Note 30.

#### **28. Big Lottery Fund Grant - Restricted Fund**

##### **Project - Financial Inclusion Team**

In the year Cunnighame Housing Association Limited was awarded a Big Lottery Fund Grant of £136,183, for the 2 years 2013 - 2015.

In 2014/2015 the grant received totalled £66,645 and a further sum, of £5,012 is included within debtors for grants receivable. The final grant payment of £22,214 will now be received in 2015-2016 aligned with programme timing and expenditure incurred. Expenditure within the year was £71,657.

#### **29. Contingent Liabilities**

##### **Development Scheme Overspend**

One of the Association's scheme developments at Altonhill, completed 2009/2010, had a projected overspend of £1,800,000 in terms of the works cost. This is primarily due to the requirement to remediate the site. A temporary funding arrangement was in place to ensure that all contractual obligations were met by the Association. During 2013/14 £1,314,566 was recovered from the Scottish Government. Dialogue continued with Partners in this matter during 2014/15 to achieve a resolution. In the current year £49,000 was recovered from East Ayrshire council in final settlement.

#### **30. Inter-Company Loans**

##### **Subsidiary Company Loans**

On 1<sup>st</sup> 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.

On 1<sup>st</sup> 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.

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

#### **31. Group Structure**

Cunninghame Housing Association Limited is a Housing Association registered 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 and Trustee 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 23<sup>rd</sup> July 2013 at Companies House. The previous factoring business activities of the subsidiary company were transferred to Cunninghame Housing Association Limited with effect from 1<sup>st</sup> October 2012. Citrus Energy Limited's main activities are energy brokering for commercial and domestic customers.