Scottish Charity Number SC 016647

CAIRN HOUSING ASSOCIATION LIMITED

REPORT and FINANCIAL STATEMENTS

For the year ended 31 March 2011

CAIRN HOUSING ASSOCIATION LIMITED

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For the year ended 31 March 2011

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COMMITTEE OF MANAGEMENT, EXECUTIVES AND ADVISERS

Committee of Management	Mrs J Slater, Chairperson Mrs A G Gaunt Mr W R K Hay Mr R F McDonald Ms J E Price Mr A C Fraser Mr D Venters Mr K Ward Mr T Hainey Miss M N Notman (retired 12 January 2011) Ms J E Price (retired 25 March 2011) Mrs S Gilmore (resigned 25 June 2010) Mr D Ferguson (resigned 25 June 2010) Mr J Woods (co-opted 25 March 2011) Mr E T M Bell-Scott (co-opted 25 March 2011) Mr S E G Guest (co-opted 25 March 2011) Ms G Walch (co-opted 25 March 2011)
Executive Officers	Mr B Gegan, Chief Executive and Secretary Mrs Irene Hughes, Deputy Chief Executive
Head Office	22 York Place Edinburgh EH1 3EP
Auditor	Chiene + Tait Chartered Accountants and Statutory Auditor 61 Dublin Street Edinburgh EH3 6NL
Solicitors	Blair Cadell WS South Forrest Solicitors T C Young, Solicitors Brodies LLP Mackenzie Law Practice
Bankers	The Royal Bank of Scotland plc 36 St Andrew Square Edinburgh EH2 2YB
Other Lenders	Santander plc Dunfermline Building Society

Registration numbers

Industrial & Provident Society	2335R(S)
The Scottish Housing Regulator	HEP218
Scottish Charity Number	SC016647

CAIRN HOUSING ASSOCIATION LIMITED

REPORT of the COMMITTEE OF MANAGEMENT

For the year ended 31 March 2011

The Committee of Management presents its report and the audited financial statements for the year ended 31 March 2011.

Principal Activities
The principal activities of the Association are the provision of affordable housing and related services for tenants and other parties.

Review of the business

2010/11 will be recognised as a year of consolidation in the history of Cairn Housing Association. Once again, the financial climate throughout the financial year to 31 March 2011 has proven extremely challenging. The global recession and credit crisis has produced greater risks in relation to the provision of new homes for affordable rent

The year has centred around the implementation of the Improvement Plan following the Inspection in 2009 and associated issues. It was pleasing to note that satisfactory progress had been made in relation to the Improvement Plan in the eyes of the regulator as a great deal of hard work and dedicated effort had been made by Committee members and staff alike.

This plan has to be fully delivered by 1 December 2011 at the latest, and it is currently ahead of schedule to meet that target. The inspection process has afforded us the opportunity to look more closely at our core functions and the organisation will emerge from the process a stronger, leaner business more capable to meet the challenges of the future economic and operating environment.

The issue of enhanced customer focus was a primary outcome of the Inspection process and during 2010/11 the "Cultivate" training programme focussing on that theme as well as diversity issues was implemented for all staff. This has provided us with a much better perspective on how we engage with customers and what further work needs to be done to improve that.

Over the course of 2010/11, good progress was made on a number of other fronts:

- The costs of planned and responsive maintenance has again been closely managed over the course of the year, resulting in expenditure consistent with budget targets.
- The demise of our multi trade responsive repair contractor in the South area was accommodated with no detriment to the service to customers, and the appointment was made for a similar type of contractor in the North area. The service quality and administrative efficiency of this kind of engagement has been well demonstrated.
- The development programme continued apace and 119 units for rent and 48 for shared equity were completed in the year. Future completion rates will be entirely dependent on a series of factors including subsidy levels, continuing low interest rates and borrowing capacity.
- Significant progress continued to be made in relation to modernising service delivery in the very-sheltered and care homes.
- The Care & Repair service in the Highlands continued to grow in scale and reputation.

Hard work and diligence has once again seen the Association return to surplus. Given the cuts in public expenditure and the potential for increased costs of borrowing, it is important that the Association maintains a prudent approach to its treasury function, and a decision was taken during the year to limit Cairn HA's exposure in this regard to safeguard future financial viability.

During the year a number of retirements and resignations from the Committee of Management took place, including the Chairperson and Vice Chairperson who had both served their maximum terms of office. A successful recruitment campaign saw the appointment of 4 new Committee members to boost numbers and broaden the skills base of the governing body. In addition, the Chief Executive intimated his intention to retire at the end of 2011 and arrangements were put in place to oversee the recruitment of a successor.

Review of the business (Contd.)

2010/11 saw the Association report an operating surplus of £1,690,651 and an overall surplus of £1,964,607. This improved financial performance was a result of both improved efficiencies and gains resulting from the sale of two properties previously transferred from Outlook Housing Association. The financial prudence shown during 2010/11 has left Cairn HA in a stronger position to face its future challenges.

The future presents a series of key risks for Cairn HA, notably the imperative to successfully deliver our improvement plan and to sustain a balanced budget with a view to creating ongoing financial viability. There are also other key risks in relation to:

- Improving our customer engagement
- Maximising expenditure on planned maintenance and achieving Scottish Housing Quality Standard (SHQS) compliance by 2015
- Our care and support services in relation to their efficacy and costs in a period of diminishing funding and changing models of service delivery
- Our capacity to continue to provide new homes

A new business plan format will be adopted to reflect the guidance issued by the Scottish Housing Regulator in 2009 and also to address these key risks by identifying priority actions to be undertaken in the plan period. This will make the plan a "living" document and a constant source of reference and a management tool for all stakeholders, as well as setting out the strategic direction for Cairn HA post Improvement Plan completion and following the governing body's planning away days in June 2011.

As the economy struggles out of recession, there continues to be greater risks in relation to the Association's income stream. Our risk management strategy will be continually reviewed to identify such action as may be required to identify new income streams and/or maximise existing ones. The Association is confident that with the measures it is implementing and operational initiatives being pursued, it can achieve the positive outcomes detailed in its 5 year financial projections notwithstanding ongoing economic volatility and uncertainty.

Changes in fixed assets
Details of fixed assets are set out in note 8.

The Committee of Management and Executive Officers
The Committee of Management and executive officers of the Association are listed on page 2. Each member of the Committee of Management holds one fully paid share of £1 in the Association. The executive officers of the Association hold no interest in the Association's share capital and although not having the legal status of directors they act as executives within the authority delegated by the Committee.

Statement of committee's responsibilities
Housing Association legislation requires the Committee of Management 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 that period. In preparing those financial statements the Committee is required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Association will continue in business.

The Committee is responsible for ensuring that arrangements are made for keeping proper books of account with respect to the Association's transactions and its assets and liabilities and for maintaining a satisfactory system of control over the Association's books of account and transactions. The Committee is also responsible for safeguarding the assets of the Association and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Statement on internal financial control

The Committee of Management is responsible for the Association's system of internal financial control.

Internal financial controls are those procedures established by management in order to provide reasonable assurance as to the safeguarding of assets and the maintenance of proper accounting records and the reliability of financial information used within the Association or for publication. Such a system of controls can provide only reasonable and not absolute assurance against material misstatement or loss.

The approach adopted by the Committee of Management to provide effective financial control can be summarised as follows:

(a) An appropriate control environment has been created by careful recruitment and training of staff and provision of comprehensive guidance on the standards and controls to be applied throughout the Association. A comprehensive programme of internal audit covering over time all the main activities is ongoing within the Association. Reports are made to the Internal Audit Committee with appropriate action taken where necessary.

(b) Management information systems have been developed to provide accurate and timeous data on all aspects of the business. Management accounts comparing actual results against budget are presented to the Committee of Management quarterly.

(c) Major business risks and their financial implications are assessed by reference to established criteria.

(d) The financial implications of major business risks are controlled by means of delegated authorities which reserve significant matters to the Committee of Management for decision, segregation of duties in appropriate areas and physical controls over assets and access to records as detailed in the Association's Financial Regulations.

(e) The Committee of Management monitors the operation of the internal financial control system by considering regular reports from management and the external and internal auditors and ensures appropriate corrective action is taken to address any reported weaknesses.

While retaining overall responsibility for internal financial control, the Committee of Management has delegated the day to day administration of the Association to the executive officers.

The Committee of Management confirms it is satisfied with the effectiveness of the Association's system of internal financial control as it operated during the year under review.

BY ORDER OF THE COMMITTEE

B Gegan
Secretary

24 June 2011

We have audited the financial statements of Cairn Housing Association Limited for the year ended 31 March 2011 set out on pages 8 to 27. 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 9 of the Friendly and Industrial and Provident Societies Act 1968, and to the charity's trustees as a body (the Committee of Management), in accordance with Section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005 and Regulation 10 of the Charities Accounts (Scotland) Regulations 2006 (as amended). 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 the Committee of Management and the auditor

As more fully explained in the Statement of the Committee of Management's responsibilities on page 4, the Committee is responsible for the preparation of 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 Committee's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the Association's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Committee; and the overall presentation of the financial statements. In addition, we read all the financial and nonfinancial information in the Report of the Committee 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 March 2011 and of its income and expenditure 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 Industrial and Provident Societies Acts 1965 to 2002, the Housing (Scotland) Act 2001, The Registered Social Landlords Accounting Requirements (Scotland) Order 2007, the Charities and Trustee Investment (Scotland) Act 2005 and Regulation 14 of the Charities Accounts (Scotland) Regulations 2006 (as amended).

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Industrial and Provident Societies Acts 1965 to 2002, or the Charities 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 Committee 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 require for our audit.

Corporate Governance Matters
In addition to our audit of the financial statements, we have reviewed the Committee of Management's statement concerning internal financial control made under "The Code of Audit Practice" contained within the publication "Raising Standards in Housing" which is the guidance issued by the Scottish Federation of Housing Associations. The object of our review is to draw attention to non-compliance with the guidance.

Basis of Opinion
We carried out our review in accordance with guidance issued by the Auditing Practices Committee. That guidance does not require us to perform the additional work necessary to, and we do not, express any opinion on the effectiveness of either the Association's system of internal financial control or its corporate governance procedures.

Opinion
With respect to the Committee of Management's statements on internal financial control, in our opinion the Committee of Management has provided the disclosures required by the guidance and such statements are not inconsistent with the information of which we are aware from our audit work on the financial statements.

Chiene + Tait

CHIENE + TAIT
Chartered Accountants and Statutory Auditor
61 Dublin Street
Edinburgh EH3 6NL

30/6/2011

CAIRN HOUSING ASSOCIATION LIMITED

INCOME and EXPENDITURE ACCOUNT

For the year ended 31 March 2011

	Notes		2011		2010
		£	£	£	£
Turnover	2		14,629,945		14,035,174
Operating costs	2		12,939,294		12,405,613
Operating surplus			1,690,651		1,629,561
Gain on sale of housing properties	7		1,450,512		131,416
Interest receivable		19,675		6,845	
Interest payable and similar charges		(1,196,231)		(1,201,153)	
			(1,176,556)		(1,194,308)
Surplus for the year before tax			1,964,607		566,669
Taxation	5		-		1,722
Surplus for the year	14		1,964,607		564,947

The Association has no recognised gains or losses other than the surplus for the year.

The retained surplus for the year reported in the income and expenditure account is identical to the historical cost surplus.

The notes on pages 11 to 27 form part of these financial statements

CAIRN HOUSING ASSOCIATION LIMITED

BALANCE SHEET

As at 31 March 2011

	Notes	2011 £	2011 £	2010 £	2010 £
Tangible fixed assets and investments					
Housing properties - depreciated gross cost	8(a)		169,852,185		162,776,742
Less: HAG and other grants	8(a)		109,601,521		104,164,590
			60,250,664		58,612,152
Homestake properties	8(a)		-		-
Other fixed assets	8(b)		1,755,805		1,766,117
Investments	8(c)		1		1
			62,006,470		60,378,270
Current assets					
Debtors	9	2,808,164		2,651,547	
Amount held on short term deposit		4,000,000		1,000,000	
Cash at bank and in hand		559,458		432,720	
		7,367,622		4,084,267	
Creditors: amounts falling due within one year	10	7,227,348		3,906,772	
Net current assets			140,274		177,495
Total assets less current liabilities			62,146,744		60,555,765
Creditors: amounts falling due after more than one year	11		43,340,631		43,714,258
Net assets			18,806,113		16,841,507
Capital and Reserves					
Share capital	13		143		144
Revenue reserves	14		18,805,970		16,841,363
			18,806,113		16,841,507

Approved by the Committee of Management at a meeting on 24 June 2011.

Jean Slater
Mrs J Slater — Chairman

William K Hay
Mr W Hay — Committee Member

B Gegan
Mr B Gegan — Secretary

The notes on pages 11 to 27 form part of these financial statements

CAIRN HOUSING ASSOCIATION LIMITED

CASH FLOW STATEMENT

For the year ended 31 March 2011

	Notes		2011		2010
		£	£	£	£
Cash inflow from operating activities	20		3,071,522		3,602,908
Returns from investments and servicing of finance:					
Interest received		19,675		6,845	
Interest and similar charges paid		(1,201,791)		(1,301,409)	
Net cash outflow from returns from investments and servicing of finance			(1,182,116)		(1,294,564)
Capital expenditure and financial investment	21		1,494,920		(7,792,727)
Cash inflow/(outflow) before acquisitions and disposals			3,384,326		(5,484,383)
Financing	22		(257,588)		7,550,786
Increase in cash	23		3,126,738		2,066,403

The notes on pages 11 to 27 form part of these financial statements

The Association is incorporated under the Industrial and Provident Societies Acts and is registered with the Financial Services Authority. The financial statements have been prepared in compliance with the Registered Social Landlords Accounting Requirements (Scotland) Order 2007 and the Statement of Recommended Practice "Accounting by Registered Social Landlords" 2008 (SORP 2008).

1. Accounting Policies

The principal accounting policies of the Association are set out below.

(a) Basis of Accounting

The financial statements are prepared under the historical cost convention and in accordance with applicable accounting standards and statements of recommended practice. The Association has established a subsidiary company "Cairn Homes and Services Limited" as part of its review of the activities of the Association and the need for a specialist vehicle through which to deliver certain activities; however the company has not yet traded and therefore consolidated financial statements have not been prepared.

(b) Tangible fixed assets - housing properties

Housing properties are stated at cost, or in the case of properties transferred to the Association under a Transfer of Engagements, at fair value at the date of transfer. The development cost of housing properties includes the following:

(i) cost of acquiring land and buildings;
(ii) development expenditure;
(iii) internal administration costs relating to the acquisition and development of housing properties.

These costs are termed "qualifying costs" by the Scottish Government for approved Housing Association Grant schemes.

Expenditure on schemes is written off in the year unless it is recognised that the schemes will be developed to completion.

Refurbishment expenditure on existing properties is capitalised to the extent that the expenditure represents improvements to the properties.

(c) Shared Ownership Transactions

First tranche proceeds arising from part-owners' purchases of equity in shared ownership schemes are regarded as sales of assets held for sale and are treated as turnover. The percentage of development costs representing the estimated first tranche percentages to be sold are shown as current assets until sold. Remaining costs are treated as fixed assets and sales taking place after the initial purchases are accounted for as disposals of fixed assets.

1. Accounting Policies (Contd.)

(d) Housing Association Grants

Housing Association Grants (HAG) are made by the Scottish Government and certain local authorities and are utilised to reduce the capital costs of an approved scheme to an amount of required loan finance which it is estimated can be serviced by the net annual income of the scheme. The amount of HAG is calculated on qualifying costs of the scheme in accordance with instructions issued from time to time by the Scottish Government.

HAG is repayable under certain circumstances, primarily following sale of property, but will normally be restricted to net proceeds of sale.

Notional acquisition and development allowances are determined by the Scottish Government and are advanced as HAG. They are intended to finance certain internal administrative costs relating to the acquisition and development of housing properties for approved schemes. Notional development allowances become available in instalments according to the progress of work on the scheme. Actual development costs are added to housing properties. Income and costs are also shown in the Income and Expenditure Account.

(e) Depreciation

Housing properties
Financial Reporting Standard (FRS) 15 requires all fixed assets to be depreciated over their estimated economic life, taking account of any residual value of the assets. Housing properties are considered to have a high residual value, and a useful economic life in excess of 50 years. The depreciation charge is therefore immaterial and no charge has been made.

Where no charge for depreciation is made and where the useful economic life exceeds 50 years an impairment review under FRS 11 should be carried out on an annual basis. Such a review has been performed and this shows that the value of the properties exceeds the carrying value in the financial statements.

Expenditure on equipment included within housing properties and refurbishment expenditure incurred on properties is capitalised. Depreciation is charged on the equipment, improvements and replacements at rates intended to write off the cost evenly over expected useful lives of 10 years.

Heritable office property
The Association does not depreciate its heritable office property as in the opinion of the Committee of Management the value of the property is not less than its net book value.

Office Furniture and equipment
Depreciation is provided at a rate calculated to write off the cost of furniture and equipment evenly over its expected useful life of 5 to 10 years.

Motor vehicles
Depreciation is provided at a rate calculated to write off the cost of the motor vehicles evenly over their expected life of 5 years.

Computer equipment
Depreciation is provided at a rate calculated to write off the cost of the computer equipment evenly over its expected useful life of 4 - 6 years.

1. Accounting Policies (Contd.)

(f) Homestake

Properties developed under the Scottish Government's shared equity Homestake initiative are funded by grant and ultimate sales proceeds.

The net investment in Homestake properties not yet completed or sold is shown within debtors in current assets and represents total costs incurred at the balance sheet date less grants receivable. Homestake allowances receivable to market the properties are taken to income as developments are completed and until that point are included within deferred income.

2. Particulars of turnover, operating costs and operating surplus/(deficit)

	Turnover	Operating Costs	Operating surplus or (deficit) 2011	Operating surplus or (deficit) 2010
	£	£	£	£
Social lettings (note 3)	13,025,552	11,063,433	1,962,119	1,796,734
Other activities (note 4)	1,604,393	1,875,861	(271,468)	(167,173)
Total	14,629,945	12,939,294	1,690,651	1,629,561
2010	14,035,174	12,405,613	1,629,561	

During the year housing benefit of £ Nil (2010: £13,470) was received and passed on to the relevant care providers, the Association only acting as collection agent.

CAIRN HOUSING ASSOCIATION LIMITED
NOTES to the FINANCIAL STATEMENTS (Contd.)
For the year ended 31 March 2011

3. Particulars of turnover, operating costs and operating surplus or (deficit) from social letting activities

	General Needs Housing	Supported accommodation Sheltered Housing	Supported accommodation Other supported	Shared Ownership	Other Housing*	2011	2010
	£	£	£	£	£	£	£
Rent receivable net of service charges	6,806,485	2,496,454	84,428	124,299	831,366	10,343,032	9,726,992
Service charges	170,229	1,522,889	24,174	8,080	968,500	2,693,872	2,516,930
Gross income from rents and service charges	6,976,714	4,019,343	108,602	132,379	1,799,866	13,036,904	12,243,922
Less: Voids	(49,866)	(151,763)	(9,908)	-	(8,596)	(220,133)	(198,487)
Net income from rents and service charges	6,926,848	3,867,580	98,694	132,379	1,791,270	12,816,771	12,045,435
Grants from the Scottish Ministers	70,253	137,663	-	-	865	208,781	303,891
Other revenue grants	-	-	-	-	-	-	-
Total turnover from social letting activities	6,997,101	4,005,243	98,694	132,379	1,792,135	13,025,552	12,349,326
Management and maintenance administration costs	2,690,448	1,496,369	10,275	68,559	222,655	4,488,306	3,905,101
Service costs (including depreciation)	237,311	1,175,679	98,105	10,730	818,874	2,340,699	2,404,090
Planned and cyclical maintenance including major repair costs	1,915,218	956,970	5,479	22,616	294,710	3,194,993	2,782,597
Planned and cyclical maintenance capitalised	(1,282,418)	(247,339)	-	-	-	(1,529,757)	(917,296)
Responsive maintenance costs	966,693	455,038	12,868	16,286	100,298	1,551,183	1,520,527
Bad debts (rents and service charges)	60,359	2,336	24,448	156	(388)	86,911	106,633
Depreciation of social housing	805,980	122,813	-	-	2,305	931,098	750,940
Operating costs for social letting activities	5,393,591	3,961,866	151,175	118,347	1,438,454	11,063,433	10,552,592
Operating surplus or (deficit) for social lettings	1,603,510	43,377	(52,481)	14,032	353,681	1,962,119	1,796,734
Operating surplus or (deficit) for social lettings - 2010	1,859,219	(355,267)	(40,914)	(6,344)	340,040	1,796,734	
Number of units in management:							
2011	2,217	1,014	23	66	160	3,480	
2010	2,066	1,062	23	68	161	3,380	

*Other housing refers to care homes, very sheltered accommodation and accommodation leased to and managed by other bodies.

4. Particulars of turnover, operating costs and operating surplus or (deficit) from other activities

	Grants from Scottish Ministers	Other revenue grants	Supporting people income	Other income	Total turnover	Operating costs - bad debts	Other operating costs	Operating surplus or (deficit) 2011	Operating surplus or (deficit) 2010
	£	£	£	£	£	£	£	£	£
Care and repair of property	-	215,595	-	-	215,595	-	204,259	11,336	16,644
Development and construction of property activities	132,074	-	-	-	132,074	-	509,652	(377,578)	(244,767)
Support activities	-	-	771,083	-	771,083	-	779,167	(8,084)	(37,120)
Care activities	-	382,783	-	-	382,783	-	382,783	-	-
Other activities (including legacies)	-	-	-	102,858	102,858	-	-	102,858	98,070
Total from other activities	132,074	598,378	771,083	102,858	1,604,393	-	1,875,861	(271,468)	(167,173)
Total from other activities for the previous period of account	236,387	547,926	803,465	98,070	1,685,848	-	1,853,021	(167,173)	

The other activity headings as noted in The Registered Social Landlords Accounting Requirements (Scotland) Order 2007 do not apply.

5. Taxation

	2011	2010
	£	£
Current tax charge:		
On results for the year	-	788
Under/(over) in previous years	-	934
	-	1,722

The Association is a Scottish Charity and no liability to Corporation Tax arises on housing activities in the year.

6. Employees

	2011	2010
	£	£
Staff costs during year:		
Wages and salaries	4,179,959	4,394,728
Social security costs	298,638	296,360
Other pension costs	326,800	352,176
Redundancy and compensation payments	-	117,284
	4,805,397	5,160,548

	No.	No.
Average weekly number (full time equivalent) of employees of the Association including staff on an agency basis during the year was		
Office staff	87	92
Housing managers and other staff	115	116
	202	208

7. Gain on sale of housing properties

	2011	2010
	£	£
Gain on former Outlook properties	1,099,607	-
Gain on right to buy sales	75,136	94,261
Gain on shared ownership tranches	275,769	37,155
	1,450,512	131,416

8. Tangible fixed assets

(a) Housing properties	Shared Ownership held for letting £	Housing held for letting £	Properties in course of construction £	Housing properties total £	Homestake £
Cost or valuation					
At start of year	3,632,914	137,750,448	24,943,234	166,326,596	11,653,571
Additions during year - new developments	-	-	7,015,253	7,015,253	3,218,715
- improvements to existing property	-	1,529,757	-	1,529,757	-
Completed during year	-	30,025,183	(30,025,183)	-	-
Sale of tranches/houses	(73,625)	(375,463)	-	(449,088)	(3,089,903)
At end of year	3,559,289	168,929,925	1,933,304	174,422,518	11,782,383
Depreciation					
At start of year	-	3,549,854	-	3,549,854	-
Charge for year	-	1,020,479	-	1,020,479	-
At end of year	-	4,570,333	-	4,570,333	-
Depreciated gross cost	3,559,289	164,359,592	1,933,304	169,852,185	11,782,383
Housing Association Grant					
At start of year	2,277,687	87,217,677	14,669,226	104,164,590	11,653,571
Additions during year	-	-	5,514,446	5,514,446	128,812
On disposals	(77,515)	-	-	(77,515)	-
Completed during year	-	19,160,566	(19,160,566)	-	-
At end of year	2,200,172	106,378,243	1,023,106	109,601,521	11,782,383
Net book value					
At 31 March 2011	1,359,117	57,981,349	910,198	60,250,664	-
At 31 March 2010	1,355,227	46,982,917	10,274,008	58,612,152	-

At 31 March 2011, remaining properties received under a transfer of engagements in a prior year are included in properties held for letting at net book value of £3,625,666 the fair value of those properties at the date of transfer (2010: £4,291,875).

For the year ended 31 March 2011

8. Tangible fixed assets (contd.)

(b) Other fixed assets

	Heritable office property £	Furniture and equipment £	Motor vehicles £	Other fixed assets total £
Cost				
At start of year	1,655,203	333,096	54,167	2,042,466
Additions during year	-	68,901	-	68,901
Disposals during year	-	-	(35,362)	(35,362)
At end of year	1,655,203	401,997	18,805	2,076,005
Depreciation				
At start of year	-	225,943	50,406	276,349
Provided during year	-	75,452	3,761	79,213
Disposals during year	-	-	(35,362)	(35,362)
At end of year	-	301,395	18,805	320,200
Net book value				
At 31 March 2011	1,655,203	100,602	-	1,755,805
At 31 March 2010	1,655,203	107,153	3,761	1,766,117

(c) Investments

	2011 £	2010 £
Investment in subsidiary undertaking:		
Cairn Homes and Services Limited	1	1

(d) Securities

Securities have been provided on various housing properties (see note 12).

9. Debtors

	2011 £	2010 £
Rent arrears	482,674	564,168
Less: provision for bad debts	316,323	277,542
	166,351	286,626
HAG receivable	450,406	1,527,743
Homestake work in progress	1,583,661	399,601
Sundry debtors and prepayments	607,746	387,672
Service charge equalisation	-	49,905
	2,808,164	2,651,547

10. Creditors: amounts falling due within one year

	2011 £	2010 £
Current instalments due on loans (note 12)	1,450,811	1,334,772
Prepaid rents and service charges	507,855	342,419
Corporation tax	-	1,722
Other taxes	4,000	15,000
Sundry creditors, accruals and deferred income	2,144,833	1,972,033
HAG repayable	3,119,849	240,826
	7,227,348	3,906,772

11. Creditors: amounts falling due after more than one year

	2011 £	2010 £
Housing loans (note 12)	43,340,631	43,714,258

12. Loans

	2011 £	2010 £
Loans on mortgage secured by charges on the Association's housing land and buildings:		
Loans advanced by:		
Private lenders	44,791,442	45,049,030
Amounts falling due in:		
One year (note 10)	1,450,811	1,334,772
One year or more but less than two years	1,623,237	1,362,977
Two years or more but less than five years	5,330,119	4,966,426
Five years or more	36,387,275	37,384,855
	44,791,442	45,049,030

Costs incurred towards the rearranging of loans and the setting up of new loans are fully written off.

The loans are advanced to finance the development and refurbishment of housing land and buildings and are repayable by quarterly instalments of principal and interest. The loans bear interest at rates between 0.54% and 5.24%.

13. Share capital

	2011 £	2010 £
Shares of £1 each issued and fully paid		
At 1 April 2010	144	155
Cancelled during the year	(5)	(11)
Issued during the year	4	-
At 31 March 2011	143	144

Shares carry no rights to dividends or to share in the assets of the Association.

14. Revenue reserve

	2011	2010
	£	£
At 1 April 2010	16,841,363	16,276,416
Surplus/ (deficit) for year	1,964,607	564,947
At 31 March 2011	18,805,970	16,841,363

15. Capital commitments

Amounts contracted for but not provided in the financial statements amounted to £3.3million (2010: £12 million). This amount is expected to be financed by approximately £1.7 million of HAG with the balance being funded from agreed loan facilities.

16. Pension scheme

(i) SHAP scheme

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

It is not possible in the normal course of events to identify the share of underlying assets and liabilities belonging to 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 September 2009 by a professionally qualified Actuary using the Projected Unit Credit method. The market value of the Scheme's assets at the valuation date was £295 million. The valuation revealed a shortfall of assets compared with the value of liabilities of £160 million, equivalent to a past service funding level of 64.8%.

The Scheme Actuary has prepared an Actuarial Report that provides an approximate update on the funding position of the Scheme as at 30 September 2010. 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 £335 million and indicated an increase in the shortfall of assets compared to liabilities to approximately £162 million, equivalent to a past service funding level of 67.4%.

16. Pension scheme (continued)

The Scheme offers five 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,

An employer can elect to operate different benefit structures for their active members (as at the first day of April in any given year) and their new entrants. An employer can only operate one open benefit structure at any one time. An open benefit structure is one which new entrants are able to join.
The Association has elected to operate the final salary with a 1/60th accrual rate benefit option for active members as at 31 March 2011, and the final salary with a 1/60th accrual rate benefit option for new entrants from 1 April 2011.

The Association paid contributions at the rate of 15.4% of pensionable salaries during the accounting period. Member contributions were 7.7%.

As at the balance sheet date there were 84 active members of the Scheme employed by the Association. The annual pensionable payroll in respect of these members was £2,164,545. The Association continues to offer membership of the Scheme to its employees.

Financial assumptions

The key financial assumptions used to determine the assets and liabilities of the Scottish Housing Associations' Pension Scheme as at 30 September 2009 were as follows:

	% pa
- Investment return pre-retirement	7.4
- Investment return post-retirement – Non - pensioners	4.6
- Investment return post-retirement - Pensioners	4.8
- Rate of salary increases	4.5
- Rate of pension increases	
Pension accrued pre 6 April 2005 in excess of GMP	2.9
Pension accrued post 6 April 2005	2.2
(for leavers before 1 October 1993 pension increases are 5.0%)	
- Rate of price inflation	3.0

Mortality Tables

Non Pensioners - SAPS (S1PA) All Pensioners Year of Birth Long Cohort with 1%pa minimum improvement
Pensioners - SAPS (S1PA) All Pensioners Year of Birth Long Cohort with 1%pa minimum improvement

Contribution Rates for Future Service (payable from 1 April 2011)

	%
- Final Salary 1/60ths	19.2
- Additional rate for deficit contributions*	10.4

(* Expressed in nominal pound terms (for each employer) increasing each 1 April in line with the rate of salary increases assumption. Earnings as at 30 September 2009 are used as the reference point for calculating the additional contributions.)

16. Pension scheme (continued)

Employer debt regulations

As a result of pension scheme legislation 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.

The leaving employer's share of the buy-out debt is the proportion of the Scheme's liability attributable to employment with the leaving employer compared to the total amount of the Scheme's liabilities (relating to employment with all the currently participating employers). The leaving employer's debt therefore includes a share of any 'orphan' liabilities in respect of previously participating employers. The amount of the debt therefore depends on many factors including total Scheme liabilities, Scheme investment 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. As the Association continues to offer membership of the Scheme to its employees it regards the crystallisation of the buy-out debt in relation to the Association as being remote and therefore no provision is required.

(ii) Pension Trust's Growth Plan

The Association participates in The Pensions Trust's Growth Plan (the Plan). The Plan is funded and is not contracted-out of the State scheme. The Plan is a multi-employer pension plan.

Contributions paid into the Plan up to and including September 2001 were converted to defined amounts of pension payable from Normal Retirement Date. From October 2001 contributions were invested in personal funds which have a capital guarantee and which are converted to pension on retirement, either within the Plan or by the purchase of an annuity.

The rules of the Plan allow for the declaration of bonuses and/or investment credits if this is within the financial capacity of the Plan assessed on a prudent basis. Bonuses/investment credits are not guaranteed and are declared at the discretion of the Plan's Trustee.

The Trustee commissions an actuarial valuation of the Plan every three years. The purpose of the actuarial valuation is to determine the funding position of the Plan by comparing the assets with the past service liabilities as at the valuation date. Asset values are calculated by reference to market levels. Accrued past service liabilities are valued by discounting expected future benefit payments using a discount rate calculated by reference to the expected future investment returns.

16. Pension scheme (continued)

The rules of the Plan give the Trustee the power to require employers to pay additional contributions in order to ensure that the statutory funding objective under the Pensions Act 2004 is met. The statutory funding objective is that a pension scheme should have sufficient assets to meet its past service liabilities, known as Technical Provisions.

If the actuarial valuation reveals a deficit, the Trustee will agree a recovery plan to eliminate the deficit over a specified period of time either by way of additional contributions from employers, investment returns or a combination of these.

The rules of the Plan state that the proportion of obligatory contributions to be borne by the member and the member's employer shall be determined by agreement between them. Such agreement shall require the employer to pay part of such contributions and may provide that the employer shall pay the whole of them.

The Association paid contributions at the rate of 0% during the accounting period. Members paid contributions at the rate of 4% during the accounting period.

As at the balance sheet date there was 1 active member of the Plan employed by the Association. The Association continues to offer membership of the Plan to its employees.

It is not possible in the normal course of events to identify on a reasonable and consistent basis the share of underlying assets and liabilities belonging to individual participating employers. The Plan is a multi-employer scheme where the Plan assets are co-mingled for investment purposes, and benefits are paid from the total Plan assets. Accordingly, due to the nature of the Plan, the accounting charge for the period under FRS17 represents the employer contribution payable.

The valuation results at 30 September 2008 have now been completed and have been formalised. The valuation of the Plan was performed by a professionally qualified Actuary using the Projected Unit Method. The market value of the Plan's assets at the valuation date was £742 million and the Plan's Technical Provisions (i.e. past service liabilities) were £771 million. The valuation therefore revealed a shortfall of assets compared with the value of liabilities of £29 million, equivalent to a funding level of 96%.

The financial assumptions underlying the valuation as at 30 September 2008 were as follows:

	% pa
Investment return pre-retirement	7.6
Investment return post-retirement	
Actives/deferreds	5.1
Pensioners	5.6
Bonuses on accrued benefits	0.0
Rate of price inflation	3.2

In determining the investment return assumptions the Trustee considered advice from the Scheme Actuary relating to the probability of achieving particular levels of investment return. The Trustee has incorporated an element of prudence into the pre and post retirement investment return assumptions; such that there is a 60% expectation that the return will be in excess of that assumed and a 40% chance that the return will be lower than that assumed over the next 10 years.

16. Pension scheme (continued)

The Scheme Actuary has prepared a funding position update as at 30 September 2009. The market value of the Plan's assets at that date was £765 million and the Plan's Technical Provisions (i.e. past service liabilities) were £820 million. The valuation therefore revealed a shortfall of assets compared with the value of liabilities of £55 million, equivalent to a funding level of 93%.

If an actuarial valuation reveals a shortfall of assets compared to liabilities, the Trustee must prepare a recovery plan setting out the steps to be taken to make up the shortfall.

In view of the small funding deficit and the level of prudence implicit in the assumptions used to calculate the Plan liabilities the Trustee has prepared a recovery plan on the basis that no additional contributions from participating employers are required at this point in time. In reaching this decision the Trustee has taken actuarial advice and has been advised that the shortfall of £29 million (as at 30 September 2008) will be cleared within 10 years if the investment returns from assets are in-line with the 'best estimate' assumptions. 'Best estimate' means that there is a 50% expectation that the return will be in excess of that assumed and a 50% expectation that the return will be lower than that assumed over the next 10 years. These "best estimate" assumptions are 8.4% per annum pre-retirement, 5.1% per annum post retirement (actives and deferreds) and 5.6% per annum post-retirement (pensioners).

A copy of the recovery plan must be sent to The Pensions Regulator. The Regulator has the power under Part 3 of the Pensions Act 2004 to issue scheme funding directions where it believes that the actuarial valuation assumptions and/or recovery plan are inappropriate. For example the Regulator could require that the Trustee strengthens the actuarial assumptions (which would increase the Plan liabilities and hence impact on the recovery plan) or impose a schedule of contributions on the Plan (which would effectively amend the terms of the recovery plan). A copy of the recovery plan in respect of the September 2008 valuation was forwarded to The Pensions Regulator on 18 December 2009.

The next full actuarial valuation will be carried out as at 30 September 2011.

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 Plan. The Trustee's current policy is that it only applies to employers with pre-October 2001 liabilities in the Plan. The debt is due in the event of the employer ceasing to participate in the Plan or the Plan winding up.

The debt for the Plan as a whole is calculated by comparing the liabilities for the Plan(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 Plan. If the liabilities exceed assets there is a buy-out debt.

The leaving employer's share of the buy-out debt is the proportion of the Plan's pre-October 2001 liability attributable to employment with the leaving employer compared to the total amount of the Plan's pre-October 2001 liabilities (relating to employment with all the currently participating employers). The leaving employer's debt therefore includes a share of any 'orphan' liabilities in respect of previously participating employers. The amount of the debt therefore depends on many factors including total Plan liabilities, Plan 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.

17. Auditor's remuneration

	2011	2010
	£	£
The remuneration of the external auditor for the year (including expenses and VAT)		
- for audit services	16,506	16,186
- for other services	2,526	2,933

18. Payments to members and committee members

No member of the Association received any fee or remuneration during the year (2010: £Nil). Members of the Committee of Management were reimbursed for out of pocket travel expenses amounting to £17,297 (2010: £11,928).

19. Directors' emoluments

Directors are defined as the members of the Committee of Management, the Executive Officers (Chief Executive and his Deputy) and any other officer of the Association whose total emoluments exceed £60,000 per annum. No emoluments were paid to any member of the Committee of Management during the year and details of emoluments paid to the Executive Officers and other directors follow.

	2011	2010
	£	£
Total emoluments [including pension contributions of £ 41,905 (2010: £43,044) and benefits in kind]	325,359	349,052

The emoluments of the Chief Executive, excluding pension contributions, were £ 82,091 (2010: £86,308).

The number of other directors whose emoluments, excluding pension contributions, were above £60,000 for the year were:

	2011	2010
£60,000 to £70,000	1	1
£70,000 to £80,000	2	2

20. Reconciliation of surplus for the year to cash inflow from operating activities

	2011	2010
	£	£
Surplus for the year	1,964,607	566,669
Depreciation charges	1,099,692	930,966
Increase in creditors	331,074	663,581
(Increase)/decrease in debtors	(99,799)	423,410
Movement in service charge equalisation	49,905	(46,496)
Interest receivable	(19,675)	(6,845)
Interest payable and similar charges	1,196,231	1,201,153
(Gain) on sale of assets	(1,450,512)	(129,519)
Movement in share capital	(1)	(11)
Net cash inflow from operating activities	3,071,522	3,602,908

21. Capital expenditure and financial investment

	2011	2010
	£	£
Payments to acquire and improve housing stock	(12,947,785)	(20,798,747)
Purchase of other fixed assets	(68,901)	(80,542)
HAG and other capital grants received in year	9,599,618	9,460,134
Sale of houses (including Homestake)	4,989,503	3,651,159
Shared ownership receipts	-	-
Sale of other fixed assets	-	7,000
HAG repaid	(77,515)	(31,731)
Net cash inflow/(outflow) from capital expenditure and financial investment	1,494,920	(7,792,727)

22. Financing

	2011	2010
	£	£
Housing loans drawn down	895,235	8,379,669
Housing loans repaid	(1,152,823)	(828,883)
Proceeds from shares	-	-
Net cash inflow from financing	(257,588)	7,550,786

23. Reconciliation of net cash flow to movement in net debt

	2011 £	2010 £
Increase/(Decrease) in cash in the year	3,126,738	2,066,403
Loans drawn down	(895,235)	(8,379,669)
Loans repaid	1,152,823	828,883
	3,384,326	(5,484,383)
Net debt at 1 April 2010	(43,616,310)	(38,131,927)
Net debt at 31 March 2011	(40,231,984)	(43,616,310)

24. Analysis of net debt

	At 1 April 2010 £	Cash Flows £	Non-Cash Changes £	At 31 March 2011 £
Amounts held on short term deposit	1,000,000	3,000,000	-	4,000,000
Cash at bank	432,720	126,738	-	559,458
Bank overdraft	-	-	-	-
	1,432,720	3,126,738	-	4,559,458
Debt due within 1 year	(1,334,772)	1,152,823	(1,268,862)	(1,450,811)
Debt due after 1 year	(43,714,258)	(895,235)	1,268,862	(43,340,631)
Total	(43,616,310)	3,384,326	-	(40,231,984)

25. Related parties

Certain of the members of the Committee of Management are tenants of the Association. The tenancies of these Committee Members are on normal terms and the members cannot use their position to their advantage.