

CUNNINGHAME HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MARCH 2016

CUNNINGHAME HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MARCH 2016

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CUNNINGHAME HOUSING ASSOCIATION LIMITED

ADVISERS AND REGISTERED OFFICE

FOR THE YEAR ENDED 31ST MARCH 2016

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 information

Financial Conduct Authority:	Co-operative and Community Benefit Societies Act 2014 Registration Number 2184 RS
The Scottish Housing Regulator Registered number:	Housing (Scotland) Act 2014 HCB195
Recognised Scottish Charity:	SCO37972

CUNNINGHAME HOUSING ASSOCIATION LIMITED

REPORT OF THE BOARD OF MANAGEMENT

FOR THE YEAR ENDED 31ST MARCH 2016

The Board of Management present their report and the audited financial statements for the year ended 31st March 2016.

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 Statement of Comprehensive Income. The surplus for the year was £2,475,394 (2015 - restated £3,789,159).

Review of business

The financial year has been another hugely successful chapter in the ongoing growth 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 2015-2016 a total of 12 new houses were taken into management. In addition, during this year, another 11 new units started on-site with all 11 scheduled to be handed over before the end of October 2016.

Over the next 5 years the Association is expected to have a robust new build development pipeline of projects which will add significantly to our stock in management.

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). In 2015/2016 we invested £1,212,000 in major repairs and SHQS works. A further £1,570,000 will be spent in 2016/2017 to maintain our properties to SHQS. At the end of March 2016, 2,225 of our domestic properties met SHQS and 146 properties were either exempt or held in abeyance as per Scottish Housing Regulator's Guidance.

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 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. 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. The Association has reported in the Scottish Housing Regulators Annual Return on the Charter (ARC) that rent arrears this year were 2.78% up from 2.28% in 2014/15 with unpaid rent on Universal Credit cases contributing to this increase.

On 31st March 2016 the Scottish Housing Regulator notified the Association that having completed their Regulatory Risk Assessment for 2016-2017 the Association would, for the second consecutive year, be 'low' engagement with no Regulation Plan.

Changes in fixed assets

Details of changes in fixed assets are set out in Note 14.

CUNNINGHAME HOUSING ASSOCIATION LIMITED

REPORT OF THE BOARD OF MANAGEMENT

FOR THE YEAR ENDED 31ST MARCH 2016

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. Steele		. Alison Keith	(Appointed 25.08.15)
. H. Neill		. Cameron Crawford	(Appointed 25.08.15)
. A. Ramsay	(Reappointed 25.08.15)	. L. Keenan (Secretary)	(Appointed 25.08.15)
. J. Strang (Chair)		. A. McDougall	(Co-opted 25.08.15)
. F. Schlesiger	(Reappointed 25.08.15)	. P. Vann	(Co-opted 31.03.16)
. M. Whitelaw	(Reappointed 25.08.15)	. Cllr. A. Gurney - NAC	(Appointed 25.08.15)
. J. Kelly (Vice-Chair)	(Reappointed 25.08.15)	. Cllr. E. MacColl - EAC	(Appointed 25.08.15)

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 2016

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 2014 and the 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.

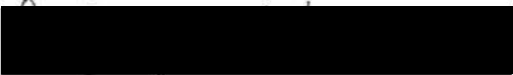
Statement as to disclosure of information to auditors

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 re-appoint the auditors, Armstrongs, Chartered Accountants, will be proposed at the Annual General Meeting.

By order of the Board



Secretary

Dated : 25/8/16

CUNNINGHAME HOUSING ASSOCIATION LIMITED

**BOARD STATEMENT ON THE ASSOCIATION'S
SYSTEM OF INTERNAL FINANCIAL CONTROL
FOR THE YEAR ENDED 31ST MARCH 2016**

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 2016 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

Dated : 25/8/16

CUNNINGHAME HOUSING ASSOCIATION LIMITED
REPORT BY THE INDEPENDENT AUDITOR TO THE BOARD
ON CORPORATE GOVERNANCE MATTERS
FOR THE YEAR ENDED 31ST MARCH 2016

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.

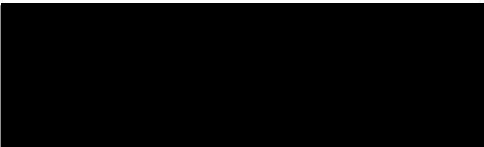
Basis of opinion

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 : 6th September 2016

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

We have audited the financial statements of Cunninghame Housing Association Limited for the year ended 31st March 2016 which comprise the 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.

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, the Association's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Board and Auditor

As explained more fully in the Statement of Board's Responsibilities set out on page four, the Board is responsible for the preparation of the financial statements which give a true and fair view.

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

Scope of the audit 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 31st March 2016 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, Part 6 of the Housing (Scotland) Act 2014 and the Determination of Accounting Requirements 2014.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Co-operative and Community Benefit Societies Act 2014 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 :

CUNNINGHAME HOUSING ASSOCIATION LIMITED

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31ST MARCH 2016

	Notes	2016 £	Restated 2015 £
Turnover	2	15,029,191	13,907,356
Operating costs	2	(10,246,244)	(9,194,217)
Operating surplus	2	<u>4,782,947</u>	<u>4,713,139</u>
Gain on sale of housing property	5	(52,702)	106,988
Exceptional items	6	-	1,350,586
Interest receivable and other income	8	51,165	38,955
Interest payable and similar charges	9	(2,264,971)	(2,266,375)
Other finance charges	10	(41,045)	(154,134)
Surplus before tax		<u>2,475,394</u>	<u>3,789,159</u>
Other comprehensive income		-	-
Total comprehensive income for the year		<u><u>2,475,394</u></u>	<u><u>3,789,159</u></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.

The notes form part of these financial statements.

CUNNINGHAME HOUSING ASSOCIATION LIMITED

STATEMENT OF FINANCIAL POSITION

AS AT 31ST MARCH 2016

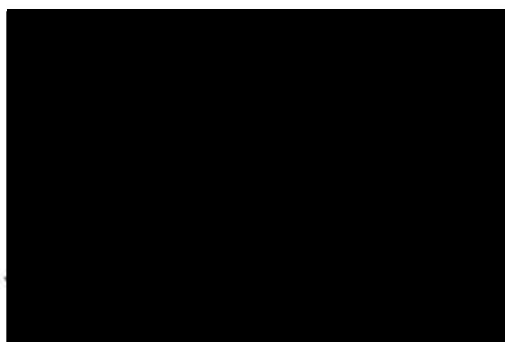
	Notes	2016 £	Restated 2015 £
Fixed assets			
Tangible assets - social housing	14a	134,459,812	133,252,330
Other tangible assets - plant and equipment	14b	2,168,625	2,249,313
		<u>136,628,437</u>	<u>135,501,643</u>
Current assets			
Receivables	16	2,188,160	3,155,141
Cash at bank and in hand		<u>5,626,999</u>	<u>3,472,998</u>
		7,815,159	6,628,139
Creditors: amounts falling due within one year	17	(5,091,790)	(3,370,980)
Net current assets		<u>2,723,369</u>	<u>3,257,159</u>
Total assets less current liabilities		139,351,806	138,758,802
Creditors : amounts falling due after more than one year	18	(53,981,628)	(56,227,867)
Deferred income			
Deferred capital grants: Social Housing Grants	19	(76,640,958)	(75,790,509)
Other Fixed Asset Grants		(1,217,874)	(1,704,469)
		(77,858,832)	(77,494,978)
Net assets		<u>7,511,346</u>	<u>5,035,957</u>
Equity			
Share capital	20	75	80
Revenue reserves	27	7,511,271	5,035,877
		<u>7,511,346</u>	<u>5,035,957</u>

These financial statements were approved by the Board on 25th August 2016 and signed on their behalf by:

Chairman

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 2016

	Share Capital £	Revenue Reserve £	Total £
Balance as at 1st April 2015	80	5,035,877	5,035,957
Issue of shares	6	-	6
Cancellation of shares	(11)		(11)
Surplus for year		2,475,394	2,475,394
Balance as at 31st March 2016	<u>75</u>	<u>7,511,271</u>	<u>7,511,346</u>

CUNNINGHAME HOUSING ASSOCIATION LIMITED

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31ST MARCH 2016

	Notes	2016 £	Restated 2015 £
Net cash inflow from operating activities	1	8,109,359	5,655,261
Cash flows from investing activities			
Payments to acquire and develop housing properties		(4,800,576)	(6,589,352)
Payments to acquire other fixed assets		(66,707)	(82,745)
Interest received		51,165	38,955
Grants Received		2,866,555	2,260,876
Net cash outflow from investing activities		(1,949,563)	(4,372,266)
Cashflow from financing activities			
Payments to acquire and develop housing properties			
Payments to acquire other fixed assets			
Grants received			
Grants repaid			
Inter-company investment		25,000	(500,000)
Interest repaid		(2,264,971)	(2,266,375)
Issue of share capital		(2,239,971)	(2,766,375)
Net cash inflow/(outflow) from before financing		3,919,825	(1,483,380)
Financing			
Mortgages and other loans received – housing		-	2,137,938
Loans repaid - housing		(1,765,830)	(1,512,498)
- non-housing			
Share capital issued		6	-
Non cash adjustment			
Net cash outflow from financing activities		(1,765,824)	625,440
Net change in cash and cash equivalents		2,154,001	(857,940)
Cash and cash equivalents at the beginning of the year		3,472,998	4,330,938
Cash and cash equivalents at the end of the year		5,626,999	3,472,998

Notes

1) Cashflow from operating activities	2016	Restated
	£	2015
	£	£
Surplus for the year	2,475,394	3,789,159
Depreciation of tangible fixed assets	3,447,823	2,966,061
Decrease/(increase) in trade and other debtors	1,189,861	(714,365)
Increase/(decrease) in trade and other creditors	1,221,994	(955,848)
Share capital written off	(11)	(7)
Amortisation of Grants	(2,750,580)	(2,174,122)
Carrying amount of tangible fixed asset disposals	311,072	516,963
Proceeds from the sale of tangible fixed assets		
Interest payable	2,264,971	2,266,375
Interest receivable	(51,165)	(38,955)
	8,109,359	5,655,261

CUNNINGHAME HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MARCH, 2016

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 2014, 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.

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 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 Statement of Comprehensive Income.

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 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 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

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

CUNNINGHAME HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MARCH 2016

1. Principal accounting policies (continued)

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 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 Statement of Financial Position.

Housing Association Grant and Wider Role Grant 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 cost of acquisition has been reduced by the amount of the grant receivable. 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.

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 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 2016

1. Principal accounting policies (continued)

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. In accordance with FRS 102 the payments in respect of the past service deficit plan have been discounted and recognised as a provision within the financial statements.

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 Statement of Comprehensive Income.

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.

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.

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 2016

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

	Turnover	2016 Operating costs	Operating surplus / (deficit)
	£	£	£
Income and expenditure from lettings			
Social lettings	13,689,690	8,923,467	4,766,223
Other activities	1,339,501	1,322,777	16,724
Total	<u>15,029,191</u>	<u>10,246,244</u>	<u>4,782,947</u>
		Restated 2015 Operating costs	Operating surplus / (deficit)
	Turnover	£	£
	£		
Social lettings	12,405,183	7,698,231	4,706,952
Other activities	1,502,173	1,495,986	6,187
Total	<u>13,907,356</u>	<u>9,194,217</u>	<u>4,713,139</u>

3. Particulars of income and expenditure from social letting activities

	General housing needs	Supported housing	Shared ownership	2016 Total	Restated 2015 Total
	£	£	£	£	£
Income from letting					
Rent receivable net of identifiable service charges	10,171,798	527,983	50,483	10,750,264	10,133,305
Service charges	203,616	-	632	204,248	187,238
Gross income from rents and service charges	<u>10,375,414</u>	<u>527,983</u>	<u>51,115</u>	<u>10,954,512</u>	<u>10,320,543</u>
Less : voids	(36,553)	(29,348)	-	(65,901)	(130,722)
	<u>10,338,861</u>	<u>498,635</u>	<u>51,115</u>	<u>10,888,611</u>	<u>10,189,821</u>
Revenue grants from Scottish Ministers	50,498	-	-	50,498	27,859
Release of deferred capital grant	2,750,581	-	-	2,750,581	2,187,503
Total turnover from social letting activities	<u>13,139,940</u>	<u>498,635</u>	<u>51,115</u>	<u>13,689,690</u>	<u>12,405,183</u>
Expenditure on lettings					
Management and maintenance admin costs	2,907,276	318,520	14,323	3,240,119	3,079,942
Reactive maintenance	934,431	20,881	-	955,312	1,003,815
Planned & cyclical maintenance	919,147	5,642	-	924,789	521,862
Bad debts - rents and service charges	107,452	6,294	-	113,746	91,915
Depreciation of social housing	3,466,728	20,000	26,263	3,512,991	2,835,397
Service charges	175,312	567	631	176,510	165,300
Total expenditure on lettings	<u>8,510,346</u>	<u>371,904</u>	<u>41,217</u>	<u>8,923,467</u>	<u>7,698,231</u>
Operating surplus for social lettings for 2016	<u>4,629,594</u>	<u>126,731</u>	<u>9,898</u>	<u>4,766,223</u>	
Operating surplus for social lettings for 2015	<u>4,650,712</u>	<u>31,886</u>	<u>24,354</u>	<u>4,706,952</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 £507,513 (2015 - £68,439) in respect of major repair costs.

CUNNINGHAME HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MARCH 2016

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 2016 £	Operating Surplus/ Deficit for 2015 £
Supporting People	-	-	-	453,468	-	453,468	-	455,937	455,937	(2,469)	1,455
Leasehold / Commercial	-	-	-	-	252,185	252,185	-	100,992	100,992	151,193	87,900
Regen & Enterprise	-	-	116,285	-	-	116,285	-	174,973	174,973	(58,688)	(83,461)
Factoring	-	-	-	-	144,699	144,699	-	135,414	135,414	9,285	1,520
Subsidiary	-	-	-	-	104,323	104,323	-	104,323	104,323	-	-
Care and Repair	-	139,354	-	-	9,262	148,616	-	150,583	150,583	(1,967)	(1,227)
Fuel Poverty	93,749	24,094	-	-	1,056	118,899	-	199,528	199,528	(80,629)	-
Agency Services	-	-	-	-	1,026	1,026	-	1,026	1,026	-	-
Property Sales	-	-	-	-	-	-	-	-	-	-	-
Total Other Activities 2016	93,749	163,448	116,285	453,468	512,551	1,339,501	-	1,322,776	1,322,776	16,725	6,187
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	-

CUNNINGHAME HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MARCH 2016

5. Gain on sale of housing property

	2016	2015
	£	£
Sale proceeds	60,470	151,600
Less: Cost of sales		
Historic cost including depreciation and HAG received	(98,509)	(17,716)
HAG repayable	(11,822)	(23,329)
Legal and valuation fees	(2,841)	(3,567)
Gain /(loss) on sale of housing property	<u>(52,702)</u>	<u>106,988</u>

6. Exceptional item

The Association received a payment of just over £1.35m from one of its funders after 31st 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. Surplus for year

Operating surplus is stated after charging:-

	2016	2015
	£	£
Amortisation of capital grants	2,750,581	2,187,503
Gain/loss on sale - tangible other fixed assets	(52,702)	106,988
Depreciation - tangible land & buildings fixed assets	3,447,823	2,966,061
Auditor's remuneration	8,256	8,136
Leasing	128,124	79,731
Bad debts	<u>127,534</u>	<u>91,915</u>

8. Interest receivable and similar income

	2016	2015
	£	£
Interest receivable	<u>51,165</u>	<u>38,955</u>

9. Interest payable and similar charges

	2016	2015
	£	£
Loan interest	2,264,971	2,304,559
Interest capitalised in housing properties	<u>-</u>	<u>(38,184)</u>
	<u>2,264,971</u>	<u>2,266,375</u>

10. Other finance income / charges

	2016	2015
	£	£
Unwinding of discounted liabilities and remeasurement	<u>41,045</u>	<u>154,134</u>

CUNNINGHAME HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MARCH 2016

11. 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	2016 £	Number of officers	2015 £
Total emoluments (including pension contributions and benefits in kind)				
60,000 to 69,999	3	197,692	3	191,380
70,000 to 79,999	-	-	-	-
80,000 to 89,999	-	-	2	170,802
90,000 to 99,999	3	278,105	2	184,449
100,000 to 109,999	-	-	1	109,122
110,000 to 119,999	1	117,286	-	-
	<u>7</u>	<u>593,083</u>	<u>8</u>	<u>655,753</u>
Total emoluments (excluding pension contributions) to the highest paid Director		<u>107,044</u>		<u>102,351</u>
Total Remuneration paid to key management personnel		<u>395,391</u>		<u>382,354</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>45,679</u>	<u>8</u>	<u>42,609</u>
Total expenses reimbursed to the Board in so far as not chargeable to United Kingdom income tax		<u>4,768</u>		<u>4,376</u>

12. Employee information

	2016 £	2015 £
The average monthly number of full time equivalent employees during the year :-	<u>78</u>	<u>67</u>
Staff costs (including Executive emoluments)		
Wages and salaries	2,562,142	2,350,314
Social security costs	225,174	216,200
Pension contributions	<u>185,023</u>	<u>162,539</u>
	<u>2,972,339</u>	<u>2,729,053</u>

13. 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 2016

14. Non-current assets

a) Housing properties

	Properties held for let £	Shared ownership £	Properties under construction £	Total £
Cost				
As at 01.04.15	171,502,112	1,575,774	1,677,451	174,755,337
Additions during year	1,185,975	-	3,633,007	4,818,982
Transfers in year	-	-	-	-
Disposals in year	(791,133)	(50,145)	-	(841,278)
Schemes completed	1,261,856	-	(1,261,856)	-
At 31.03.16	<u>173,158,810</u>	<u>1,525,629</u>	<u>4,048,602</u>	<u>178,733,041</u>
Depreciation				
As at 01.04.15	41,359,851	143,156	-	41,503,007
Transfers in year	-	-	-	-
Provided during year	3,275,001	25,427	-	3,300,428
Disposals in year	(518,130)	(12,076)	-	(530,206)
At 31.03.16	<u>44,116,722</u>	<u>156,507</u>	<u>-</u>	<u>44,273,229</u>
Net book value at 31.03.16	<u>129,042,088</u>	<u>1,369,122</u>	<u>4,048,602</u>	<u>134,459,812</u>
Net book value at 31.03.15	<u>130,142,261</u>	<u>1,432,618</u>	<u>1,677,451</u>	<u>133,252,330</u>

Development administration costs capitalised amounted to £364,026 (2015 - £351,296) for which Housing Association Grants amounting to £33,394 (2015 - £68,368) were received in the year. Interest capitalised during the year amounted to £Nil (2015 - £38,184). Component replacement costs of £ 702,383 (2015 - £1,105,044) were capitalised during the year.

b) Other tangible assets

	Freehold property £	Motor vehicles £	Equipment fixtures & fittings £	Total £
Cost				
As at 01.04.15	4,751,031	35,304	1,304,204	6,090,539
Additions during year	-	50,088	16,619	66,707
Transfers in year	-	-	-	-
Disposals in year	-	-	(2,209)	(2,209)
As at 31.03.16	<u>4,751,031</u>	<u>85,392</u>	<u>1,318,614</u>	<u>6,155,037</u>
Aggregate depreciation				
As at 01.04.15	2,583,087	13,381	1,244,758	3,841,226
Provided in year	95,226	10,758	41,411	147,395
Transfers in year	-	-	-	-
Disposals in year	-	-	(2,209)	(2,209)
As at 31.03.16	<u>2,678,313</u>	<u>24,139</u>	<u>1,283,960</u>	<u>3,986,412</u>
Net Book Value as at 31.03.16	<u>2,072,718</u>	<u>61,253</u>	<u>34,654</u>	<u>2,168,625</u>
Net Book Value as at 31.03.15	<u>2,167,944</u>	<u>21,923</u>	<u>59,446</u>	<u>2,249,313</u>

CUNNINGHAME HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MARCH 2016

15. Shared equity scheme

The Association was a participant in a number of shared equity housing developments. The transactions at March 2016 totalled:-

	2016	2015
	£	£
Cost	3,455,618	3,455,618
Grants	(3,455,618)	(3,455,618)
	<u>-</u>	<u>-</u>

16. Receivables – Amounts falling due within one year

	2016	2015
	£	£
Rental debtors - houses	242,807	427,319
Rental debtors - lease	16,593	28,790
Rental debtors - hostel	936	28,329
Factored debtors	90,192	93,659
Other debtors	155,327	240,542
Prepayments and accrued income	761,538	1,638,615
Grants receivable debtors	445,767	197,887
Loans to group undertakings	475,000	500,000
	<u>2,188,160</u>	<u>3,155,141</u>

Rent, lease and hostel debtors are stated net of a provision for bad debts amounting to £200,000 (2015 - £135,000). Rental debtors include technical arrears of £31,000 (2015 - £354,000).

The loans to group undertakings of £475,000 (2015 - £500,000) are regarded as being due after one year.

17. Creditors - Amounts falling due within one year

	2016	2015
	£	£
Housing loans	1,616,874	1,448,196
Pension creditor	352,777	342,502
Trade payables	1,760,122	745,912
Accruals and deferred income	1,078,260	509,685
Retentions	63,811	82,217
Rent in advance	220,558	180,652
Social security and other taxes	(612)	61,816
	<u>5,091,790</u>	<u>3,370,980</u>

Creditors due within one year include development guarantees totalling £Nil (2015: £Nil).

CUNNINGHAME HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MARCH 2016

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

	2016	2015
	£	£
Pension creditor	1,692,891	2,004,623
Housing loans	52,288,737	54,223,244
	<u>53,981,628</u>	<u>56,227,867</u>

Loan debt with Santander totals £14 million at March 2016, sums are repayable between 2017 and 2030 and around 470 properties are provided as security for the loans. The Association has four loan agreements with Clydesdale Bank, term dates range from 2025 to 2037 and around 820 units are secured to the lender. Loan debt with Nationwide totals £2.4 million, is repayable in 2023 and around 150 properties are provided as security for this debt. RBS loans total £25 million, balance repayment periods range from 2017-2041 and approximately 720 properties are provided as security for the loans. Around 54% 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 4.93% to 7.6% with variable rate charges from 1% to 2.7%. The existing use value of secured stock is around £70 million at March 2016.

	2016	2015
	£	£
Between one and two years	1,661,867	1,533,267
Between two and five years	2,396,883	5,100,032
In five years or more	48,229,987	47,589,945
	<u>52,288,737</u>	<u>54,223,244</u>

19. Deferred capital grants

	2016	2015
	£	£
Social Housing Grants		
Balance as at 1 st April 2015	75,790,509	75,898,681
Additions in year	3,079,835	2,065,950
Amortisation in year	(2,229,386)	(2,174,122)
Balance as at 31 st March 2016	<u>76,640,958</u>	<u>75,790,509</u>

	2016	2015
	£	£
Other Fixed Asset Grants		
Balance as at 1 st April 2015	1,704,469	1,717,850
Additions in year	34,599	-
Amortisation in year	(521,194)	(13,831)
Balance as at 31 st March 2016	<u>1,217,874</u>	<u>1,704,469</u>
Total	<u>77,858,832</u>	<u>77,494,978</u>

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

	2016	2015
	£	£
Amounts due within one year	2,271,462	2,750,580
Amounts due in one year or more	75,587,370	74,744,398
	<u>77,858,832</u>	<u>77,494,978</u>

CUNNINGHAME HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MARCH 2016

20. Called up share capital

Shares of £1 each issued and fully paid

Allotted, issued and fully paid

At 01.04.15

Shares issued at par during year

Shares forfeited

Balance at 31.03.16

2016	2015
£	£
80	87
6	-
<u>86</u>	<u>87</u>
(11)	(7)
<u>75</u>	<u>80</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.

21. Designated reserves

Balance at 01.04.15

Transfers to Revenue Reserves

Transfers from Revenue Reserves

Balance at 31.03.16

Total	Major
£	Repairs
	£
-	-
-	-
-	-
<u>-</u>	<u>-</u>

Balance at 01.04.14

Transfers to Revenue Reserves

Transfers from Revenue Reserves

Balance at 31.03.15

Total	Major
£	Repairs
	£
2,282,876	2,282,876
(2,282,876)	(2,282,876)
-	-
<u>-</u>	<u>-</u>

22. Lease commitments

The following payments are committed to be paid within one year

Operating leases expiring between one and five years

2016	2015
£	£
210,967	214,426
<u>72,260</u>	<u>45,978</u>

23. Housing stock

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

General needs

Shared ownership

Supported accommodation

2016	2015
2,369	2,360
27	28
27	27
<u>2,423</u>	<u>2,415</u>

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

CUNNINGHAME HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MARCH 2016

24. Capital commitments

	2016 £	2015 £
Expenditure authorised and contracted less certified	<u>12,728,214</u>	<u>1,131,749</u>

The Association has secured loan facilities to cover its immediate known development programme. The £12,728,214 is the balance for projects which have received tender approval and the funding requirements are known.

25. 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 1/60th accrual rate.
- Career average revalued earnings with a 1/60th accrual rate.
- Career average revalued earnings with a 1/70th accrual rate.
- Career average revalued earnings with a 1/80th accrual rate.
- Career average revalued earnings with a 1/120th accrual rate, contracted-in.
- Defined Contribution (DC) option.

The Association has elected to discontinue the final salary scheme and operate the DC benefit option for active members with effect from 1st 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 individual participating employers as the Scheme is a multi-employer arrangement where the assets are co-mingled for investment purposes, benefits are paid from the total Scheme assets, and the contribution rate for all employers is set by reference to the overall financial position of the Scheme rather than by reference to individual employer experience. Accordingly, due to the nature of the Scheme, the accounting charge for the period under FRS 102 represents the employer contribution payable.

The Scheme operates on a 'last-man standing' basis, meaning that in the event of an employer withdrawing from the Scheme and being unable to pay its share of the debt on withdrawal, then the liability of the withdrawing employer is re-apportioned amongst the remaining employer. Therefore in certain circumstances the Association may become liable for the obligations of a third party.

A full actuarial valuation for the Scheme was carried out at 30th September 2015. The preliminary results of the valuation showed assets of £612m, liabilities of £816m and a deficit of £198m equivalent to a past service funding level of 76%.

Based on the provisional valuation the Scheme has provided an estimate of the contributions required to fund the past service deficit. Under the new proposals the Association will make payments of £352,777 per annum from 1st April 2017. Payments are expected to increase by 3% per annum and continue until February 2022. Once finalised, the proposals will replace the original plan which was expected to have lasted 10 years.

All employers in the Scheme have entered into an agreement to make additional contributions to fund the Scheme's past service deficit. This obligation has been recognised in terms of Para 28.11A of Financial Reporting Standard 102.

CUNNINGHAME HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MARCH 2016

25. Pensions (continued)

At the balance sheet date the present value of this obligation was £2,045,668; (2015 - £2,347,125). This was calculated by reference to the terms of the agreement and discounting the liability using the yield rate of high quality corporate bond with a similar term. The discount rate used was 2.29%.

The Association made payments totalling £185,023 excluding deficit payments (Restated 2015: £162,539) to the pension scheme during the year, of which £35,132 (2015: £68,188) was unpaid and is included in Creditors. Pension deficit payments not included in operating costs totalled £342,502.

26. Legislative provisions

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

27. Reconciliation of movement in accumulated surplus

	2016 £	Restated 2015 £
Revenue Reserve b/fwd	5,035,877	1,246,718
Surplus for year	2,475,394	3,789,159
Transfer from Designated Reserves	-	-
Transfer to Designated Reserves	-	-
	<u>7,511,271</u>	<u>5,035,877</u>

28. Related party transactions

Members of the Board of Management 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 committee £ 18,262

At the year end total rent advances by the tenant members of the Committee were £544. There were no tenant members rent arrears at the year end.

J Steele, A Ramsay, H Neill, A Keith, F Schlesiger, M Whitelaw, J Kelly, J Strang, P Vann 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 £64,455 (2015 - £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 £2,040 (2015 - £5,839).

At the end of the financial year the Association was owed £25,798 (2015 - £2,891) 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, J Kelly, L Keenan, M Whitelaw, P Vann 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 1st November 2010. The principal activity of the company is the recycling of furniture and related activities.

CUNNINGHAME HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MARCH 2016

28. Related party transactions (continued)

During the year the Association paid costs of £39,868 (2015 - £88,532) 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 £13,216 (2015 - £17,352).

At the end of the financial year the Association was owed by Cunninghame Furniture Recycling Company £4,623 (2015 - £3,566). This is in addition to the inter-company loan balance of £75,000 as detailed in Note 30.

29. Big Lottery Fund grant - Restricted fund

Project - Financial inclusion team / Fuel Poverty Lemon Aid

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

In 2014/2015 there was a sum of £5,012 included within debtors for grants receivable. The final grant payment of £22,214 was received in 2015-2016 aligned with programme timing and expenditure incurred. Expenditure within the year was £17,202. This funding is now complete.

30. 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.

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 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.

CUNNINGHAME HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MARCH 2016

32. Transition to FRS 102

In accordance with the Statement of Recommended Practice the Association has adopted the Financial Reporting Standard for UK & Ireland (FRS 102) for the accounting period beginning on 1st April 2015. As a result of this the comparative figures for the period ending 31st March 2015 have been restated in accordance with FRS 102.

The transition to FRS 102 has resulted in several changes in accounting policies compared with those used previously. The following describes the differences between the assets and liabilities and income and expenditure as presented previously, and the amounts as restated to comply with the accounting policies selected in accordance with FRS 102 for the reporting period ending 31st March 2016.

Changes for FRS 102 adoption:

- (i) Social Housing Grants have been accounted for in accordance with the SORP which has meant that grants are no longer deducted from the cost of the capital asset, but are instead treated as deferred income which is recognised in income over the useful life of the related asset.
- (ii) FRS 102 requires that provision be made for employment costs such as holiday pay which had been incurred but not paid at the balance sheet date. Previously no adjustment had been made for these amounts.
- (iii) As the Association has entered into an agreement to make contributions to fund a deficit in the SHAPS pension scheme this has been recognised as a liability in accordance with the FRS. This liability was not previously recognised and payments made under this agreement were written off as operating costs.
- (iv) The liability recognised as a result of (iii) above has been discounted to its present value. The unwinding of the discount is recognised as a finance cost in accordance with FRS 102 para 28.13A.
- (v) The depreciation and amortised grant of other tangible assets has been restated in the opening balances, by just over £1m, to reflect their useful economic lives.
- (vi) FRS 102 requires that all debtor balances are included at fair value. The balances due from tenants have therefore been reviewed and adjusted as necessary.

Restated Statement of Financial Position

	31.03.15 £	01.04.14 £
Original reserves	7,978,635	5,146,729
Increase in pension deficit	(2,347,125)	(2,525,517)
Increase in accumulated depreciation	(30,766,422)	(29,371,161)
Increase in HAG amortisation	30,170,789	27,996,667
Restated statement of financial position	<u>5,035,877</u>	<u>1,246,718</u>

Restated Surplus for the Year Ended 31.03.15

	31.03.15 £
Original profit on ordinary activities	2,830,906
Adjustment to depreciation	(1,407,643)
HAG amortisation in year	2,187,503
Unwinding of pension discount	332,527
Finance costs	(154,134)
Restated surplus for the year	<u>3,789,159</u>